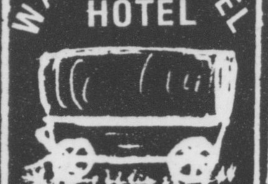

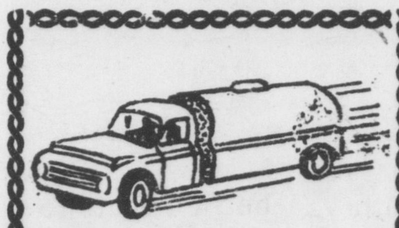

Does PP&L really need those rate increases?

In these economically troubled times, it's hard to worry about five or ten years from now. So when PP&L says it needs increases in electric service rates, it's perfectly understandable that many people are tempted to say: "No! Living costs have gone up too much already."

PP&L has asked the Pennsylvania Public Utility Commission for increases averaging four per cent starting in June and 11 per cent in early 1976. Both increases would be subject to close PUC scrutiny and public hearings.

Does PP&L really need these increases?

Absolutely yes. Because PP&L is required by law to provide the electric service the public wants—not only today but tomorrow as well.

Briefly here's the picture as PP&L sees it:

- We need more electric energy to keep the country going—to provide jobs and decent living standards for a still-growing population.
- Increasing the energy supply—building a power plant, for instance—takes five to ten years. Further cutbacks now can have very serious consequences in the future.
- While energy conservation and our faltering economy have slowed down projected growth of total energy requirements, demand for *electrical* energy is expected to grow considerably. That's because we're running out of natural gas and there's a great need to get unhooked from dependence on imported oil—to stop playing "Arab roulette."
- It's going to take a huge amount of money for PP&L to build power plants and other facilities to meet these increased needs—and about three-quarters of that money will have to come from people buying PP&L's stocks and bonds.
- People aren't going to buy those stocks and bonds unless they feel that their investment is being made in a company that is financially healthy—that is, one whose customers pay enough to cover the rising cost of providing service, including the cost of money.

Maybe this all looks like a vicious cycle, and, in some respects, it is. But before taking the short-term view and saying "stop this thing, I want to get off," consider that adequate rate increases now will mean lower costs for electricity in the long run because:

- Our customers are badly served if PP&L, for lack of adequate rate relief, winds up like the bankrupt railroads, whose inability to charge enough to cover all of their costs has shifted additional burdens onto taxpayers and placed in jeopardy tens of thousands of jobs.
- If PP&L can keep going in a financially healthy condition, it means we can continue to build more efficient facilities which, in the long haul, will cost less to maintain and operate than old facilities. For instance, a nuclear plant, while much more expensive to build, costs a lot less to operate than other kinds of power plants and, in the long run, can save customers a lot of money.
- We're going to have to raise almost $900 million in the next three years to build needed electric facilities. In addition, another $125 million must be raised to pay long-term debt now coming due that must be replaced at much higher—triple, in fact—interest rates. A good part of this money will have to come from mortgage loans. That's why it's vital for us to maintain our present credit rating so we can borrow this replacement money at the lowest possible rates.

A few questions a lot of people will be asking us:

"You just announced that your earnings have gone up again. Wouldn't these rate hikes result in excessive 'profits' for PP&L?"

No. First of all, "profits" for PP&L are limited by law and regulation. For us they are simply one of the costs of doing business—in effect, paying people for the use of money. PP&L needs higher earnings because people have invested more money in PP&L so we can build facilities to serve customers. What cash is left over after we pay common stockholders for the use of their money is plowed back into the business to help pay for the new facilities. So, there isn't anything left over to divide up as "profit." The common stockholder, by the way, hasn't been very well paid in recent years. Our dividends haven't been increased nearly enough to keep pace with the cost of living and our common shares are now selling for less than the money our shareowners have actually put up.

"What is PP&L doing to cut costs and hold down the need for higher rates?"

A lot of things. We've cut back construction projects as much as we can without jeopardizing service to our customers. Because of this and cutbacks in some programs not vital to operations, we've made some substantial reductions in our payroll. We're doing the best we can to hold down costs of the materials we must buy and are engaging an independent consulting firm to take a top-to-bottom look at the Company to see if there are more ways to improve efficiency.

"What about the Fuel Adjustment?"

Our request for increased rates does not affect the fuel adjustment up or down. That's strictly tied to the cost of coal and oil we must buy to run our power plants. The adjustment rose sharply following big increases in the cost of bituminous coal after the oil embargo but it's leveling off now. The PUC has announced it plans to investigate this controversial charge, and we think that's a good thing. Incidentally, because of PP&L's zero-profit coal mines and Company-owned fleet coal trains the fuel adjustment paid by our customers in 1974 was lower by at least $20 million.

"How much money would these increases bring in and what would you do with the money?"

The first part would produce $21.3 million in new annual revenues and the second part $58.2 million. Taxes would eat up a significant part of this. For starters, $3.6 million would go to the State Gross Receipts Tax which only utilities pay. Federal and state income taxes would take millions more. PP&L would use what's left after taxes to pay for increased costs of providing service, mainly manpower, materials and money.

"Will everybody be affected the same by these proposed increases?"

No. Some 200,000 customers who use relatively little electricity (285 kilowatt hours a month or less) would get increases of a penny a day or less this year and 3 cents or less in 1976. And of that number, about 120,000 families who use 200 kilowatt hours a month or less will get no increase at all. The average increase for families without electric heat who use more than 200 kwh a month would be 2.8 cents a day starting in June and about 10 cents a day late this year or early next year. Some 60 per cent of the new revenues brought in by the increases would come from industrial and commercial customers.

"What about the electric heating customer?"

The average residential electric heating customer would receive increases of about 8.2¢ a day this year and another 22.8¢ a day next year. These proposed higher rates, along with the fuel adjustment and earlier increases in charges to electric heating customers, will mean price hikes of a little more than the cost of home heating oil and less than the cost of anthracite coal.

"Where do PP&L customers stand right now in what they're paying for electricity?"

PP&L's average residential customer now is paying the lowest price for electricity in Pennsylvania, including the fuel adjustment. If you were able to "price-shop" for electricity in the state, even with the proposed increases, the great majority of residential customers still would find PP&L the best buy.

In line with PUC regulations, we've mailed notices to all our customers providing basic information about the proposed rate increases. In this ad, we've made an effort to explain some of the reasons and issues involved. This ad, in daily and weekly newspapers throughout our service area, cost less than if, instead of a postcard, we had sent letters of explanation to all 900,000 customers.

PP&L