# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

# FORM 10-K

**FOR ANNUAL AND TRANSITION REPORTS**
**PURSUANT TO SECTIONS 13 OR 15d OF THE**
**SECURITIES EXCHANGE ACT OF 1934**

**THE REGISTRANT MEETS THE CONDITIONS SET FORTH IN**
**GENERAL INSTRUCTIONS I (1)(a) AND (b) OF FORM 10-K AND**
**IS THEREFORE FILING THIS FORM WITH THE REDUCED DISCLOSURE FORMAT.**

**[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE**
**SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]**
For the fiscal year ended December 31, 1999

OR

**[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE**
**SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]**
For the transition period from _____ to _____

| Commission File Number | Registrant; State of Incorporation; Address and Telephone Number | IRS Employer Identification No. |
|---|---|---|
| 333-75369 | PPL TRANSITION BOND COMPANY, LLC<br>(Exact name of Registrant as specified in its charter)<br>(Delaware)<br>Two North Ninth Street, GENA92, Room 3<br>Allentown, PA 18101-1179<br>(610) 774-7934 | 23-3004428 |

**Securities registered pursuant to Section 12(b) of the Act: None.**

**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 Registrant's 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. [X]

Indicate by check mark whether the Registrant (1) has 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 Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES [x] NO [ ]

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant: None.

Documents incorporated by reference:

Not applicable.

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**PPL TRANSITION BOND COMPANY, LLC**

**FORM 10-K ANNUAL REPORT TO**
**THE SECURITIES AND EXCHANGE COMMISSION**
**FOR THE YEAR ENDED DECEMBER 31, 1999**

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TABLE OF CONTENTS


Item
Page

PART I

1. Business..... x
2. Properties..... x
3. Legal Proceedings..... x
4. Submission of Matters to a Vote of Security Holders.. xx

PART II

5. Market for the Registrant's Common Equity and Related Stockholder Matters..... xx

6. Selected Financial Data..... xx

7. Management's Discussion and Analysis of Financial Condition and Results of Operations..... xx

7A. Quantitative and Qualitative Disclosures About Market Risk..... xx

8. Financial Statements and Supplementary Data
Report of Independent Accountants..... xx

Statement of Operations and Changes in Member's Equity..... xx

Statement of Cash Flows..... xx

Balance Sheet..... xx

Notes to Financial Statements..... xx

9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure..... xx

PART III

10. Directors and Executive Officers of the Registrant
xx
11. Executive Compensation.....
xx
12. Security Ownership of Certain Beneficial Owners and Management.....
xx
13. Certain Relationships and Related Transactions....
xxx

PART IV

14. Exhibits, Financial Statement Schedules and Reports on Form 8-K.....
xxx

Signatures.....
xxx

Exhibit Index.....
xxx


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GLOSSARY OF TERMS AND ABBREVIATIONS

CAPITAL SUBACCOUNT - An account held by the Trustee under the Indenture which is funded by a contribution to PPL Transition Bond Company, LLC by PPL Electric Utilities at the date of issuance of each series of transition bonds.

CEP SECURITIES - CEP Securities Co. LLC, a Delaware limited liability company and an indirect wholly-owned subsidiary of PPL Electric Utilities.

COMPETITION ACT - The Pennsylvania Electricity Generation Customer Choice and Competition Act, enacted in Pennsylvania in December 1996.

GENERAL SUBACCOUNT - An account held by the Trustee under the Indenture, into which ITC remittances by the Servicer are deposited. The Trustee allocates the funds from the General Subaccount to other subaccounts on the quarterly payment dates.

INDENTURE - The Indenture entered into by PPL Transition Bond Company, LLC and the Trustee, providing for the issuance of transition bonds.

ITC - Intangible Transition Charge, which PPL Electric Utilities has been authorized by the PUC to impose on customer bills and to collect through a non-bypassable billing mechanism to recover Qualified Transition Expenses.

ITP - Intangible Transition Property, which is the property right created under the Competition Act representing the irrevocable right of PPL Transition Bond Company, LLC to receive, through Intangible Transition Charges, amounts sufficient to recover all Qualified Transition Expenses.

OVERCOLLATERALIZATION SUBACCOUNT - An account held by the Trustee under the Indenture, which is funded ratably from collections of ITC over the term of each series of transition bonds.

PPL ELECTRIC UTILITIES - PPL Electric Utilities Corporation.

PUC - The Pennsylvania Public Utility Commission.

PUC RESTRUCTURING ORDER - The final order issued by the PUC to PPL Electric Utilities in August 1998, in connection with PPL Electric Utilities' restructuring filing under the Competition Act, as supplemented by a May 1999 PUC order.

QUALIFIED TRANSITION EXPENSES - The transition or stranded costs of an electric utility approved by the PUC for recovery through the issuance of transition bonds; the costs of retiring existing debt or equity capital of the electric utility or its holding company parent, including accrued interest and acquisition or redemption premium, costs of defeasance, and other related fees, costs and charges, through the issuance of transition bonds or the assignment, sale or other transfer of Intangible Transition Property; and the costs incurred to issue, service or refinance the transition bonds, including accrued interest and acquisition or redemption premium, and other related fees, costs and charges associated with the transition bonds, or to assign, sell or otherwise transfer Intangible Transition Property.

RESERVE SUBACCOUNT - An account held by the Trustee under the Indenture, which consists of remaining funds available after required allocations on the quarterly payment dates.

SERVICER - PPL Electric Utilities acting in this capacity under the Servicing Agreement. In this capacity, PPL Electric Utilities calculates, bills and collects ITC, and maintains applicable accounting records, among other duties.

SERVICING AGREEMENT - The Intangible Property Servicing Agreement between PPL Electric Utilities, as Servicer, and PPL Transition Bond Company, LLC, as Issuer.

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TRUSTEE - The Bank of New York, a New York banking corporation, as Trustee under

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# PPL TRANSITION BOND COMPANY, LLC

## PART I

### ITEM 1. BUSINESS

### GENERAL

On February 29, 2000, PP&L Transition Bond Company LLC (incorporated in 1999) filed a Certificate of Amendment with the Delaware Department of State to change its name to PPL Transition Bond Company, LLC, effective immediately.

PPL Transition Bond Company, LLC (the Company) is a Delaware limited liability company, whose sole member is PPL Electric Utilities. The Company was organized in March 1999, for the sole purpose of purchasing and owning ITP, issuing transition bonds (the Bonds), pledging its interest in ITP and other collateral to the Trustee under an Indenture between the Company and the Trustee to collateralize the Bonds, and performing activities that are necessary to accomplish these purposes. The Company's organizational documents require it to operate in a manner so that its assets would not be consolidated with the bankruptcy estate of PPL Electric Utilities in the event that PPL Electric Utilities becomes subject to a bankruptcy proceeding.

The only material business conducted by the Company has been the acquisition of ITP from CEP Securities and the issuance in August 1999 of $2.42 billion of Bonds, Series 1999-1, Class A-1 through Class A-8. The specific interest rate and maturity of each class of bonds is specified in Note 3 of the Notes to Financial Statements. Each series of Bonds have been registered in the name of Cede & Company, as nominee of the Depository Trust Company. All of the Bonds were sold to a syndicate of underwriters managed by Morgan Stanley Dean Witter.

The Company used the proceeds of the issuance of the Bonds to pay expenses of issuance and to purchase the transferred ITP from CEP Securities. PPL Electric Utilities arranged for the formation of CEP Securities as a bankruptcy remote special purpose entity for the purpose of holding ITP before the issuance of the first series of the Bonds.

The Company has no employees. PPL Electric Utilities, as Servicer under the Servicing Agreement, is required to manage, service, administer and make collections of the ITP. The Servicing Agreement also requires PPL Electric Utilities, as Servicer, to file adjustment requests on each calculation date, and the Competition Act and the PUC Restructuring Order require the PUC to act upon these requests within specified time periods. These adjustment requests are based on actual ITC collections and updated assumptions by the Servicer as to projected future usage of electricity by customers, expected delinquencies and write-offs, and future payments and expenses relating to the ITP and the Bonds. The Servicer filed such an adjustment request on December 15, 1999 with the PUC. The request was approved and revised rates became effective on January 1, 2000.

### INTANGIBLE TRANSITION PROPERTY

The ITP represents the irrevocable right of PPL Electric Utilities, or its successor or assignee, to collect a non-bypassable ITC from customers pursuant to the PUC Restructuring Order in accordance with the Competition

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Act. The PUC Restructuring Order authorized PPL Electric Utilities to securitize up to $2.85 billion of its stranded costs. PPL Electric Utilities, or any assignee of PPL Electric Utilities to whom ITP is sold, may issue and sell, in reliance on the PUC Restructuring Order, one or more series of the Bonds, each series in one or more classes, secured by ITP. The Company acquired the ITP and issued the Bonds in August 1999. The principal amount of the Bonds, interest, fees, and funding of the Overcollateralization Subaccount will be recovered through ITC payable by retail consumers of electricity within PPL Electric Utilities' service territory who receive electric delivery service from PPL Electric Utilities.

**ITEM 2. PROPERTIES**

The Company has no physical property. Its primary asset is the ITP described above in Item 1 ("Business - Intangible Transition Property").

**ITEM 3. LEGAL PROCEEDINGS**

None.

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

Omitted pursuant to Instruction I of Form 10-K.

**PART II**

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

(a) Sales of Unregistered Securities. There is no established public trading market for the Company's equity securities. PPL Electric Utilities owns all of the Company's equity. On August 5, 1999, PPL Electric Utilities transferred $12.1 million to the Company as an initial capital contribution, which is also the total capital contribution as of December 31, 1999. Such transaction was exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 4(2). The Company has made no other sales of unregistered securities.

(b) Restriction on Dividends. The Company may not make any payments, distributions or dividends to any member of the Company with respect to its membership interest in the Company except in accordance with the Indenture.

(c) Bondholders. As of December 31, 1999 the sole holder of the Bonds was Cede & Co., as nominee of the Depository Trust Company. The Bonds are not registered on any national securities exchange and are not traded on any established trading market.

**ITEM 6. SELECTED FINANCIAL DATA**

Omitted pursuant to Instruction I of Form 10-K.

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**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following analysis of the results of operations and financial condition of the Company is in an abbreviated format pursuant to Instruction I of Form 10- K. Such analysis should be read in conjunction with the financial statements attached hereto.

As discussed above under Item 1 "Business - General," the Company is a Delaware limited liability company, whose sole member is PPL Electric Utilities. As discussed in Note 3 to Financial Statements, on August 10, 1999, the Company issued the Bonds and transferred the proceeds in exchange for all rights, title and interest in the ITP from CEP Securities. As the Company was formed for limited purposes, as discussed under Item 1 "Business - General," the income statement effects were limited primarily to revenue from collections of ITC by the Servicer, interest income earned on the Capital Subaccount maintained by the Trustee and on temporary investments, interest expense on the Bonds, amortization of the ITP, servicing fees and other administrative expenses.

From the period of inception, March 25, 1999, to December 31, 1999, the income generated from the ITP was approximately $151 million. The Company also earned approximately $349 thousand in interest from the Capital Subaccount maintained by the Trustee and temporary investments. Interest expense of approximately $65 million consists of interest on the Bonds, amortization of debt issuance expenses and the discount on the Bonds. The Company also incurred servicing fees of approximately $469 thousand and other administrative fees of $38 thousand.

The principal amount of the Bonds, interest, fees, and funding of the Overcollateralization Subaccount will be recovered through ITC payable by retail consumers of electricity within PPL Electric Utilities' service territory who receive electric delivery service from PPL Electric Utilities. As part of PPL Electric Utilities' responsibility as Servicer under the Servicing Agreement, as discussed in Item 1 "Business - General," PPL Electric Utilities remitted to the Trustee $83 million of ITC collections for the period August 10, 1999 to November 30, 1999. The first quarterly payment of Bond principal, interest and all related expenses was made by the Trustee on December 27, 1999.

Due to the manner in which seasonal customer electricity usage levels were estimated for purpose of establishing the initial ITC, the Trustee was required to use $8.6 million of the funds in the Capital Subaccount held by the Trustee under the Indenture to meet the $29.7 million of scheduled principal payments on the Bonds on December 27, 1999 (See Note 3 to Financial Statements). The Company currently anticipates that there will be sufficient revenue to make interest payments due on the next quarterly payment date, March 27, 2000. However, after application of the remaining amounts in the Capital Subaccount and unapplied Bond proceeds, the Company anticipates a shortfall of approximately $3 million in the scheduled principal payment on that date (which shortfall does not constitiute an Event of Default under the Indenture.)

Under the Competition Act and the PUC Restructuring Order, withdrawals from the Capital Subaccount must be replenished by increases in the ITC. Under the Servicing Agreement, PPL Electric Utilities, as Servicer, filed a request for an adjustment to the ITC with the PUC on December 15, 1999 to produce additional revenues sufficient to replenish the Capital Subaccount prior to the December 2000 quarterly payment date. The adjustment went into effect on January 1, 2000.

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**YEAR 2000**

The Company is dependent on PPL Electric Utilities, as Servicer, to collect the ITC from customers and remit the ITC to the Trustee. PPL Electric Utilities successfully achieved Year 2000 readiness with respect to systems affecting the collection and remittance of the ITC, the ability to service the ITP, and the ability to make distributions on the Bonds. PPL Electric Utilities incurred all year 2000 remediation costs as Servicer.

The Bank of New York, as Trustee, also successfully made the transition without incident.

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

None.

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## REPORT OF INDEPENDENT ACCOUNTANTS

To PPL Electric Utilities Corporation, the Sole Member of PPL Transition Bond Company, LLC:

In our opinion, the financial statements listed in the index appearing under Item 14(a)(1) present fairly, in all material respects, the financial position of PPL Transition Bond Company, LLC at December 31, 1999, and the results of its operations and its cash flows for the period then ended in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
January 31, 2000

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**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**PPL TRANSITION BOND COMPANY, LLC**
**STATEMENT OF OPERATIONS AND CHANGES IN MEMBER'S EQUITY**
(Thousands of Dollars)

| | For the Period March 25, 1999 (date of inception) to December 31, 1999 |
|---|---|
| REVENUE | |
| Intangible transition charge revenue | $150,852 |
| Interest income | 349 |
| Total revenue | 151,201 |
| EXPENSES | |
| Amortization of intangible transition property | 85,020 |
| Interest expense | 65,246 |
| Administrative and general expenses | 586 |
| Total expenses | 150,852 |
| Operating Income | 349 |
| Income Tax Expense | 145 |
| Net Income | $204 |
| Member's equity - beginning of period | 0 |
| Member's cash contribution | 12,101 |
| Member's equity - end of period | $12,305 |

The accompanying Notes to Financial Statements are an integral part of the financial statements.

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**PPL TRANSITION BOND COMPANY, LLC**
**STATEMENT OF CASH FLOWS**
(Thousands of Dollars)

| | For the Period March 25, 1999 (date of inception) to December 31, 1999 |
|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Net Income | $204 |
| Adjustments to reconcile net income to net cash provided by operating activities: | |
| Amortization of intangible transition property | 85,020 |
| Amortization of debt issuance expenses | 1,399 |
| Amortization of debt discount | 29 |
| Deferred income taxes | 6,250 |
| Changes in current assets and liabilities: | |
| Intangible transition charges receivable from Servicer | (68,507) |
| Accounts receivable - income taxes | (6,105) |
| Interest accrued | 2,255 |
| Payable to Servicer | 1,056 |
| Other | 532 |
| Other operating activities - net | 327 |
| Net cash provided by operating activities | 22,460 |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Purchase of intangible transition property | (2,402,000) |
| Change in restricted funds | (3,519) |
| Net cash used in investing activities | (2,405,519) |
| CASH FLOWS FROM FINANCING ACTIVITIES | |
| Proceeds from issuance of transition bonds | 2,419,737 |
| Repayment of transition bonds | (29,685) |
| Debt issuance expenses | (16,264) |
| Equity contribution from member | 12,101 |
| Net cash provided by financing activities | 2,385,889 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 2,830 |
| Cash and Cash Equivalents at Beginning of Period | 0 |
| Cash and Cash Equivalents at End of Period | $2,830 |
| SUPPLEMENT DISCLOSURE OF CASH FLOW INFORMATION | |
| Cash paid during the period for: | |
| Interest | $61,562 |
| Income taxes | $0 |

The accompanying Notes to Financial Statements are an integral part of the financial statements.

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**PPL TRANSITION BOND COMPANY, LLC**
**BALANCE SHEET**
(Thousands of Dollars)

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| | December 31, 1999 |
|---|---|
| ASSETS | |
| CURRENT ASSETS | |
| Cash and cash equivalents | $2,830 |
| Intangible transition charges receivable from Servicer | 68,507 |
| Other receivables | 16 |
| Accounts receivable - income taxes | 6,105 |
| Other prepaid expenses | 39 |
| Current assets | 77,497 |
| NONCURRENT ASSETS | |
| Intangible transition property, net | 2,316,980 |
| Unamortized debt issuance expenses | 14,865 |
| Restricted funds | 3,519 |
| Noncurrent assets | 2,335,364 |
| Total assets | $2,412,861 |
| LIABILITIES AND MEMBER'S EQUITY | |
| CURRENT LIABILITIES | |
| Long-term debt | $226,699 |
| Interest accrued | 2,255 |
| Payable to Servicer | 1,056 |
| Other | 587 |
| Current liabilities | 230,597 |
| NONCURRENT LIABILITIES | |
| Long-term debt, net of discount | 2,163,382 |
| Deferred income taxes | 6,250 |
| Other | 327 |
| Noncurrent liabilities | 2,169,959 |
| Commitments and contingent liabilities | |
| MEMBER'S EQUITY | 12,305 |
| Total liabilities and member's equity | $2,412,861 |

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The accompanying Notes to Financial Statements are an integral part of the financial statements.

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## NOTES TO FINANCIAL STATEMENTS

Terms and abbreviations appearing in Notes to Financial Statements are explained in the glossary.

1. NATURE OF OPERATIONS

The financial statements include the accounts of PPL Transition Bond Company, LLC (the Company). PPL Transition Bond Company, LLC, a limited liability company established under the laws of the State of Delaware, was formed on March 25, 1999 pursuant to a limited liability company agreement. PPL Electric Utilities is the sole member of the Company.

The Company was organized for the sole purpose of purchasing and owning ITP, issuing transition bonds (the Bonds), pledging its interest in ITP and other collateral to the Trustee under an Indenture between the Company and the Trustee to collateralize the Bonds, and performing activities that are necessary to accomplish these purposes. ITP represents the irrevocable right of PPL Electric Utilities, or its successor or assignee, to collect a non-bypassable ITC from customers pursuant to the PUC Restructuring Order in accordance with the Competition Act. The PUC Restructuring Order authorizes the ITC to be sufficient to recover up to $2.85 billion aggregate principal amount of Bonds, plus an amount sufficient to provide for any credit enhancement, to fund any reserves and to pay interest, redemption premiums, servicing fees and other expenses relating to the Bonds.

The Company's organizational documents require it to operate in a manner so that its assets would not be consolidated with the bankruptcy estate of PPL Electric Utilities in the event that PPL Electric Utilities becomes subject to a bankruptcy proceeding. Both PPL Electric Utilities and the Company have treated the transfer of the ITP to the Company as a sale under applicable law. The Bonds are treated as debt obligations of the Company. The assets of the Company are not available to creditors of PPL Electric Utilities or PPL Corporation and the ITP is legally not an asset of PPL Electric Utilities or PPL Corporation. The Company is expected to terminate its existence after final maturity of the Bonds.

The Company issued $2.42 billion of Bonds in eight different classes on August 10, 1999. See Note 3 for additional information.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**MANAGEMENT'S ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions will affect the reported amount of revenues, expenses, assets, and liabilities and disclosure of contingencies. Actual results could differ from these estimates.

**CASH AND CASH EQUIVALENTS**

The Company considers all liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash and Cash Equivalents do not include Restricted Funds.

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**RESTRICTED FUNDS**

Under the Indenture, the Company deposited an amount equal to 0.5% of the initial principal amount of the 1999-1 Bonds into the Capital Subaccount with the Trustee. This amount was contributed by PPL Electric Utilities to the Company. This account is the last account drawn in the event funds are insufficient to make scheduled allocations. If the Capital Subaccount is used, it will be replenished from ITC remittances to its original level through the periodic reconciliation process. Accordingly, the Capital Subaccount is classified as "Restricted funds" on the Balance Sheet.

**AMORTIZATION OF INTANGIBLE TRANSITION PROPERTY**

The ITP was recorded at the acquired cost and is being amortized over the life of the Bonds, based on ITC revenues, interest accruals and other fees. The ITP is solely the property of the Company.

**AMORTIZATION OF DEBT ISSUANCE COSTS AND DISCOUNT ON DEBT**

The costs associated with the issuance of the Bonds have been capitalized and are being amortized over the life of the Bonds, utilizing the effective interest method.

**INCOME TAXES**

The Company is a limited liability company and elected to be disregarded as a separate entity for federal and state income tax purposes. The Company's taxable income or loss is included in the consolidated federal and state income tax returns of its member. The Statement of Operations and Changes in Member's Equity reflects the Company's pro rata allocation of its member's consolidated income taxes in accordance with its member's tax sharing policy.

3. LONG-TERM DEBT AND SOURCE OF REPAYMENT

In August 1999, the Company issued $2.42 billion of Series 1999-1 Bonds. The Bonds consist of eight classes. The Company used the proceeds from the Bonds to purchase ITP from CEP Securities. PPL Electric Utilities arranged for the formation of CEP Securities to provide flexibility to issue multiple tranches of transition bonds at different dates. The Bonds are collateralized by the ITP and other assets of the Company.

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Scheduled maturities and interest rates for the Bonds at December 31, 1999 are:

| Class | Bond Rate | Amount | Expected Final Payment Date | Final Maturity Date |
|---|---|---|---|---|
| | | ($ Thousands) | | |
| A-1 | 6.08% | $ 263,315 | March 25, 2001 | March 25, 2003 |
| A-2 | 6.41% | 178,000 | December 26, 2001 | December 26, 2003 |
| A-3 | 6.60% | 303,000 | March 25, 2003 | March 25, 2005 |
| A-4 | 6.72% | 201,000 | December 26, 2003 | December 26, 2005 |
| A-5 | 6.83% | 313,000 | March 25, 2005 | March 25, 2007 |
| A-6 | 6.96% | 223,000 | December 26, 2005 | December 26, 2007 |
| A-7 | 7.05% | 455,000 | June 25, 2007 | June 25, 2009 |
| A-8 | 7.15% | 454,000 | December 26, 2008 | June 25, 2009 |
| | | $2,390,315 | | |
| Current Maturities | | (226,699) | | |
| Unamort. Discount | | (234) | | |
| Long-term Debt | | $2,163,382 | | |

The carrying value of the long-term debt approximates fair market value as of December 31, 1999. The current maturities stated above are based on the expected final payment dates rather than the final maturity date.

The source of repayment for the Bonds is the ITC. The Servicer collects this non-bypassable charge from PPL Electric Utilities' retail consumers of electricity. The Servicer deposits ITC monthly collections into a General Subaccount maintained by the Trustee under the Indenture. The monthly ITC collections from August 10, 1999 to November 30, 1999 were $83 million. Each quarter, such monies are used to make principal and interest payments on the Bonds, and to pay fees, costs and charges specified in the Indenture. The Trustee made the first payment on the scheduled payment date of December 27, 1999. The Indenture also includes a Reserve Subaccount that is maintained for the purpose of retaining any excess amount of ITC collections and investment earnings not released to the Company. The Indenture also provides for an Overcollateralization Subaccount. The funding level of this account is 0.5% of the initial principal amount of the Series 1999-1 Bonds, funded ratably over the life of the Bonds. The Company's required Overcollateralization Subaccount level as of December 31, 1999 was $327,027. Additionally, an amount equal to
0.5% of the initial principal amount of the Bonds was deposited into the Capital Subaccount under the Indenture on the date of issuance. If amounts available in the General, Reserve, and Overcollateralization Subaccounts are not sufficient on any payment date to make scheduled payments, the Trustee will draw on amounts in the Capital Subaccount in excess of $100,000. The Trustee was required to withdraw $8.6 million from the Capital Subaccount on December 27, 1999 to make scheduled principal payments of $29.7 million on the Bonds. Any remaining amounts collateralizing the Bonds will be released to the Company upon payment of the Bonds.

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At December 31, 1999 the following balances were reflected in the Subaccounts maintained by the Trustee:

| Subaccounts | Balance ($ thousands) |
|---|---|
| General | $ 0 |
| Reserve | 0 |
| Overcollateralization | 0 |
| Capital | $3,473 |

4. SIGNIFICANT AGREEMENTS AND RELATED PARTY TRANSACTIONS

Under the Servicing Agreement, PPL Electric Utilities, as Servicer, is required to manage and administer the ITP of the Company and to collect the ITC on behalf of the Company. The Company pays an annual servicing fee of $1.25 million to PPL Electric Utilities. For the period ended December 31, 1999, the Company expensed servicing fees of approximately $469 thousand and other administrative fees of approximately $38 thousand.

Debt issuance costs of approximately $16.3 million were incurred in connection with the issuance of the Bonds. Of that amount, about $4.2 million has been incurred by PPL Electric Utilities, with approximately $1.1 million to be reimbursed by the Company.

At December 31, 1999, the Balance Sheet includes a receivable from PPL Electric Utilities of approximately $69 million for ITC collections.

5. INCOME TAXES

In 1999, the corporate federal income tax rate was 35%, and the PA corporate income tax rate was 9.99%.

The deferred income tax liability at December 31, 1999 was related to timing differences associated with the amortization of ITP.

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Details of the components of income tax expense and a reconciliation of federal income taxes, derived from statutory tax rates applied to income from continuing operations for accounting purposes, follows (thousands of dollars):

Income Tax Expense

| | 1999 |
|---|---|
| Income Tax Expense | |
| Provision-Federal | $(4,635) |
| Provision-State | (1,470) |
| | (6,105) |
| Deferred-Federal | 4,745 |
| Deferred-State | 1,505 |
| | 6,250 |
| | $ 145 |
| Federal | $ 110 |
| State | 35 |
| | $ 145 |

Reconciliation of Income Tax Expense

| | 1999 |
|---|---|
| Indicated federal income tax on pre-tax income at statutory tax rate - 35% | $ 122 |
| Increase due to State income taxes | 23 |
| Total income tax expense | $ 145 |
| Effective income tax rate | 41.5% |

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

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## PART III

### ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Omitted pursuant to Instruction I of Form 10-K.

### ITEM 11. EXECUTIVE COMPENSATION

Omitted pursuant to Instruction I of Form 10-K.

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Omitted pursuant to Instruction I of Form 10-K.

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Omitted pursuant to Instruction I of Form 10-K.

## PART IV

### ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of this report:
1. Financial Statements - included in response to Item 8.

Report of Independent Accountants

Statement of Operations and Changes in Member's Equity for the period March 25, 1999 (inception) to December 31, 1999

Statement of Cash Flows for the period March 25, 1999 (inception) to December 31, 1999

**Balance Sheet at December 31, 1999**

2. Financial Statement Schedules.
None.

3. Exhibits. See Exhibit Index which appears following the Signature page to this report.

(b) Reports on Form 8-K:

None.

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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**PPL TRANSITION BOND COMPANY, LLC**
(Registrant)

*By /s/ John R. Biggar*
*---*

*John R. Biggar, Manager*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

| | **TITLE** |
|---|---|
| *By /s/ John R. Biggar*<br>*---*<br>*John R. Biggar* | *Manager* |
| *By /s/ James E. Abel*<br>*---*<br>*James E. Abel* | *Manager* |
| *By /s/ James S. Pennington*<br>*---*<br>*James S. Pennington* | *Manager* |
| *By /s/ Dwight Jenkins*<br>*---*<br>*Dwight Jenkins* | *Manager* |
| *By /s/ Peter H. Sorensen*<br>*---*<br>*Peter H. Sorensen* | *Manager* |
| *By /s/ Stephen C. May*<br>*Treasurer*<br>*---*<br>*Stephen C. May* | |

Date: March 10, 2000

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## INDEX TO EXHIBITS

The following Exhibits indicated by an asterisk preceding the Exhibit number are filed herewith. The balance of the Exhibits have heretofore been filed with the Commission and pursuant to Rule 12(b)-32 are incorporated herein by reference.

Exhibits

| Exhibit No. | | Description |
|---|---|---|
| 3.1 | - | Certificate of Formulation of PP&L Transition Bond Company LLC (Exhibit 4.2 to Registration Statement No. 333-75369) |
| 3.2 | - | Amended and Restated Limited Liability Company Agreement of PP&L Transition Bond Company LLC, dated August 10, 1999 (Exhibit 4.1.2 to the Company's Form 8-K report (File No. #333-75369), dated August 17, 1999) |
| 4.1 | - | Indenture dated as of August 10, 1999, between PP&L Transition Bond Company LLC and the Bank of New York (Exhibit 4.3.1 to the Company's Form 8-K report (File No. #333-75369), dated August 17, 1999. |
| 4.2 | - | Series Supplement, dated as of August 10, 1999, between PP&L Transition Bond Company LLC and the Bank of New York (Exhibit 4.3.2 to the Company's Form 8-K report (File No. #333-75369), dated August 17, 1999) |
| 10.1 | - | Intangible Transition Property Sale Agreement, dated August 10, 1999, between PP&L Transition Bond Company LLC and CEP Securities Co. LLC (Exhibit 10.1 to the Company's Form 8-K report (File No. #333-75369), dated August 17, 1999) |
| 10.2 | - | Amendment Number 1 to the Intangible Transition Property Contribution Agreement among PP&L, Inc., CEP Group, Inc., CEP Reserves, Inc. and PP&L Transition Bond Company LLC dated August 10, 1999 (Exhibit 10.2 to the Company's Form 8-K report (File No. #333-75369) dated August 17, 1999) |
| 10.3 | - | Intangible Transition Property Servicing Agreement dated August 10, 1999, between PP&L Transition Bond Company LLC and PP&L, Inc. (Exhibit 10.3 to the Company's Form 8-K report (File No. #333-75369), dated August 17, 1999) |
| *23 | - | Consent of PricewaterhouseCoopers LLP |
| *27 | - | Financial Data Schedule |
| *99 | - | Quarterly Servicer's Certificate |

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**Exhibit 23**

**CONSENT OF INDEPENDENT ACCOUNTANTS**

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (No. 333-75369) of PPL Transition Bond Company, LLC of our report dated January 31, 2000 relating to the financial statements, which appears in this Form 10-K.

PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
March 10, 2000

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**ARTICLE UT**

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE STATEMENT OF OPERATIONS AND CHANGES IN MEMBER'S EQUITY, THE STATEMENT OF CASH FLOWS, AND THE BALANCE SHEET FOR THE FORM 10-K DATED DECEMBER 31, 1999, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

CIK: 0001083000
NAME: PPL TRANSITION BOND CO INC
MULTIPLIER: 1,000

| | |
|---|---|
| PERIOD TYPE | 12 MOS |
| FISCAL YEAR END | DEC 31 1999 |
| PERIOD START | MAR 25 1999 |
| PERIOD END | DEC 31 1999 |
| BOOK VALUE | PER BOOK |
| TOTAL NET UTILITY PLANT | 0 |
| OTHER PROPERTY AND INVEST | 0 |
| TOTAL CURRENT ASSETS | 77,497 |
| TOTAL DEFERRED CHARGES | 14,865 |
| OTHER ASSETS | 2,230,499 |
| TOTAL ASSETS | 2,412,861 |
| COMMON | 0 |
| CAPITAL SURPLUS PAID IN | 12,101 |
| RETAINED EARNINGS | 204 |
| TOTAL COMMON STOCKHOLDERS EQ | 12,305 |
| PREFERRED MANDATORY | 0 |
| PREFERRED | 0 |
| LONG TERM DEBT NET | 2,163,382 |
| SHORT TERM NOTES | 0 |
| LONG TERM NOTES PAYABLE | 0 |
| COMMERCIAL PAPER OBLIGATIONS | 0 |
| LONG TERM DEBT CURRENT PORT | 226,699 |
| PREFERRED STOCK CURRENT | 0 |
| CAPITAL LEASE OBLIGATIONS | 0 |
| LEASES CURRENT | 0 |
| OTHER ITEMS CAPITAL AND LIAB | 10,475 |
| TOT CAPITALIZATION AND LIAB | 2,412,861 |
| GROSS OPERATING REVENUE | 151,201 |
| INCOME TAX EXPENSE | 145 |
| OTHER OPERATING EXPENSES | 85,606 |
| TOTAL OPERATING EXPENSES | 85,751 |
| OPERATING INCOME LOSS | 65,450 |
| OTHER INCOME NET | 0 |
| INCOME BEFORE INTEREST EXPEN | 65,450 |
| TOTAL INTEREST EXPENSE | 65,246 |
| NET INCOME | 204 |
| PREFERRED STOCK DIVIDENDS | 0 |
| EARNINGS AVAILABLE FOR COMM | 204 |
| COMMON STOCK DIVIDENDS | 0 |
| TOTAL INTEREST ON BONDS | 63,818 |
| CASH FLOW OPERATIONS | 22,460 |
| EPS BASIC | 0 |
| EPS DILUTED | 0 |

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**Exhibit 99**

## QUARTERLY SERVICER'S CERTIFICATE

## PP&L TRANSITION BOND COMPANY LLC
## $2,420,000,000 TRANSITION BONDS, SERIES 1999-1

Pursuant to Section 4 of Annex I of the Intangible Transition Property Servicing Agreement dated as of August 10, 1999 (the "Servicing Agreement") between PP&L, Inc., as Servicer and PP&L Transition Bond Company LLC, as Issuer, the Servicer does hereby certify as follows:

Capitalized terms used in this Quarterly Servicer's Certificate (the "Quarterly Certificate") have their respective meanings as set forth in the Servicing Agreement. References herein to the "Indenture" are to the Indenture dated as of August 10, 1999 between PP&L Transition Bond Company LLC, as issuer and The Bank of New York as Trustee.

Billing Periods: August 1999, September 1999, October 1999, November 1999 Payment Date: December 27, 1999

| | | |
|---|---|---|
| 1. | Collections Allocable and Aggregate Amounts Available for the Current Payment Date: | |
| i. | Remittances for the August 10, 1999 - September 30, 1999 Collection Period* | $ 29,930,952.15 |
| ii. | Remittances for the October 1999 Collection Period | $ 25,944,416.31 |
| iii. | Remittances for the November 1999 Collection Period | $ 26,796,338.21 |
| iv. | Net Earnings on Collection Account | $ 313,097.77 |
| v. | Net Earnings on Capital Subaccount | $ 213,645.54 |
| vi. | Net Earnings on Overcollateralization Subaccount | $ 0.00 |
| vii. | Net Earnings on Reserve Subaccount | $ 0.00 |
| viii. | General Subaccount Balance | $ 83,198,449.98 |
| ix. | Reserve Subaccount Balance | $ 0.00 |
| x. | Overcollateralization Subaccount Balance | $ 0.00 |
| xi. | Capital Subaccount Balance (less $100K) | $ 12,000,000.00 |
| xii. | Collection Account Balance | $ 95,198,449.98 |
| 2. | Outstanding Principal Balance and Collection Account Balance as of Prior Payment Date: | |
| i. | Class A-1 Principal Balance | $293,000,000.00 |
| ii. | Class A-2 Principal Balance | $178,000,000.00 |
| iii. | Class A-3 Principal Balance | $303,000,000.00 |
| iv. | Class A-4 Principal Balance | $201,000,000.00 |
| v. | Class A-5 Principal Balance | $313,000,000.00 |
| vi. | Class A-6 Principal Balance | $223,000,000.00 |
| vii. | Class A-7 Principal Balance | $455,000,000.00 |
| viii. | Class A-8 Principal Balance | $454,000,000.00 |
| ix. | Transition Bond Principal Balance | $2,420,000,000.00 |
| x. | Reserve Subaccount Balance | $ 0.00 |
| xi. | Overcollateralization Subaccount Balance | $ 0.00 |
| xii. | Capital Subaccount Balance | $ 12,000,000.00 |
| 3. | Required Funding/Payments as of Current Payment Date: | |
| i. | Projected Class A-1 Bond Balance | $ 263,315,284.00 |
| ii. | Projected Class A-2 Bond Balance | $ 178,000,000.00 |
| iii. | Projected Class A-3 Bond Balance | $ 303,000,000.00 |

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| | | |
|---|---|---|
| iv. | Projected Class A-4 Bond Balance | $ 201,000,000.00 |
| v. | Projected Class A-5 Bond Balance | $ 313,000,000.00 |
| vi. | Projected Class A-6 Bond Balance | $ 223,000,000.00 |
| vii. | Projected Class A-7 Bond Balance | $ 455,000,000.00 |
| viii. | Projected Class A-8 Bond Balance | $ 454,000,000.00 |
| | | --- |
| ix. | Projected Transition Bond Balance | $2,390,315,284.00 |

* August collections totaled $8,549,873.35, September collections totaled $21,381,078.80.

| | | |
|---|---|---|
| x. | Required Class A-1 Coupon (6.08% per annum rate) | $ 6,680,400.00 |
| xi. | Required Class A-2 Coupon (6.41% per annum rate) | $ 4,278,675.00 |
| xii. | Required Class A-3 Coupon (6.60% per annum rate) | $ 7,499,250.00 |
| xiii. | Required Class A-4 Coupon (6.72% per annum rate) | $ 5,065,200.00 |
| xiv. | Required Class A-5 Coupon (6.83% per annum rate) | $ 8,016,712.50 |
| xv. | Required Class A-6 Coupon (6.96% per annum rate) | $ 5,820,300.00 |
| xvi. | Required Class A-7 Coupon (7.05% per annum rate) | $ 12,029,062.50 |
| xvii. | Required Class A-8 Coupon (7.15% per annum rate) | $ 12,172,875.00 |
| xviii. | Required Overcollateralization Funding | $ 327,027.03 |
| xix. | Required Capital Subaccount Funding | $ 0.00 |

4. Allocation of Remittances as of Current Payment Date Pursuant to Section 8.02(d) of the Indenture:

| | | |
|---|---|---|
| i. | Bond Trustee Fees and Expenses | $ 5,625.00 |
| ii. | Independent Managers Fee | $ 0.00 |
| iii. | Servicing Fee | $ 468,750.00 |
| iv. | Quarterly Administration Fee | $ 37,500.00 |
| v. | Operating Expenses (subject to $100,000 cap) | $ 66,562.50 |
| vi. | Quarterly Interest | $ 61,562,475.00 |
| | 1. Class A-1 Bond Coupon Payment | $ 6,680,400.00 |
| | 2. Class A-2 Bond Coupon Payment | $ 4,278,675.00 |
| | 3. Class A-3 Bond Coupon Payment | $ 7,499,250.00 |
| | 4. Class A-4 Bond Coupon Payment | $ 5,065,200.00 |
| | 5. Class A-5 Bond Coupon Payment | $ 8,016,712.50 |
| | 6. Class A-6 Bond Coupon Payment | $ 5,820,300.00 |
| | 7. Class A-7 Bond Coupon Payment | $ 12,029,062.50 |
| | 8. Class A-8 Bond Coupon Payment | $ 12,172,875.00 |
| vii. | Principal Due and Payable | $ - |
| viii. | Scheduled Quarterly Principal | $ 29,684,716.00 |
| | 1. Class A-1 Bond Principal Payment | $ 29,684,716.00 |
| | 2. Class A-2 Bond Principal Payment | $ 0.00 |
| | 3. Class A-3 Bond Principal Payment | $ 0.00 |
| | 4. Class A-4 Bond Principal Payment | $ 0.00 |
| | 5. Class A-5 Bond Principal Payment | $ 0.00 |
| | 6. Class A-6 Bond Principal Payment | $ 0.00 |
| | 7. Class A-7 Bond Principal Payment | $ 0.00 |
| | 8. Class A-8 Bond Principal Payment | $ 0.00 |
| ix. | Operating Expenses (in excess of $100,000) | $ 0.00 |
| x. | Funding of Capital Subaccount (to required level) | $ 0.00 |
| xi. | Funding of Overcollateralization Subaccount (to required level) | $ 0.00 |
| xii. | Net Earnings on Capital Subaccount Released to Issuer | $ 0.00 |
| xiii. | Deposits to Reserve Subaccount | $ 0.00 |
| xiv. | Released to Issuer upon Series Retirement: Collection Account | $ 0.00 |

5. Outstanding Principal Balance and Collection Account Balance as of Current Payment Date: (After giving effect to payments to be made on such payment date):

| | | |
|---|---|---|
| i. | Class A-1 Principal Balance | $ 263,315,284.00 |
| ii. | Class A-2 Principal Balance | $ 178,000,000.00 |
| iii. | Class A-3 Principal Balance | $ 303,000,000.00 |
| iv. | Class A-4 Principal Balance | $ 201,000,000.00 |

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| | | |
|---|---|---|
| v. | Class A-5 Principal Balance | $ 313,000,000.00 |
| vi. | Class A-6 Principal Balance | $ 223,000,000.00 |
| vii. | Class A-7 Principal Balance | $ 455,000,000.00 |
| viii. | Class A-8 Principal Balance | $ 454,000,000.00 |
| | | --- |
| ix. | Transition Bond Principal Balance | $2,390,315,284.00 |
| x. | Reserve Subaccount Balance | $ 0.00 |
| xi. | Overcollateralization Subaccount Balance | $ 0.00 |
| xii. | Capital Subaccount Balance | $ 3,372,821.48 |

6. Subaccount Draws as of Current Payment Date (if Applicable) Pursuant to Section 8.02(d) of the Indenture:

| | | |
|---|---|---|
| i. | Reserve Subaccount | $ 0.00 |
| ii. | Overcollateralization Subaccount | $ 0.00 |
| iii. | Capital Subaccount | $ 8,627,178.52 |
| | | --- |
| iv. | Total Draws | $ 8,627,178.52 |

7. Shortfalls in Interest and Principal Payments as of Current Payment Date:

| | | |
|---|---|---|
| i. | Quarterly Interest | $ 0.00 |
| | 1. Class A-1 Bond Coupon Payment | $ 0.00 |
| | 2. Class A-2 Bond Coupon Payment | $ 0.00 |
| | 3. Class A-3 Bond Coupon Payment | $ 0.00 |
| | 4. Class A-4 Bond Coupon Payment | $ 0.00 |
| | 5. Class A-5 Bond Coupon Payment | $ 0.00 |
| | 6. Class A-6 Bond Coupon Payment | $ 0.00 |
| | 7. Class A-7 Bond Coupon Payment | $ 0.00 |
| | 8. Class A-8 Bond Coupon Payment | $ 0.00 |
| ii. | Quarterly Principal | $ 0.00 |
| | 1. Class A-1 Bond Principal Payment | $ 0.00 |
| | 2. Class A-2 Bond Principal Payment | $ 0.00 |
| | 3. Class A-3 Bond Principal Payment | $ 0.00 |
| | 4. Class A-4 Bond Principal Payment | $ 0.00 |
| | 5. Class A-5 Bond Principal Payment | $ 0.00 |
| | 6. Class A-6 Bond Principal Payment | $ 0.00 |
| | 7. Class A-7 Bond Principal Payment | $ 0.00 |
| | 8. Class A-8 Bond Principal Payment | $ 0.00 |

8. Shortfalls in Required Subaccount Levels as of Current Payment Date:

| | | |
|---|---|---|
| i. | Overcollateralization Subaccount | $ 327,027.03 |
| ii. | Capital Subaccount | $ 8,627,178.52 |

IN WITNESS HEREOF, the undersigned has duly executed and delivered this Quarterly Servicer's Certificate this 22nd day of December, 1999.

**PP&L, Inc., as Servicer**

*by: /s/ James E. Abel*
---
*James E. Abel*
*Vice President Finance and Treasurer*

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