PPL CORP
Form 10-K405
March 01, 2002

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

FORM 10-K

[X]	ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the fiscal year ended December 31, 2001

OR

[ ]	TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from _________ to ___________

Commission File Number	Registrant; State of Incorporation; Address and Telephone Number	IRS Employer Identification No.
1-11459	**PPL Corporation** (Exact name of Registrant as specified in its charter) (Pennsylvania) Two North Ninth Street Allentown, PA 18101-1179 (610) 774-5151	23-2758192
333-74794	**PPL Energy Supply, LLC** (Exact name of Registrant as specified in its charter) (Delaware) Two North Ninth Street Allentown, PA 18101-1179 (610) 774-5151	23-3074920
1-905	**PPL Electric Utilities Corporation** (Exact name of Registrant as specified in its charter) (Pennsylvania) Two North Ninth Street Allentown, PA 18101-1179 (610) 774-5151	23-0959590
333-50350	**PPL Montana, LLC** (Exact name of Registrant as specified in its charter) (Delaware)	54-1928759

303 North Broadway - Suite 400
Billings, MT 59101
(406) 869-5100

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

Title of each class	Name of each exchange on which registered
Common Stock of PPL Corporation	New York & Philadelphia Stock Exchanges
Preferred Stock of PPL Electric Utilities Corporation	
4-1/2%	New York & Philadelphia Stock Exchanges
3.35% Series	Philadelphia Stock Exchange
4.40% Series	New York & Philadelphia Stock Exchanges
4.60% Series	Philadelphia Stock Exchange

Company-Obligated Mandatorily Redeemable Securities of PPL Electric Utilities Corporation

8.20% Series ($25 stated value)(a)	New York Stock Exchange
8.10% Series ($25 stated value)(b)	New York Stock Exchange

PPL Capital Funding

7-3/4% PEPS Units ($25 stated value)(c)	New York Stock Exchange

(a) Issued by PPL Capital Trust and guaranteed by PPL Electric Utilities Corporation

(b) Issued by PPL Capital Trust II and guaranteed by PPL Electric Utilities Corporation

(c) Issued by PPL Capital Funding Trust I and guaranteed by PPL Corporation

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

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

PPL Corporation	[X]
PPL Energy Supply, LLC	[X]
PPL Electric Utilities Corporation	[X]

PPL Montana, LLC	[X]

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

PPL Corporation	Yes X	No ___
PPL Energy Supply, LLC	Yes ___	No X
PPL Electric Utilities Corporation	Yes X	No ___
PPL Montana, LLC	Yes X	No ___

PPL Energy Supply, LLC has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 since its initial Registration Statement on Form S-4 became effective on January 7, 2002.

As of January 31, 2002, PPL Corporation had 146,581,220 shares of its $.01 par value Common Stock outstanding, excluding 30,993,637 shares held as treasury stock. The aggregate market value of these common shares (based upon the average of the high and low price of these shares on the New York Stock Exchange on that date) held by non-affiliates was $4,838,646,000.

PPL Corporation held all 78,029,863 outstanding common shares, no par value, of PPL Electric Utilities Corporation, excluding 79,270,519 shares held as treasury stock. The aggregate market value of the voting preferred stock held by non-affiliates of PPL Electric Utilities Corporation at January 31, 2002 was $67,402,000.

PPL Corporation indirectly holds all of the member interests in PPL Energy Supply, LLC and PPL Montana, LLC.

PPL Energy Supply, LLC and PPL Montana, LLC meet the conditions set forth in General Instructions (I)(1)(a) and (b) of Form 10-K and are therefore filing this form with the reduced disclosure format.

Documents incorporated by reference:

PPL Corporation and PPL Electric Utilities Corporation have incorporated herein by reference certain sections of PPL Corporation's 2002 Notice of Annual Meeting and Proxy Statement, and PPL Electric Utilities Corporation's 2002 Notice of Annual Meeting and Information Statement, which will be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2001. Such Statements will provide the information required by Part III of this Report.

PPL CORPORATION
PPL ENERGY SUPPLY, LLC
PPL ELECTRIC UTILITIES CORPORATION
PPL MONTANA, LLC

FORM 10-K ANNUAL REPORT TO
THE SECURITIES AND EXCHANGE COMMISSION
FOR THE YEAR ENDED DECEMBER 31, 2001

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This combined Form 10-K is separately filed by PPL Corporation, PPL Energy Supply, LLC, PPL Electric Utilities Corporation and PPL Montana, LLC. Information contained herein relating to PPL Energy Supply, LLC, PPL Electric Utilities Corporation and PPL Montana, LLC is filed by PPL Corporation and separately by PPL Energy Supply, LLC, PPL Electric Utilities Corporation and PPL Montana, LLC on their own behalf. No registrant makes any representation as to information relating to any other registrant, except that information relating to the three PPL Corporation subsidiaries is also attributed to PPL Corporation.

PPL ENERGY SUPPLY, LLC

PART II

PART III

PPL ELECTRIC UTILITIES CORPORATION

PART II

PART III

PPL MONTANA, LLC

PART II

PART III

GLOSSARY OF TERMS AND ABBREVIATIONS

1945 First Mortgage Bond Indenture - PPL Electric's Mortgage and Deed of Trust, dated as of October 1, 1945, to Bankers Trust Company, as trustee, as supplemented.

2001 Senior Secured Bond Indenture - PPL Electric's Indenture, dated as of August 1, 2001, to JPMorgan Chase Bank, as trustee, as supplemented.

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

APB - Accounting Principles Board.

Bangor Hydro - Bangor Hydro-Electric Company.

BG&E - Baltimore Gas & Electric Company.

BGG - Bolivian Generating Group, LLC, an energy consortium with a 50% interest in an electric generating company in Bolivia.

CEMAR - Companhia Energética do Maranhão, a Brazilian electric distribution company in which PPL Global has a majority ownership interest.

CGE - Compañia General Electricidad, SA, a distributor of energy in Chile and Argentina in which PPL Global has a minority ownership interest.

Clean Air Act - federal legislation enacted to address certain environmental issues related to air emissions including acid rain, ozone and toxic air emissions.

CO_2 - carbon dioxide.

CTC - competitive transition charge on customer bills to recover allowable transition costs under the Customer Choice Act.

Customer Choice Act (Pennsylvania Electricity Generation Customer Choice and Competition Act) - legislation enacted to restructure the state's electric utility industry to create retail access to a competitive market for generation of electricity.

DelSur - Distribuidora Electricidad del Sur S.A., an electric distribution company in El Salvador, a majority of which is owned by EC.

DEP - Department of Environmental Protection.

Derivative - a financial instrument or other contract with all three of the following characteristics:

a. It has (1) one or more underlyings and (2) one or more notional amounts or payment provisions or both. Those terms determine the amount of the settlement or settlements, and, in some cases, whether or not a settlement is required.
b. It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
c. Its terms require or permit net settlement, it can readily be settled net by a means outside the contract, or it provides for delivery of an asset that puts the recipient in a position not substantially different from net settlement.

DIG - Derivatives Implementation Group.

DOE - Department of Energy.

DRIP - Dividend Reinvestment Plan.

EC - Electricidad de Centroamerica, S.A. de C.V, an El Salvadoran holding company and the majority owner of Del Sur. PPL Global has 100% ownership of EC.

EGS - electric generation supplier.

EITF (Emerging Issues Task Force) - an organization that assists the FASB in improving financial reporting through the identification, discussion and resolution of financial issues within the framework of existing authoritative literature.

Emel - Empresas Emel, S.A., a Chilean electric distribution holding company of which PPL Global has majority ownership.

EMF - electric and magnetic fields.

Enrichment - the concentration of fissionable isotopes to produce a fuel suitable for use in a nuclear reactor.

EPA - Environmental Protection Agency.

EPS - earnings per share.

ESOP - Employee Stock Ownership Plan.

EWG - exempt wholesale generator.

Fabrication - the process which manufactures nuclear fuel assemblies for insertion into the reactor.

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

FERC (Federal Energy Regulatory Commission) - federal agency that regulates interstate transmission and wholesale sales of electricity and related matters.

GAAP - Generally accepted accounting principles.

Hyder - Hyder Limited, a subsidiary of WPDL and previous owner of South Wales Electricity plc. In March 2001, South Wales Electricity plc was acquired by WPD 1953 and renamed WPD (South Wales).

IBEW - International Brotherhood of Electrical Workers.

ICP - Incentive Compensation Plan.

ICPKE - Incentive Compensation Plan for Key Employees.

IRS - Internal Revenue Service.

ISO - Independent System Operator.

ITC - intangible transition charge on customer bills to recover intangible transition costs associated with securitizing stranded costs under the Customer Choice Act.

JCP&L - Jersey Central Power & Light Company.

kWh - kilowatthours.

kVA - kilovoltampere.

LIBOR - London Interbank Offered Rate.

Mirant - Mirant Corporation, formerly Southern Energy Inc., a diversified energy company based in Atlanta. PPL Global and Mirant jointly own WPD 1953.

Montana Power - The Montana Power Company, a Montana-based company engaged in diversified energy and communication-related businesses. Montana Power sold its generating assets to PPL Montana in December 1999.

MPSC - Montana Public Service Commission.

MW - megawatts.

NO_x - nitrogen oxide.

NPDES - National Pollutant Discharge Elimination System.

NRC (Nuclear Regulatory Commission) - federal agency that regulates operation of nuclear power facilities.

NUGs (Non-Utility Generators) - generating plants not owned by public utilities, whose electrical output must be purchased by utilities under the PURPA if the plant meets certain criteria.

OSM - United States Office of Surface Mining.

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

PEPS Units (Premium Equity Participating Security Units) - securities issued by PPL Capital Funding Trust I and PPL, consisting of a Preferred Security and a forward contract to purchase PPL Corporation common stock.

PJM (PJM Interconnection, LLC) - operates the electric transmission network and electric energy market in the mid-Atlantic region of the U.S.

PLR - Provider of Last Resort, refers to PPL Electric providing electricity to retail customers within its delivery territory who have chosen not to shop for electricity under the Customer Choice Act.

PPL - PPL Corporation, the parent holding company of PPL Electric, PPL Energy Funding and other subsidiaries.

PPL Capital Funding - PPL Capital Funding, Inc., a PPL financing subsidiary.

PPL Capital Funding Trust I - a Delaware statutory business trust created to issue PEPS Units, whose common securities are held by PPL.

PPL Capital Trust - a Delaware statutory business trust created to issue Preferred Securities, whose common securities are held by PPL Electric.

PPL Capital Trust II - a Delaware statutory business trust created to issue Preferred Securities, whose common securities are held by PPL Electric.

PPL Coal Supply - a partnership between PPL Coal Holdings, LLC (a subsidiary of PPL Generation) and Iris Energy, LLC. PPL Coal Supply procures coal, which it sells to PPL Generation power plants, and to Iris Energy for purposes of producing synfuel.

PPL Electric - PPL Electric Utilities Corporation, a regulated utility subsidiary of PPL that transmits and distributes electricity in its service territory, and provides electric supply to retail customers in this territory as a PLR.

PPL Energy Funding - PPL Energy Funding Corporation, which is a subsidiary of PPL and the parent company of PPL Energy Supply.

PPL EnergyPlus - PPL EnergyPlus, LLC, a subsidiary of PPL Energy Supply which markets wholesale and retail electricity, and supplies energy and energy services in newly deregulated markets.

PPL Energy Supply - PPL Energy Supply, LLC, the parent company of PPL Generation, PPL EnergyPlus, PPL Global and other subsidiaries. Formed in November 2000, PPL Energy Supply is a subsidiary of PPL Energy Funding.

PPL Gas Utilities - PPL Gas Utilities Corporation, a regulated utility subsidiary of PPL specializing in natural gas distribution, transmission and storage services, and the sale of propane.

PPL Generation - PPL Generation, LLC, a subsidiary of PPL Energy Supply which, effective July 1, 2000, owns and operates U.S. generating facilities through various subsidiaries.

PPL Global - PPL Global, LLC, a subsidiary of PPL Energy Supply, which invests in and develops domestic and international power projects, and owns and operates international power projects.

PPL Holtwood - PPL Holtwood, LLC, a subsidiary of PPL Generation which owns PPL's hydroelectric generating operations in Pennsylvania.

PPL Maine - PPL Maine, LLC, a subsidiary of PPL Generation which owns generating operations in Maine.

PPL Martins Creek - PPL Martins Creek, LLC, a fossil generating subsidiary of PPL Generation.

PPL Montana - PPL Montana, LLC, an indirect subsidiary of PPL Generation which generates electricity for wholesale and retail sales in Montana and the Northwest.

PPL Montour - PPL Montour, LLC, a fossil generating subsidiary of PPL Generation.

PPL Services - PPL Services Corporation, a subsidiary of PPL which provides shared services for PPL and its subsidiaries.

PPL Susquehanna - PPL Susquehanna, LLC, the nuclear generating subsidiary of PPL Generation.

PPL Transition Bond Company - PPL Transition Bond Company, LLC, a wholly-owned subsidiary of PPL Electric, formed to issue transition bonds under the Customer Choice Act.

Preferred Securities - Company-obligated mandatorily redeemable preferred securities issued by PPL Capital Trust, PPL Capital Trust II and PPL Capital Funding Trust I, holding solely debentures of PPL Electric, in the case of PPL Capital Trust and PPL Capital Trust II, and solely debentures of PPL Capital Funding in the case of PPL Capital Funding Trust I.

PRP - Potentially Responsible Parties under Superfund.

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

PUC Final Order - final order issued by the PUC on August 27, 1998, approving the settlement of PPL Electric Utilities' restructuring proceeding.

PUHCA - Public Utility Holding Company Act of 1935.

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

PURTA - Public Utility Realty Tax Act.

RMC - Risk Management Committee.

RTO - regional transmission organization.

SCR - selective catalytic reduction.

SEC - Securities and Exchange Commission.

SERP - Supplemental Executive Retirement Plan.

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

SNCR - selective non-catalytic reduction.

SO_2 - sulfur dioxide.

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

SWEB - the trading name for South Western Electricity plc, a British regional electric utility company. Following the sale of its supply business in 1999, SWEB was renamed Western Power Distribution and then WPD (South West). See WPD (South West), below.

Synfuel projects - production facilities that manufacture synthetic fuel from coal or coal byproducts. Favorable federal tax credits are available on qualified synfuel products.

Tolling agreement - agreement whereby PPL, as owner of an electric generating facility, agrees to use that facility to convert ("toll") fuel provided by a third party into electric energy for delivery back to the third party.

UF - inflation-indexed peso-denominated unit.

UGI - UGI Corporation.

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

***WPD* (South Wales)** - Western Power Distribution (South Wales) plc, a Welsh regional electric utility company.

***WPD* (South West)** - Western Power Distribution (South West) plc, a British regional electric utility company.

WPD 1953 - WPD 1953 Limited, a jointly-owned subsidiary of PPL Global and Mirant. WPD 1953 owns WPD Holdings U.K. which owns WPD (South West) and WPD (South Wales).

WPDL - Western Power Distribution Limited, a wholly-owned subsidiary of WPD Investment Holdings Limited, which is a jointly-owned subsidiary of PPL Global and Mirant. WPDL owns 100% of the common shares of Hyder.

Forward-looking Information

Certain statements contained in this Form 10-K concerning expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements which are other than statements of historical facts are "forward-looking statements" within the meaning of the federal securities laws. Although PPL, PPL Energy Supply, PPL Electric and PPL Montana believe that the expectations and assumptions reflected in these statements are reasonable, there can be no assurance that these expectations will prove to have been correct. These forward-looking statements involve a number of risks and uncertainties, and actual results may differ materially from the results discussed in the forward-looking statements. In addition to the specific factors discussed in the Review of the Financial Condition and Results of Operations sections herein, the following are among the important factors that could cause actual results to differ materially from the forward-looking statements: market demand and prices for energy, capacity and fuel; weather variations affecting customer energy usage; competition in retail and wholesale power markets; the effect of any business or industry restructuring; the profitability and liquidity of PPL and its subsidiaries; new accounting requirements or new interpretations or applications of existing requirements; operating performance of plants and other facilities; environmental conditions and requirements; system conditions and operating costs; development of new projects, markets and technologies; performance of new ventures; political, regulatory or economic conditions in states or countries where PPL or its subsidiaries conduct business; receipt of necessary governmental approvals; capital market conditions and decisions regarding capital structure; stock price performance; credit ratings; foreign exchange rates; state and federal regulatory developments; new state or federal legislation; national or regional economic conditions, including any potential effects arising from the September 11, 2001 terrorist attacks in New York, Washington, D.C. and Pennsylvania and consequential hostilities; and the commitments and liabilities of PPL and its subsidiaries. Any such forward-looking statements should be considered in light of such important factors and in conjunction with other documents of PPL, PPL Energy Supply, PPL Electric and PPL Montana on file with the SEC.

New factors that could cause actual results to differ materially from those described in forward-looking statements emerge from time to time, and it is not possible for PPL, PPL Energy Supply, PPL Electric or PPL Montana to predict all of such factors, or the extent to which any such factor or combination of factors may cause actual results to differ from those contained in any forward-looking statement. Any forward-looking statement speaks only as of the date on which such statement is made, and PPL, PPL Energy Supply, PPL Electric and PPL Montana undertake no obligations to update the information contained in such statement to reflect subsequent developments or information.

PART I

ITEM 1. BUSINESS

BACKGROUND

PPL Corporation is an energy and utility holding company that was incorporated in 1994. Through its subsidiaries, PPL generates electricity in power plants in the northeastern and western U.S.; markets wholesale or retail energy primarily in the northeastern and western portions of the U.S. and in Canada; delivers electricity to nearly six million customers in the U.S., U.K. and Latin America; and provides energy services for businesses in the mid-Atlantic and northeastern U.S.

PPL Energy Supply, LLC, an indirect wholly-owned subsidiary of PPL, is a growth-oriented energy company engaged through its subsidiaries in power generation and marketing primarily in the northeastern and western U.S. and in the delivery of electricity abroad. PPL Energy Supply was formed in 2000 to serve as the holding company for PPL's competitive energy businesses. PPL Energy Supply's major operating subsidiaries are PPL Generation, PPL EnergyPlus, and PPL Global. PPL Energy Supply owns or controls 10,023 MW of electric power generation capacity, and is constructing or has announced the development of new electric generation projects in Arizona, Illinois, New York and Pennsylvania, which would add 2,440 MW of electric generation capacity.

PPL Electric Utilities Corporation, incorporated in 1920, is a subsidiary of PPL and a regulated public utility. PPL Electric provides electricity delivery service in its service territory in Pennsylvania, and provides electricity supply to retail customers in that territory as a PLR under the Customer Choice Act. Prior to July 1, 2000, PPL Electric also generated electricity at its power plants in Pennsylvania, and marketed wholesale electricity (through PPL EnergyPlus) in deregulated markets. Prior to August 1, 1998, PPL Electric marketed retail electricity in deregulated markets.

PPL Montana, LLC, an indirect wholly-owned subsidiary of PPL Energy Supply formed in 1998, acquired the Montana assets in 1999. PPL Montana owns or controls, leases and operates interests in 13 electric generating facilities with an aggregate capacity of approximately 1,157 MW. PPL Montana's primary regional market for wholesale customers is the northwest U.S. (Montana, Oregon, Washington and Idaho).

In 1996, the Customer Choice Act was enacted to deregulate the generation supply market in Pennsylvania. On July 1, 2000, PPL and PPL Electric completed a corporate realignment in order to effectively separate PPL Electric's regulated transmission and distribution operations from its recently deregulated generation operations, to better position the companies and their affiliates in the new competitive marketplace. As part of the realignment, PPL Electric's generation assets were transferred to PPL Generation and its wholesale power marketing assets were transferred to PPL EnergyPlus. Also as part of the realignment, PPL Global transferred its domestic generation assets to subsidiaries of PPL Generation. See "Corporate Realignment" in Item 7, the Review of the Financial Condition and Results of Operations of PPL Energy Supply, for the key features of the corporate realignment. See Exhibit 99 in Item 14 for the current corporate organization.

As a result of the corporate realignment, PPL is organized in segments consisting of Supply, Delivery and International. In addition, certain corporate service functions reside in PPL Services. See Note 2 to PPL's Financial Statements for financial information about the segments.

Supply Segment

The Supply Segment primarily consists of:

- PPL Generation, which owns and operates power plants to generate electricity;
- PPL EnergyPlus, which markets this electricity and other power purchases and natural gas and oil to deregulated wholesale and retail markets, primarily in the northeastern and western portions of the U.S.; and
- PPL Global's development and acquisition of domestic generation projects.

PPL Generation was established in the corporate realignment and, through subsidiaries, owns and operates power plants in Pennsylvania, Montana, Maine and Connecticut. At December 31, 2001, PPL Generation had 10,023 MW of generating capacity.

PPL Generation subsidiaries are subject to the jurisdiction of certain federal, regional, state and local regulatory agencies with respect to air and water quality, land use and other environmental matters. Certain operations of PPL Generation's subsidiaries are subject to the Occupational Safety and Health Act of 1970 and comparable state statutes.

The Pennsylvania generation plants, with a total capacity of 8,545 MW, were transferred by PPL Electric to PPL Generation in the corporate realignment. These plants are fueled by nuclear reaction, coal, gas, oil and hydro power. The electricity from these plants is sold to PPL EnergyPlus under FERC-jurisdictional power purchase agreements.

PPL's U.S. generation subsidiaries are EWGs, which sell electricity into the wholesale market. Generally, PPL's EWGs are subject to regulation by the FERC but not subject to regulation under PUHCA. The FERC has authorized these EWGs to sell generation from their facilities at market-based prices.

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

PPL Generation operates its Pennsylvania power plants in conjunction with PJM. PPL EnergyPlus markets power through the PJM. PPL Generation's Pennsylvania power plants and PPL EnergyPlus are parties to the Mid-Atlantic Area Coordination Agreement. Refer to "Delivery Segment" for information regarding PJM's operations and functions and the Mid-Atlantic Area Coordination Agreement.

The Montana generating assets were acquired by PPL Montana in December 1999. (PPL Montana was transferred to PPL Generation in the corporate realignment.) These stations are fueled by coal and hydro power, and have a net capacity of 1,157 MW. Under the terms of a wholesale power transition agreement, PPL Montana provides Montana Power with electricity for certain of its retail requirements, with excess generation available for wholesale marketing by PPL EnergyPlus. When the current transition agreement expires in June 2002, PPL EnergyPlus will supply 300 MW of around-the-clock electricity and 150 MW of on-peak electricity to Montana Power under a new five-year agreement. PPL Montana also purchases 98 MW of firm capacity during the months of November through April.

PPL Montana is subject to the jurisdiction of certain federal, regional, state and local regulatory agencies with respect to air and water quality, land use and other environmental matters. In addition, PPL Montana is subject to the jurisdiction of the NRC in connection with the operation by its coal plants of certain level and density monitoring devices.

The Maine generating assets were acquired from Bangor Hydro in 1998. The oil and hydro powered stations have a total capacity of 96 MW.

The Wallingford, Connecticut generating station was constructed by PPL Generation and began commercial operations in December 2001. This natural gas powered station in Connecticut has a total capacity of 225 MW.

Refer to the "Power Supply" section for additional information regarding the various power plants operated by PPL Generation. Also refer to "Fuel Supply" for a discussion of fuel requirements and contractual arrangements.

PPL EnergyPlus, a subsidiary of PPL Energy Supply, markets the electricity produced by PPL Generation subsidiaries, along with purchased power, natural gas and oil in deregulated wholesale and retail markets in order to take advantage of opportunities in the competitive energy marketplace. Prior to the corporate realignment, PPL EnergyPlus was a subsidiary of PPL Electric.

PPL EnergyPlus buys and sells energy at competitive prices. PPL EnergyPlus purchases electric capacity and energy at the wholesale level, and also sells electric capacity and energy at the wholesale level under FERC market-based tariffs. PPL EnergyPlus enters into these agreements to market available energy and capacity from PPL Generation's assets and to profit from market price fluctuations. PPL EnergyPlus is actively managing its portfolios to maximize the value of PPL's generating assets and to limit exposure to price fluctuations. PPL EnergyPlus also purchases and sells energy forward and futures contracts as well as other commodity-based financial instruments in accordance with PPL's risk management policies, objectives and strategies.

PPL EnergyPlus has executed a contract to provide electricity to PPL Electric sufficient for it to meet its PLR obligation from 2002 through 2009, at the pre-determined capped rates PPL Electric is entitled to charge its customers during this period. See Notes to Financial Statements of PPL (Note 23) and PPL Energy Supply (Note 15) for more information concerning this contract.

PPL EnergyPlus has a PUC license to act as an EGS in Pennsylvania. This license permits PPL EnergyPlus to offer retail electric and gas supply to customers throughout Pennsylvania. In 2001, PPL EnergyPlus was licensed, and supplied energy to industrial and commercial customers in Pennsylvania, New Jersey, Delaware, Maine and Montana. PPL EnergyPlus is also licensed to provide energy in Maryland and Massachusetts. At this time, PPL EnergyPlus has decided not to pursue residential customers in the competitive marketplace based on economic considerations.

PPL EnergyPlus also provides energy-related products and services to commercial and industrial customers, through its mechanical contracting and engineering subsidiaries based in Pennsylvania, Massachusetts, Connecticut and New York.

PPL Synfuel Investments, LLC, a subsidiary of PPL EnergyPlus, indirectly owns two production facilities in Pennsylvania. These facilities manufacture synthetic fuel from coal or coal byproducts. PPL receives federal tax credits from these qualified manufactured synfuel products.

PPL Global acquires and develops domestic generation projects for PPL Generation. It also acquires and develops, owns and operates international energy projects that are primarily focused on the distribution of electricity.

At December 31, 2001, PPL Global was in the process of developing approximately 2,440 MW of electric generating capacity in Pennsylvania, New York, Illinois and Arizona. The Griffith project in Kingman, Arizona, began commercial operations in January 2002. The University Park project in Illinois, the Shoreham and Edgewood projects in New York and the Sundance project in Arizona are also expected to be operational in 2002. The other projects are expected to be operational at various times between 2003 and 2004. See Item 2, Properties, for additional information on these projects.

Delivery Segment

PPL Electric provides electricity delivery service to approximately 1.3 million customers in a 10,000-square mile territory in 29 counties of eastern and central Pennsylvania, with a population of approximately 2.6 million people. The largest cities in this territory are Allentown, Bethlehem, Harrisburg, Hazleton, Lancaster, Scranton, Wilkes-Barre and Williamsport. In addition to delivery of purchased power as a PLR, PPL Electric is delivering power supplied by PUC-licensed EGSs pursuant to the Customer Choice Act.

PPL EnergyPlus has executed a contract to provide electricity to PPL Electric sufficient for it to meet its PLR obligation from 2002 through 2009, at the pre-determined capped rates PPL Electric is entitled to charge its customers during this period. See PPL Electric's Note 15 to the Financial Statements.

During 2001, about 89% of PPL Electric's operating revenue was derived from regulated electricity deliveries and supply as a PLR. About 8% of 2001 operating revenues was from wholesale sales, including the sale of power purchased from NUGs to PPL EnergyPlus. The remaining 3% of operating revenues in 2001 was from energy related products and services and miscellaneous revenues. During 2001, about 43% of electricity delivery and PLR revenues were from residential customers, 35% from commercial customers, 21% from industrial customers and 1% from other customer classes.

PPL Electric is subject to regulation as a public utility by the PUC and certain of its activities are subject to the jurisdiction of the FERC under the Federal Power Act. PPL Electric is not a holding company under PUHCA, and PPL has been exempted by the SEC from the provisions of PUHCA applicable to it as a holding company.

PPL Electric is also subject to the jurisdiction of certain federal, regional, state and local regulatory agencies with respect to land use and other environmental matters. Certain operations of PPL Electric are subject to the Occupational Safety and Health Act of 1970 and comparable state statutes.

PPL Electric operates its transmission facilities as part of PJM. PJM operates the electric transmission network and electric energy market in the mid-Atlantic region of the U.S. Bulk electricity is transmitted to wholesale users throughout a geographic area including all or part of Pennsylvania, New Jersey, Maryland, Delaware, Virginia and the District of Columbia. PPL Electric is also a party to the Mid-Atlantic Area Coordination Agreement, which provides for the coordinated planning of generation and transmission facilities by the companies included in the PJM.

PJM serves as an ISO in order to accommodate greater competition and broader participation in the power pool. The purpose of the ISO is to separate operation of, and access to, the transmission grid from the PJM electric utilities' generation interests. The electric utilities continue to own the transmission assets, but the ISO directs the control and operation of the transmission facilities.

In July 2001, the FERC issued orders calling for the formation of one RTO throughout the Mid-Atlantic region (PJM), New York and New England. PPL believes that a single northeastern RTO is a significant step forward in establishing a reliable and properly functioning wholesale electricity market in the region. PPL strongly supports the most comprehensive amalgamation of the existing and proposed northeast power pools, including the establishment of a single RTO, as well as the elimination of marketplace distinctions and control area boundaries. The FERC's northeastern RTO proceeding is continuing.

PPL Gas Utilities provides natural gas and propane delivery to approximately 103,000 customers in Pennsylvania and Maryland.

International Segment

PPL Global's major international project is its equity investment in two U.K. electricity transmission and distribution companies: WPD (South West) which serves customers in England; and WPD (South Wales) which serves customers in Wales. PPL Global jointly owns these investments with Mirant.

PPL Global also has consolidated investments in electricity transmission and distribution companies serving customers in Chile, El Salvador, Bolivia and Brazil.

See Note 11 to PPL's Financial Statements for additional information on PPL Global's international activities in 2001.

PPL Services

Various corporate service functions reside in PPL Services, an unregulated subsidiary of PPL. PPL Services provides shared services for PPL and its subsidiaries. These services include financial, legal, human resources and information services. These services are directly charged or allocated, as appropriate, to the Supply, Delivery and International segments.

FINANCIAL CONDITION

See PPL's and PPL Electric's Review of the Financial Condition and Results of Operations for this information.

CAPITAL EXPENDITURE REQUIREMENTS

See "Financial Condition - Capital Expenditure Requirements" in PPL's and PPL Electric's Review of the Financial Condition and Results of Operations for information concerning estimated capital expenditure requirements for the years 2002-2006. See the Notes to Financial Statements of PPL (Note 16), PPL Energy Supply (Note 14), PPL Electric (Note 10) and PPL Montana (Note 9) for information concerning estimates of the costs to comply with various environmental regulations.

COMPETITION

The unregulated businesses of PPL and its subsidiaries are highly competitive. The electric industry has experienced a significant increase in the level of competition in the energy markets in response to federal and state deregulation initiatives.

In 1992, the Energy Act amended the PUHCA to create a new class of independent power producers, and amended the Federal Power Act to provide open access to electric transmission systems for wholesale transactions. In 1996, the Customer Choice Act was enacted in Pennsylvania to restructure the state's electric utility industry in order to create retail access to a competitive market for the generation of electricity. Certain other states in which PPL's subsidiaries operate have also adopted a "customer choice" plan to allow customers to choose their electricity supplier.

Competitive factors affecting PPL's results of operations include new market entrants, construction by others of generating assets, the actions of regulatory authorities, weather and other factors. PPL cannot predict the impact of these and other competitive factors on its future results of operations or financial position.

PPL and its subsidiaries believe that, assuming deregulation of the energy industry continues on both the federal and state levels and retail energy markets are opened to new participants and new services, competition will continue to be intense. In addition to deregulation, competitive pressures have resulted from technological advances in power generation and electronic communications, and the greater efficiency of energy markets.

The wholesale power markets in which PPL Generation subsidiaries and PPL EnergyPlus operate are highly competitive. Competitors include regulated utilities, industrial companies, non-utility generators and unregulated subsidiaries of regulated utilities. Although PPL EnergyPlus has long-term supply agreements, (see "Background-Supply Segment") a substantial portion of PPL's future sales will be made into the competitive wholesale markets. Competition will occur principally on the basis of the price of products, and to a lesser extent on the basis of reliability and availability.

PPL EnergyPlus also faces competition in the wholesale markets for energy capacity and ancillary services. As pricing information becomes increasingly available in the energy trading and marketing business and assuming deregulation in the electricity markets continues, PPL EnergyPlus anticipates that trading, marketing and risk management operations will experience greater competition. PPL EnergyPlus primarily competes with other energy merchants based on the ability to aggregate supplies at competitive prices from different sources and locations and to efficiently utilize transportation from third-party pipelines and transmission from electric utilities. Competitors may employ widely differing strategies in their fuel supply and power sales contracts with respect to pricing, terms and conditions. PPL EnergyPlus also competes against other energy marketers on the basis of relative financial position and access to credit sources.

PPL Global also faces intense competition from a number of participants in the non-utility power generation industry for the acquisition and development of additional facilities. Opportunities for new projects are increasingly subject to competitive bidding as opposed to negotiated transactions.

Some restructured markets have recently experienced supply problems and price volatility. In a number of these markets, government agencies and other interested parties have made proposals to delay market restructuring or even re-regulate certain areas of these markets that have previously been deregulated. In California, legislation has been passed placing a moratorium on the sale of generation plants by public utilities regulated by the California Public Utilities Commission. In June 2001, the FERC instituted a series of price controls designed to mitigate (or cap) prices in the entire western U.S. as a result of the California energy crisis. These price controls have contributed to the lowering of spot and forward energy prices in the western market. Other proposals to institute price controls or to re-regulate the energy industry may be made, and legislative or other actions may cause the electric power restructuring process to be delayed, discontinued or reversed in the states in which PPL currently, or may in the future, operate. If the competitive restructuring of the wholesale and retail power markets is delayed, discontinued or reversed, PPL's business prospects and financial condition could be materially adversely affected.

POWER SUPPLY

PPL Generation's system capacity (winter rating) at December 31, 2001 was as follows:

Plant	Net MW Capacity
Pennsylvania	

Nuclear-fueled steam station		
Susquehanna	2,011	(a)
Coal-fired steam stations		
Montour	1,525	
Brunner Island	1,469	
Martins Creek	300	
Keystone	211	(b)
Conemaugh	278	(c)
Total coal-fired	3,783	
Gas and oil-fired steam station		
Martins Creek	1,670	
Combustion turbines and diesels	451	
Hydroelectric	152	
Total generating capacity	8,067	
Firm purchases		
Hydroelectric	140	(d)
Qualifying facilities	338	
Total firm purchases	478	
Total system capacity - Pennsylvania	8,545	
<u>Connecticut</u>		
Natural gas powered station		
Wallingford	225	(e)
<u>Montana</u>		
Coal-fired stations		
Colstrip Units 1 & 2	307	(f)
Colstrip Unit 3	222	(g)
Corette	154	
Total coal-fired	683	
Hydroelectric	474	

Total system capacity - Montana	1,157
Maine	
Oil-fired generating station	
Wyman Unit 4	52 (h)
Hydroelectric	44 (i)
Total system capacity - Maine	96
Total system capacity - PPL Generation	10,023 (j)

(a) PPL's 90% undivided interest.
(b) PPL's 12.34% undivided interest.
(c) PPL's 16.25% undivided interest.
(d) From Safe Harbor Water Power Corporation.
(e) Began commercial operations in December 2001.
(f) PPL's 50% undivided leasehold interest.
(g) PPL's 30% undivided leasehold interest.
(h) PPL's 8.33% undivided interest.
(i) Includes PPL's 50% interest in the West Enfield Station.
(j) In addition, the gas-fired steam Griffith station, of which PPL's 50% ownership totals 300 MW, began commercial operations in January 2002. This table does not include the capacity of Griffith.

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

The system capacity shown in the preceding table does not reflect installed capacity credit sales and purchases with other utilities. The net effect of these transactions is to reduce Pennsylvania system capacity by 1,168 MW at the end of December 2001, to 7,377 MW.

The net effect of Maine sales committed to Bangor Hydro is to reduce Maine's system capacity by 31 MW, to 65 MW. The West Enfield facility's output will be sold to Bangor Hydro through the year 2024. The Wyman Unit 4 output will be sold to Constellation through 2004.

PPL Montana had two transition agreements to supply wholesale electricity to Montana Power. One agreement to provide 200 MW from PPL Montana's leasehold interest in Colstrip Unit 3 expired in December 2001. The other agreement covers Montana Power's remaining native load commitments and lasts until the remaining load is zero, but in no event later than June 2002. PPL Montana now has an agreement to supply Montana Power with 450 MW of energy for five years beginning July 2002.

As part of the purchase of generation assets from Montana Power, PPL Montana agreed to supply electricity to the U.S. government on behalf of the Flathead Irrigation Project (FLIP). Under the agreement, which expires in December 2010, PPL Montana is required to supply approximately 7.5 MW of capacity year round, with an additional 3.7 MW from April through October during the term of the agreement.

During 2001, PPL Generation produced about 39 billion kWh in its Pennsylvania plants, with 53% of the energy generated by coal-fired stations, 41% from nuclear operations at the Susquehanna station, 5% from the Martins Creek gas and oil-fired station and 1% from hydroelectric stations. PPL EnergyPlus also purchased 18.1 billion kWh and had 19.1 billion kWh in non-system energy sales.

During 2001, PPL Montana generated 7.5 billion kWh. Of this total, 5.0 billion kWh was from fossil generation, with the balance from PPL Montana's hydroelectric plants.

During 2001, PPL Maine generated about 267 million kWh. Of this total, about 216 million kWh was from hydroelectric generation, with the balance from PPL Maine's interest in the oil-fired Wyman Unit 4.

PPL EnergyPlus purchases energy from, and sells energy to, other utilities and FERC-certified power marketers at market-based rates under power purchase and sales agreements. PPL EnergyPlus enters into these transactions on an hourly, daily, weekly, monthly or longer-term basis.

PPL EnergyPlus has FERC authorization to sell electric energy, capacity and ancillary services at market-based rates to wholesale customers located both inside and outside the PJM control area. As of December 31, 2001, 160 utilities and power marketers had signed power sales agreements under this tariff. Under the market-based tariff, PPL EnergyPlus may also sell power purchased from third parties.

PPL EnergyPlus also has an export license to sell capacity and/or energy to electric utilities in Canada. This export license allows PPL EnergyPlus to sell either its own capacity and energy not required to serve domestic obligations or power purchased from other utilities.

FUEL SUPPLY

Coal - Pennsylvania

In February 2001, a subsidiary of PPL Generation entered into a partnership (PPL Coal Supply) with Iris Energy, LLC, an unrelated third party, to procure coal and facilitate the production of synthetic fuel. PPL Coal Supply began operations in June 2001 and provides coal to PPL Generation power plants and to Iris Energy for the production of synthetic fuel. In 2001, PPL Coal Supply provided 23% of the coal used by PPL Generation's Pennsylvania stations and Iris Energy provided 34% of the synthetic fuel used by such stations.

During 2001, about 65% of the coal delivered to PPL Generation's Pennsylvania stations was purchased under long-term contracts and 35% was obtained through open market purchases. These contracts provided PPL Generation with about 4.7 million tons of coal in 2001 and are expected to provide 5.4 million tons in 2002. At December 31, 2001, Pennsylvania plants had sufficient supply for about 50 days of operations.

The coal burned at the Pennsylvania power plants contains sulfur. Mechanical cleaning processes are utilized to reduce the sulfur content of the coal. The reduction of the sulfur content by either mechanical cleaning or blending has lowered the total sulfur content of the coal burned to levels which permit compliance with current SO_2 emission regulations established by the Pennsylvania DEP.

At December 31, 2001, a PPL Generation subsidiary owned a 12.34% undivided interest in the Keystone station and a 16.25% undivided interest in the Conemaugh station. The owners of the Keystone station have a long-term contract with a coal supplier that provides 2.8 million tons per year until the contract expires at the end of 2004, and a long-term contract with a synthetic fuel supplier that provides 3 million tons per year until the contract expires at the end of 2007. The balance of the Keystone station requirements are purchased in the open market. The coal supply requirements for the Conemaugh station are being met from several sources through a blend of long-term and short-term contracts and spot market purchases.

Coal - Montana

PPL Montana has a 50% leasehold interest in Colstrip Units 1 and 2, and a 30% leasehold interest in Unit 3. PPL Montana is party to contracts to purchase coal with defined quality characteristics and specifications. The coal purchase contract for Units 1 and 2 is in effect through December 31, 2009. The coal purchase contract for Unit 3 is in effect through December 31, 2019.

PPL Montana owns the Corette power plant. The plant has a coal purchase contract to purchase low sulfur coal with defined quality characteristics and specifications. The contract expires in December 2003.

Oil and Natural Gas

PPL Generation's Martins Creek Units 3 and 4 burn both oil and natural gas. PPL EnergyPlus, the marketing and trading subsidiary of PPL, is responsible for procuring the oil and natural gas supply for all PPL Generation assets. During 2001, 100% of the oil requirements for the Martins Creek units were purchased on the spot market. At December 31, 2001, PPL EnergyPlus had no long-term agreements for these requirements. During 2001, all of the natural gas consumed at Martins Creek was purchased under short-term agreements. At December 31, 2001, PPL EnergyPlus had no long-term agreements to purchase natural gas for Martins Creek.

Two new natural gas-fired units recently began commercial operations: Wallingford, Connecticut in December 2001 and Kingman, Arizona (Griffith) in January 2002. PPL EnergyPlus has entered into a long-term contract for 40% of the expected pipeline transportation requirements of the Wallingford facility, but has no long-term agreement to purchase natural gas. Certain PPL Generation subsidiaries have long-term pipeline transportation contracts in place for the Griffith facility equaling 75% of the expected requirements. A PPL Generation subsidiary also has approximately 25% of gas supply under a long-term supply agreement for Griffith. PPL EnergyPlus generally employs a strategy of procuring natural gas in conjunction with electricity sales commitments.

Nuclear

PPL Susquehanna has executed uranium supply and conversion agreements that satisfy 75% of the uranium requirements for the Susquehanna units in 2002 and 2003, and, including options, an additional 25% of the requirements for the period 2004-2007. Deliveries under these agreements are expected to provide sufficient uranium to permit Unit 1 to operate into the first quarter of 2004 and Unit 2 to operate into the first quarter of 2003.

PPL Susquehanna has executed an agreement that satisfies all of its enrichment requirements through 2004. Assuming that the other uranium components of the nuclear fuel cycle are satisfied, deliveries under this agreement are expected to provide sufficient enrichment to permit Unit 1 to operate into the first quarter of 2006 and Unit 2 to operate into the first quarter of 2007.

PPL Susquehanna has entered into an agreement that, including options, satisfies all of its fabrication requirements through 2006. Assuming that the uranium and other components of the nuclear fuel cycle are satisfied, deliveries under this agreement are expected to provide sufficient fabrication to permit Unit 1 to operate into the first quarter of 2008 and Unit 2 to operate into the first quarter of 2007.

Federal law requires the federal government to provide for the permanent disposal of commercial spent nuclear fuel. Under the Nuclear Waste Policy Act, the DOE initiated an analysis of a site in Nevada for a permanent nuclear waste repository. Progress on a proposed disposal facility has been slow, and the repository is not expected to be operational before 2010. Thus, expansion of Susquehanna's on-site spent fuel storage capacity was necessary. To support this expansion, PPL Susquehanna contracted for the design and construction of a spent fuel storage facility employing dry cask fuel storage technology. The facility is modular, so that additional storage capacity can be added as needed. The facility began receiving spent nuclear fuel in October 1999. PPL Susquehanna estimates that there is sufficient storage capacity in the spent nuclear fuel pools and the modular on-site dry spent fuel storage facility at Susquehanna to accommodate discharged fuel through the life of the plant, if necessary.

Federal law also provides that generators of spent fuel are responsible for certain costs of disposal. In January 1997, PPL Electric joined over 30 other utilities in a lawsuit in the U.S. Court of Appeals for the District of Columbia Circuit seeking assurance of the DOE's performance of its contractual obligation to accept spent nuclear fuel and suspension of payment to that agency pending such performance. In November 1997, the Court denied the utilities' requested relief and held that the contracts between the utilities and the DOE provide a potentially adequate remedy if the DOE failed to begin disposal of spent nuclear fuel by January 31, 1998. DOE did not, in fact, begin to dispose of spent nuclear fuel on January 31, 1998 and has acknowledged that it violated its contractual obligations. DOE continues, however, to vigorously contest claims by certain utilities, including PPL, that its failures resulted in recoverable damages. PPL cannot predict the outcome of this litigation.

ENVIRONMENTAL MATTERS

Certain PPL subsidiaries, including PPL Electric and PPL Generation subsidiaries, are subject to certain present and developing federal, regional, state and local laws and regulations with respect to air and water quality, land use and other environmental matters. See PPL's "Financial Condition - Capital Expenditure Requirements" in the Review of the Financial Condition and Results of Operations for information concerning environmental expenditures during 2001 and PPL's estimate of those expenditures during the years 2002-2006. PPL believes that its subsidiaries are in substantial compliance with applicable environmental laws and regulations.

See "Environmental Matters" in Note 16 to PPL's, Note 14 to PPL Energy Supply's, Note 10 to PPL Electric's and Note 9 to PPL Montana's Financial Statements for information concerning federal clean air legislation, groundwater degradation and waste water control at facilities owned by PPL's subsidiaries and PPL Electric's and PPL Gas Utilities' agreements with the Pennsylvania DEP concerning remediation at certain sites. Other environmental laws, regulations and developments that may have a substantial impact on PPL's subsidiaries are discussed below.

Air

The Clean Air Act includes, among other things, provisions that: (a) restrict the construction of, and revise the performance standards for, new and substantially modified coal-fired and oil-fired generating stations; and (b) authorize the EPA to impose substantial noncompliance penalties of up to $27,500 per day of violation for each facility found to be in violation of the requirements of an applicable state implementation plan. The state agencies administer the EPA's air quality regulations through the state implementation plans and have concurrent authority to impose penalties for non-compliance. In December 1997, international negotiators reached agreement in Kyoto, Japan to strengthen the 1992 United Nations Global Climate Change Treaty by adding legally-binding greenhouse gas emission limits. This agreement - the Kyoto Protocol - would require the U.S. to reduce its greenhouse gas emissions to 7% below 1990 levels by 2008 - 2012. Although the Kyoto Protocol is unlikely to be ratified by the U.S., some form of carbon dioxide reductions will likely be required in the future. Such requirements could result in increased capital and operating expenses which are not now determinable but which could be significant.

Water

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

Pursuant to the Surface Mining and Reclamation Act of 1977, the OSM has adopted effluent guidelines which are applicable to PPL subsidiaries as a result of their past coal mining and coal processing activities. The EPA and the OSM limitations, guidelines and standards also are enforced through the issuance of NPDES permits. In accordance with the provisions of the Clean Water Act and the Reclamation Act of 1977, the EPA and the OSM have authorized the states to implement the NPDES program. Compliance with applicable water quality standards is assured by state review of NPDES permit conditions.

Solid and Hazardous Waste

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

State laws such as the Pennsylvania Superfund statute also give state agencies broad authority to identify hazardous or contaminated sites and to order owners or responsible parties to clean-up the sites. If responsible parties cannot or will not perform the clean-up, the agency can hire contractors to clean-up the sites and then require reimbursement from the responsible parties after the clean-up is completed.

Certain federal and state statutes, including Superfund and the Pennsylvania Hazardous Sites Cleanup Act, also impose liability on the responsible parties for the lost value of damaged natural resources.

Low-Level Radioactive Waste

Under federal law, each state is responsible for the disposal of low-level radioactive waste generated in that state. States may join in regional compacts to jointly fulfill their responsibilities. The states of Pennsylvania, Maryland, Delaware and West Virginia are members of the Appalachian States Low-Level Radioactive Waste Compact. Efforts to develop a regional disposal facility in Pennsylvania were suspended by the Pennsylvania DEP in 1998. The Commonwealth retains the legal authority to resume the siting process should it be necessary. Low-level radioactive waste resulting from the operation of Susquehanna is currently being sent to Barnwell, South Carolina and Clive, Utah for disposal. In the event this or other emergent disposal options become unavailable or no longer cost-effective, the low-level radioactive waste will be stored on-site at Susquehanna. PPL Susquehanna cannot predict the future availability of low-level waste disposal facilities or the cost of such disposal.

General

Concerns have been expressed by some members of the scientific community and others regarding the potential health effects of EMFs. These fields are emitted by all devices carrying electricity, including electric transmission and distribution lines and substation equipment. Federal, state and local officials have focused attention on this issue. PPL and its subsidiaries support the current efforts to determine whether EMFs cause any human health problems and are taking low cost or no cost steps to reduce EMFs, where practical, in the design of new transmission and distribution facilities. PPL is unable to predict what effect, if any, the EMF issue might have on its operations and facilities and the associated cost, or what, if any, liabilities it might incur related to the EMF issue.

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

FRANCHISES AND LICENSES

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

See "Background - Supply Segment" for a discussion of PPL EnergyPlus' licenses in various states. PPL EnergyPlus also has an export license from the DOE to sell capacity and/or energy to electric utilities in Canada.

PPL Susquehanna operates Units 1 and 2 pursuant to NRC operating licenses which expire in 2022 and 2024, respectively. In November 2001, PPL Susquehanna notified the NRC that it intends to seek renewal of its operating licenses. If the NRC approves PPL Susquehanna's application, the operating licenses for Units 1 and 2 would each be extended for an additional 20 years, to 2042 and 2044, respectively.

PPL Holtwood operates two hydroelectric projects pursuant to licenses renewed by the FERC in 1980: Wallenpaupack (44 MW capacity) and Holtwood (102 MW capacity). The Wallenpaupack license expires in 2004 and the Holtwood license expires in 2014. PPL Holtwood owns one-third of the capital stock of Safe Harbor Water Power Corporation (Safe Harbor), which holds a project license which extends the operation of its hydroelectric plant until 2030. The total capacity of the Safe Harbor plant is 418 MW, and PPL Holtwood is entitled by contract to one-third of the total capacity (139 MW).

The 11 hydroelectric facilities and one storage reservoir purchased from Montana Power in 1999 are licensed by the FERC. These licenses expire periodically, and the generating facilities must be relicensed at such times. The FERC license for the Mystic facility expires in 2009; the Thompson Falls and Kerr licenses expire in 2025 and 2035, respectively, and the license for the nine Missouri-Madison facilities expire in 2040.

EMPLOYEE RELATIONS

See "Source of Labor Supply" in Note 16 to PPL's, Note 14 to PPL Energy Supply's, Note 10 to PPL Electric's and Note 9 to PPL Montana's Financial Statements for information on employees, including those covered by labor contracts.

ITEM 2. PROPERTIES

Domestic Generation

For a description of PPL's domestic generation portfolio, see Item 1, "Business - Power Supply."

Domestic Generation Under Development

PPL Global and PPL Susquehanna had the following domestic generation development projects in progress at December 31, 2001:

Plant	Type	Total MW Capacity *(1)*	Ownership Interest in MW	Expected In-Service Date *(2)*
Pennsylvania				
Lower Mt. Bethel	Gas-fired	600	600 (100%)	2003

Susquehanna *(3)*	Nuclear	100	90	(90%)	2003-04	
Arizona						
Griffith	Gas-fired steam	600	300	(50%)*(4)*	January 2002	
Sundance	Gas-fired	450	450	(100%)	2002	
Illinois						
University Park	Gas-fired	540	540	(100%)	2002	
New York						
Kings Park	Gas-fired	300	300	(100%)	2004	*(6)*
Shoreham and Edgewood	Gas-fired	160	160	(100%)	2002	*(5)*
Total		2,750	2,440			

(1) The capacity of generation units is based on a number of factors, including the operating experience and physical condition of the units, and may be revised from time to time to reflect changed circumstances.
(2) The expected in-service dates are subject to receipt of required approvals and permits and to other contingencies.
(3) The Susquehanna project involves the installation of more efficient steam turbines to increase capacity.
(4) The Griffith project, which was co-developed with Duke Energy, began commercial operations in January 2002.
(5) Construction is expected to commence in 2002.
(6) Construction is expected to commence in 2003.

All projects under development, other than the Susquehanna upgrade, are gas-fired simple-cycle or combined-cycle combustion turbine facilities.

PPL Global continually reexamines development projects based on market conditions and other factors to determine whether to proceed with these projects, sell them, expand them, execute tolling agreements or pursue other opportunities.

Domestic Electricity Delivery

For a description of PPL's Electric's service territory, see Item 1, "Business - Background." At December 31, 2001, PPL Electric had electric transmission and distribution lines in public streets and highways pursuant to franchises and rights-of-way secured from property owners. PPL Electric's system included 375 substations with a total capacity of 24.7 million kVA, 32,735 circuit miles of overhead lines and 6,002 cable miles of underground conductors. All of PPL Electric's facilities are located in Pennsylvania. Substantially all of PPL Electric's transmission and distribution properties are subject to the lien of PPL Electric's 1945 First Mortgage Bond Indenture and its 2001 Senior Secured Bond Indenture.

Domestic Gas Delivery

PPL Gas Utilities has two natural gas distribution subsidiaries - PFG Gas, Inc., which distributes gas to customers in southeastern and central Pennsylvania and parts of Maryland, and North Penn Gas Company, which serves customers in the northern part of Pennsylvania. North Penn Gas also has natural gas storage facilities in Pennsylvania. As of December 31, 2001, PFG Gas had 39,492 customers and 1,140 miles of pipeline mains, with approximately 14 miles in Maryland and the remainder in Pennsylvania. North Penn Gas had 35,493 customers and 2,695 miles of pipeline mains in Pennsylvania.

International Electric Delivery

PPL Global has consolidated investments in electricity transmission and distribution companies, primarily serving approximately 2 million customers in Chile, El Salvador, Bolivia and Brazil, as follows:

International Projects

Company	**Location**	**Primary Business**	**Ownership Interest**	**2001 Electricity Sales GWh *(1)***
LATIN AMERICA				
Empresas EMEL S.A. (EMEL):			95.4%	
Emelari	Chile	Distribution	85.0%	
Eliqsa	Chile	Distribution	85.6%	
Elecda	Chile	Distribution	85.1%	
Emelat	Chile	Distribution	93.4%	1,989
Emelectric	Chile	Distribution	99.9%	
Emetal (owned by Emelectric)	Chile	Distribution	75%	
Transemel	Chile	Transmission	60%	
Empresa de Luz y Fuerza Electrica Cochabamba (ELFEC)	Bolivia	Distribution	91.9%	531
Empresa de Ingenieria y Servicios Integrales Cochabamba S.A. (Integra)	Bolivia	Distribution	91.9%	
Distribuidora de Electricidad del Sur (DelSur)	El Salvador	Distribution	80.5%	812
Compañhia Energetica do Maranhao (CEMAR)	Brazil	Distribution	89.6%	2,586
Total				5,918

(1) Sales corresponding to revenues recorded by PPL Global in 2001.

PPL Global's major international operations include equity investments in two U.K. electricity transmission and distribution companies: WPD (South West), which serves approximately 1.4 million customers in England, and WPD (South Wales), which serves approximately 1 million customers in Wales.

ITEM 3. LEGAL PROCEEDINGS

See Item 1 "Business - Fuel Supply" for information concerning a lawsuit against the DOE for failure of that agency to perform certain contractual obligations. See "Environmental Matters" in Note 16 to PPL's, Note 14 to PPL Energy Supply's, Note 10 to PPL Electric's and Note 9 to PPL Montana's Financial Statements for information concerning certain environmental matters.

Pursuant to changes in PURTA enacted in 1999, PPL subsidiaries have filed a number of tax assessment appeals in various Pennsylvania counties where PPL facilities are located. These appeals challenge existing local tax assessments, which now comprise the basis for payment of the PURTA tax on PPL's properties. Also, as of January 1, 2000, generation facilities are no longer taxed under PURTA, and these local assessments will be used directly to determine local real estate tax liability for PPL's power plants. In July 1999, PPL filed retroactive appeals for tax years 1998 and 1999, as permitted by the new law, as well as prospective appeals for 2000, as permitted under normal assessment procedures. Additional prospective appeals were filed in 2000 for the 2001 tax year and in 2001 for the 2002 tax year. It is anticipated that assessment appeals will now be an annual occurrence.

Hearings on the pending appeals were held by the boards of assessment appeals in each county, and decisions have now been rendered by most counties. To the extent the appeals were denied or PPL was not otherwise satisfied with the results, PPL filed further appeals from the board decisions with the appropriate county Courts of Common Pleas.

Of all the pending proceedings, the most significant appeal concerns the assessed value of the Susquehanna nuclear station. The county assessment of the Susquehanna station indicated a market value of $3.9 billion. Based on this value, the annual local taxes for the Susquehanna station would have been about $70 million. However, PPL was able to reach a settlement with the local taxing authorities in December 2000, for tax years 2000 and 2001. This settlement will result in the payment of annual local taxes of about $3 million. PPL and the local taxing authorities also reached a settlement concerning the 1998 and 1999 tax years which, if effectuated, would not result in any additional PURTA tax liability for PPL. This portion of the settlement with the local tax authorities is subject, however, to the outcome of claims asserted by certain intervenors which are described below.

In August 2000, over PPL's objections, the court permitted Philadelphia City and County, the Philadelphia School District and the Southeastern Pennsylvania Transportation Authority (SEPTA) (collectively, the "Philadelphia parties") to intervene in the case. The Philadelphia parties have intervened because they believe a change in the assessment of the plant will affect the amount they would collect under PURTA for the tax years 1998 and 1999. As part of the change in the law, the local real estate assessment determines what the 1998 and 1999 PURTA payments by PPL will be. In November 2000, the Philadelphia parties submitted their own appraisal report, which indicates that the taxable fair market value of the Susquehanna Station under PURTA for 1998 and 1999 is approximately $2.3 billion. Based on this appraisal, PPL would have to pay up to an extra $213 million in PURTA taxes for tax years 1998 and 1999.

PPL's appeal of the Susquehanna station assessment for 1998 and 1999 is still pending in the Luzerne County Court of Common Pleas. A decision from the court is expected in the first-half of 2002. As a result of these proceedings and potential appeals, a final determination of market value and the associated tax liability for 1998 and 1999 may not occur for several years.

In the other assessment appeals pending in county courts, the local authorities have assessed PPL's generating plants at an aggregate market value amount of about $311 million for tax year 2000, for a total tax liability of about $5.2 million. PPL has estimated the aggregate market value of these plants at about $26 million for tax year 2000, for a total tax liability of about $460,000. As at the Susquehanna station, the school districts involved in these proceedings have issued tax bills at levels which are disputed by PPL. Final determinations of market value and associated tax liability in these proceedings may not occur for several years.

See "Review of the Financial Condition and Results of Operation" for a description of the July 1, 2000 corporate realignment in which PPL Electric's generating plants in Pennsylvania were transferred to various PPL affiliates.

In June 2001, the MPSC issued an order (MPSC Order) in which it found that Montana Power must continue to provide electric service to its customers at tariffed rates until its transition plan under the Montana Electricity Utility Industry Restructuring and Customer Choice Act is finally approved, and that purchasers of generating assets from Montana Power must provide electricity to meet Montana Power's full load requirements at prices to Montana Power that reflect costs calculated as if the generating assets had not been sold. PPL Montana purchased Montana Power's interests in two coal-fired plants and 11 hydroelectric units in 1999. In July 2001, PPL Montana filed a complaint against the MPSC with the U.S. District Court in Helena, Montana, challenging the MPSC Order. In its complaint, PPL Montana asserted, among other things, that the Federal Power Act preempts states from exercising regulatory authority over the sale of electricity in wholesale markets, and requested the court to declare the MPSC action preempted, unconstitutional and void. In addition, the complaint requested that the MPSC be enjoined from seeking to exercise any authority, control or regulation of wholesale sales from PPL Montana's generating assets.

At this time, PPL, PPL Energy Supply and PPL Montana cannot predict the outcome of the proceedings related to the MPSC Order, what actions the MPSC, the Montana Legislature or any other governmental authority may take on these or related matters, or the ultimate impact on PPL, PPL Energy Supply and PPL Montana of any of these matters.

In an unrelated matter, in July 2001, PPL Montana filed an action in state court and a responsive pleading in federal court, both related to a breach of contract by Energy West Resources, Inc. (Energy West), a Great Falls, Montana-based energy aggregator. PPL Montana is seeking a judgment that Energy West violated the terms of the contract under which it supplies energy to Energy West and should pay damages of at least $7.5 million. All litigation in this matter has been consolidated in the U.S. District Court for the District of Montana, Great Falls Division, and is proceeding in that forum. PPL, PPL Energy Supply and PPL Montana cannot predict the ultimate outcome of these proceedings.

In April 2000, three employees at PPL Montana's Colstrip facility were severely burned when an equipment fault in Colstrip Unit 1 caused electrical arcing. In May 2000, the injured employees and their spouses filed litigation for their injuries in Montana district court against Montana Power. PPL Montana was subsequently named as a party defendant to the pending litigation, and a trial has been scheduled for June 2002. At this time, PPL Montana cannot predict the ultimate outcome of this matter.

Litigation arising out of the California electricity supply situation has been filed at the FERC and in California courts against sellers of energy to the California ISO. The plaintiffs and intervenors in these proceedings allege abuses of market power, manipulation of market prices, unfair trade practices and violations of state antitrust laws, among other things, and seek price caps on wholesale sales in California and other western power markets, refunds of excess profits allegedly earned on these sales of energy, and other relief, including treble damages and attorney's fees. Certain of PPL's subsidiaries have intervened in the FERC proceedings in order to protect their interests, but have not been named as defendants in any of the court actions alleging abuses of market power, manipulation of market prices, unfair trade practices and violations of state antitrust laws. PPL Montana has been named as a defendant in a declaratory judgment action initiated by the State of California to prevent certain members of the California Power Exchange from seeking compensation for the State's seizure of certain energy contracts. PPL Montana is a member of the California Power Exchange, but it has no energy contracts with or through the California Power Exchange and has not sought compensation in connection with the State's seizure.

Attorneys general in several western states, including California, have begun investigations related to the electricity supply situation in California and other western states. The FERC has determined that all sellers of energy in the California markets, including PPL Montana, should be subject to refund liability for the period beginning October 2, 2000 through June 20, 2001 and has initiated an evidentiary hearing concerning refund amounts. The FERC also is considering whether to order refunds for sales made in the Pacific Northwest, including sales made by PPL's subsidiaries. The FERC Administrative Law Judge assigned to this proceeding has recommended that no refunds be ordered for sales into the Pacific Northwest. The FERC presently is considering this recommendation. PPL cannot predict whether or the extent to which any of its subsidiaries will be the target of any governmental investigation or named in these lawsuits, refund proceedings or other lawsuits, the outcome of any such proceedings or whether the ultimate impact on PPL or its subsidiaries of the electricity supply situation in California and other western states will be material.

In August 2001, a purported class-action lawsuit was filed by a group of shareholders of Montana Power against Montana Power, the directors of Montana Power, certain unnamed advisors and consultants of Montana Power, and PPL Montana. The plaintiffs allege, among other things, that Montana Power was required to, and did not, obtain shareholder approval of the sale of Montana Power's generation assets to PPL Montana in 1999. Although most of the claims in the complaint are against Montana Power, its board of directors, and its consultants and advisors, two claims are asserted against PPL Montana. In the first claim, plaintiffs seek a declaration that because Montana Power shareholders did not vote on the 1999 sale of generating assets to PPL Montana, that sale "was null and void ab initio." The second claim alleges that PPL Montana was privy to and participated in a strategy whereby Montana Power would sell its generation assets to PPL Montana without first obtaining Montana Power shareholder approval, and that PPL Montana has made net profits in excess of $100 million as the result of this alleged illegal sale. In the second claim, plaintiffs request that the court impose a "resulting and/or constructive trust" on both the generation assets themselves and all profits, plus interest on the amounts subject to the trust. PPL Montana is unable to predict the outcome of this matter.

In November 2001, the PJM Market Monitor publicly released a report prepared for the PUC entitled "Capacity Market Questions" relating to the pricing of installed capacity in the PJM daily market during the first quarter of 2001. The report concludes that PPL EnergyPlus (identified in the report as "Entity 1") was able to exercise market power to raise the market-clearing price above the competitive level during that period. PPL EnergyPlus does not agree with the Market Monitor's conclusions that it exercised market power; in addition, the Market Monitor acknowledged in his report that PJM's standards and rules did not prohibit PPL EnergyPlus' conduct. In November 2001, the PUC issued an Investigation Order directing its Law Bureau to conduct an investigation into the PJM capacity market and the allegations in the Market Monitor's report. In January 2002, PPL filed comments as requested by the Investigation Order. The Order does not suggest what, if any, action the PUC may take as a result of the investigation, other than considering possible changes to its competitive safeguards. While PPL EnergyPlus and PPL Electric have filed comments with the PUC as part of the investigation, they have both taken the position that the PUC does not have jurisdiction to regulate the PJM capacity markets as those markets are for wholesale electricity transactions and accordingly are within the exclusive jurisdiction of the FERC. In addition, PPL EnergyPlus and PPL Electric believe that PPL EnergyPlus' actions under review were at all times lawful and consistent with the rules of the market. At this time, neither PPL EnergyPlus nor PPL Electric can predict the outcome of the PUC investigation or what action the PUC may take in connection with the investigation.

In December 1998, the FERC issued an order authorizing PPL EnergyPlus to make wholesale sales of electric power and related products at market-based rates. In that order, the FERC directed PPL EnergyPlus to file an updated market analysis within three years of the date of the order, and every three years thereafter. PPL EnergyPlus filed its initial updated market analysis in December 2001. Several parties thereafter filed interventions and protests requesting that, in light of the PJM Market Monitor's report described above, PPL EnergyPlus be required to provide additional information demonstrating that it has met the FERC's market power tests necessary for PPL EnergyPlus to continue its market-based rate authority. PPL EnergyPlus has responded to those protests and interventions. PPL EnergyPlus has taken the position that the FERC does not require the economic test suggested by the intervenors and that, in any event, it would meet such economic test if required by the FERC. The matter is currently pending before the FERC.

In January 2002, the Montana Secretary of State certified, in accordance with applicable statutes, that it had approved the form of a proposed Montana "Hydroelectric Security Act" initiative. The proposed initiative may be placed on the November 2002 statewide ballot if sufficient signatures are obtained prior to June 21, 2002. Among the stated purposes of the proposed initiative is to create an elected Montana public power commission to determine whether purchasing hydroelectric dams in Montana is in the public interest. Such a commission could decide to acquire PPL Montana's hydroelectric dams either pursuant to a negotiated purchase or an acquisition at fair market value through the power of condemnation. At this time, PPL, PPL Energy Supply and PPL Montana cannot predict whether the proposed initiative will garner enough signatures for placement on the November 2002 statewide ballot, whether there will be a successful legal challenge to the initiative, whether it would pass if on the ballot or what impact, if any, the measure might ultimately have upon PPL Montana or its hydroelectric operations. PPL Montana has declared its opposition to, and intends to vigorously oppose, the initiative.

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

There were no matters submitted to a vote of security holders, through the solicitation of proxies or otherwise, during the fourth quarter of 2001.

EXECUTIVE OFFICERS OF THE REGISTRANTS

Officers of PPL, PPL Energy Supply, PPL Electric and PPL Montana are elected annually by their Boards of Directors (or Boards of Managers, as applicable) to serve at the pleasure of the respective Boards. There are no family relationships among any of the executive officers, or any arrangement or understanding between any executive officer and any other person pursuant to which the officer was selected.

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

Listed below are the executive officers as of December 31, 2001:

PPL Corporation:

Name	Age	Position	Effective Date of Election to Present Position
William F. Hecht	58	Chairman, President and Chief Executive Officer	February 24, 1995
John R. Biggar	57	Executive Vice President and Chief Financial Officer	January 1, 2001
Lawrence E. De Simone	54	Executive Vice President - Supply	October 1, 2001
Robert J. Grey	51	Senior Vice President, General Counsel and Secretary	March 1, 1996
Michael E. Bray*	54	Vice Chair and President - PPL Electric Utilities Corporation	July 1, 2000
Paul T. Champagne*	43	President - PPL EnergyPlus, LLC	October 1, 2001
James H. Miller*	53	President - PPL Generation, LLC	February 5, 2001
Roger L. Petersen*	50	President - PPL Global, LLC	October 1, 2001
Joseph J. McCabe	51	Vice President and Controller	August 1, 1995

James E. Abel	50	Vice President - Finance and Treasurer	June 1, 1999

* Messrs. Bray, Champagne, Miller and Petersen have been designated executive officers of PPL by virtue of their respective positions at PPL subsidiaries.

PPL Electric Utilities Corporation:

Name	Age	Position	Effective Date of Election to Present Position
Michael E. Bray	54	Vice Chair and President	July 1, 2000
Joseph J. McCabe	51	Vice President and Controller	August 1, 1995
James E. Abel	50	Treasurer	July 1, 2000

Each of the above officers, with the exception of Messrs. Bray, Champagne, De Simone, Miller and Petersen, had been employed by PPL Electric for more than five years as of July 1, 2000. In connection with the July 1, 2000 corporate realignment, Messrs. Hecht, Biggar, Grey, McCabe and Abel became employees of PPL Services, another PPL subsidiary; at that time, Messrs. Hecht, Biggar and Grey ceased being officers of PPL Electric. Mr. De Simone became an employee of PPL Services upon his election as PPL's Executive Vice President - Supply on October 1, 2001.

Mr. Bray joined PPL Electric in April 2000. Prior to that time, he was President and Chief Executive Officer of Consolidated Edison Development, Inc. Mr. De Simone became Executive Vice President - Supply of both PPL and PPL Services in October 2001. Prior to that time, he was President - PPL EnergyPlus and Senior Vice President - Energy Services at Virginia Power Company. Mr. Champagne became President - PPL EnergyPlus in October 2001. Prior to that time, he was President - PPL Global and Vice President and Senior Development Officer of PPL Global. Mr. Miller joined PPL Generation in February 2001. Prior to that time, he was Executive Vice President of USEC, Inc. Mr. Petersen became President - PPL Global in October 2001. Prior to that time, he was President - PPL Montana, Vice President and Chief Operating Officer - PPL Global and Vice President - PPL Global.

Prior to their election to the positions shown above, the following executive officers held other positions within PPL and PPL Electric since January 1, 1997. Mr. Biggar was Vice President - Finance, Vice President - Finance and Treasurer, Senior Vice President - Financial, and Senior Vice President and Chief Financial Officer; and Mr. Abel was Treasurer (of PPL) and Vice President and Treasurer (of PPL Electric).

PPL Energy Supply, LLC:

Item 4 is omitted as PPL Energy Supply meets the conditions set forth in General Instruction (I)(1)(a) and (b) of Form 10-K.

PPL Montana, LLC:

Item 4 is omitted as PPL Montana meets the conditions set forth in General Instruction (I)(1)(a) and (b) of Form 10-K.

PPL CORPORATION AND SUBSIDIARIES

PART II

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

Additional information for this item is set forth in the sections entitled "Quarterly Financial, Common Stock Price and Dividend Data" and "Shareowner and Investor Information" of this report. The number of common shareowners is set forth in the section entitled "Selected Financial and Operating Data" in Item 6.

ITEM 6. SELECTED FINANCIAL AND OPERATING DATA

	2001	2000	1999	1998	1997
PPL Corporation (a)					
Income Items -- millions					
Operating revenues	**$ 5,725**	$ 5,683	$ 4,590	$ 3,786	$ 3,077
Operating income (b)	**855**	1,202	821	827	800
Net income (loss)	**179**	498	432	(569)	296
Balance Sheet Items -- millions (c)					
Property, plant and equipment, net	**6,135**	5,948	5,624	4,480	6,820
Recoverable transition costs	**2,174**	2,425	2,647	2,819	
Total assets	**12,574**	12,360	11,174	9,607	9,485
Long-term debt	**5,579**	4,784	4,157	2,984	2,735
Company-obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely company debentures	**825**	250	250	250	250
Preferred stock					
With sinking fund requirements	**31**	46	46	46	46
Without sinking fund requirements	**51**	51	51	51	51
Common equity	**1,857**	2,012	1,613	1,790	2,809
Short-term debt	**118**	1,037	857	636	135
Total capital provided by investors	**8,461**	8,180	6,974	5,757	6,026
Capital lease obligations (d)			125	168	171
Financial Ratios					

Return on average common equity -- %	**8.41**	27.49	24.70	(24.60)	10.60
Embedded cost rates (b)					
Long-term debt -- %	**6.84**	6.98	6.95	7.40	7.88
Preferred stock -- %	**5.81**	5.87	5.87	5.87	5.85
Preferred securities -- %	**8.13**	8.44	8.44	8.44	8.43
Times interest earned before income taxes	**2.15**	3.05	3.48	3.69	3.39
Ratio of earnings to fixed charges -- total enterprise basis (e)	**2.0**	2.8	3.0	3.5	3.3
Ratio of earnings to fixed charges and dividends on preferred stock --total enterprise basis (e)	**1.8**	2.6	2.8	3.1	2.9
Common Stock Data					
Number of shares outstanding -- thousands					
Year-end	**146,580**	145,041	143,697	157,412	166,248
Average	**145,974**	144,350	152,287	164,651	164,550
Number of record shareowners (c)	**87,796**	91,777	91,553	100,458	117,293
Basic EPS (loss) - reported	**$ 1.23**	$ 3.45	$ 2.84	$ (3.46)	$ 1.80
Diluted EPS (loss) - reported	**$ 1.22**	$ 3.44	$ 2.84	$ (3.46)	$ 1.80
Dividends declared per share	**$ 1.06**	$ 1.06	$ 1.00	$ 1.335	$ 1.67
Book value per share (c)	**$ 12.67**	$ 13.87	$ 11.23	$ 11.37	$ 16.90
Market price per share (c)	**$ 34.85**	$ 45.188	$ 22.875	$ 27.875	$ 23.938
Dividend payout rate -- % (f)	**87**	31	35	(39)	93
Dividend yield -- % (g)	**3.04**	2.35	4.37	4.79	6.98
Price earnings ratio (f) (h)	**28.57**	13.14	8.05	(8.06)	13.30
Sales Data - millions of kWh					
Electric energy supplied - retail	43,470	41,493	36,637	31,651	31,964
Electric energy supplied - wholesale	27,683	40,925	32,045	36,708	21,454
Electric energy delivered - retail	40,529	37,642	35,987	32,144	31,964

(a) The earnings for each year were affected by unusual items. These adjustments affected net income. See "Earnings" in Review of the Financial Condition and Results of Operations for a description of unusual items in 2001, 2000, and 1999.

(b) Operating income of certain years is restated to conform to the current presentation.

(c) At year-end.

(d) PPL Electric terminated its capital lease in 2000. See Note 12 for additional information.

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

(f) Based on diluted EPS.

(g) Based on year-end market prices.

(h) Based on diluted EPS excluding unusual items, the price earnings ratios are: 2001, 8.26; 2000, 13.78; 1999, 9.73; 1998, 14.91; 1997, 11.97.

PPL CORPORATION

ITEM 7. REVIEW OF THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS

PPL is an energy and utility holding company with headquarters in Allentown, PA. See Item 1 "Business - Background" for descriptions of PPL's major segments. See Exhibit 99 in Item 14 for the current corporate organization structure. Other subsidiaries may be formed by PPL to take advantage of new business opportunities.

Results of Operations

The following discussion explains significant changes in principal items on the Statement of Income, comparing 2001 to 2000, and 2000 to 1999.

Certain items on the Statement of Income have been impacted by PPL Global's investment in CEMAR. The results of CEMAR are included for the entire year in 2001, but were included for only the last three months of 2000.

Certain items on the Statement of Income have also been impacted by the acquisition of the Montana generating assets by PPL Montana in December 1999. As such, the results of PPL Montana are included for all of 2000 and 2001, but only for the last two weeks of 1999.

Earnings

Net income, and the related EPS, were as follows:

	2001	2000	1999
Net income (millions of dollars)	$ 179	$ 498	$ 432
EPS - basic	$ 1.23	$ 3.45	$ 2.84

The changes in net income from year to year are, in part, attributable to several unusual items with significant earnings impacts that are shown below. Refer to specific Notes to the Financial Statements for discussion of certain of these items. The items without note references are discussed in "Other Charges," "Other Operation Expenses" and "Other Income and (Deductions)."

	(Millions of dollars)		
	2001	2000	1999
Net income - actual	$ 179	$ 498	$ 432
Unusual items (net of tax):			
Write-down of WPD 1953 investment in Teesside (Note 22)	(21)		
Write-down investment in WPD 1953 and WPDL (Note 22)	(117)		
Write-down investment in CEMAR (Note 22)	(217)		
Accounting method change - pensions (Note 14)	10		
Enron impact on trading (Note 21)	(8)		
	(88)		

Cancellation of generation projects (Note 11)			
Environmental insurance recoveries		24	
Sale of Sunbury plant and related assets			42
Sale of SWEB supply business			64
Securitization (Note 5)			19
Write-down of carrying value of investments			(51)
Net income from core operations	$ 620	$ 474	$ 358

Excluding the effects of unusual items, net income from core operations increased from $474 million in 2000 to $620 million in 2001, or 31%. The earnings improvement was primarily due to:

- higher margins on eastern and western U.S. wholesale energy transactions;
- lower operating costs, partially due to lower pension expense;
- favorable tax credits from synfuel operations; and
- higher earnings from mechanical contracting subsidiaries.

These earnings improvements in 2001 were partially offset by higher levels of interest expense, and increased dividends resulting from the issuance of the PEPS Units.

PPL expects that lower wholesale prices will adversely impact core