

PPL ELECTRIC UTILITIES CORPORATION

**Statement of Reasons
for the Proposed Increase
Docket No. R-2012-2290597**

March 30, 2012

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I. Introduction

In this filing, PPL Electric Utilities Corporation ("PPL Electric" or the "Company") requests that the Public Utility Commission ("PUC" or the "Commission") approve an overall annual increase in distribution revenues of approximately \$104.6 million based on a future test year ending December 31, 2012, and a proposed allowed rate of return on equity of 11.25 percent. If granted by the Commission as filed, this request would produce a system average increase in distribution rates of approximately 13 percent and an increase in total rates (distribution, transmission and generation charges) of approximately 2.9 percent for default service customers.

As described below, this filing, in large part, is PPL Electric's response to four critical business challenges:

1. Reduced revenue resulting from lower customer usage and a stagnant economic climate;
2. The need to accelerate capital investment programs to maintain reliability and replace aging infrastructure;
3. Support for the development and expansion of the competitive retail electricity market; and
4. Major storm damage in PPL Electric's service area during 2011.

Each of these challenges is discussed in detail in Section II. As a general matter, these challenges either reduce the Company's annual revenue or increase its annual

operating costs. Taken together, they place significant stress on PPL Electric's overall financial health and are the primary drivers behind the Company's request for rate relief in this proceeding. Section III addresses PPL Electric's management effectiveness and describes its various efforts to control increasing costs and improve service to customers. Section IV provides a more detailed overview of this rate filing.

II. Business Challenges

A. Stagnant Economic Climate

PPL Electric continues to face an extremely challenging business environment with a slower economic recovery than the national average. During 2011, United States' gross domestic product ("GDP") grew at an annual rate of 1.8 percent while Pennsylvania's GDP grew by 1.4 percent. Although 2011 showed modest GDP growth, it's still far below the 10-year national average growth rate of 3 percent experienced prior to the recession. Unemployment remained high at 8.95 percent for the nation and 7.95 percent for Pennsylvania. The housing markets showed minimal growth, with the median home price continuing to fall, and with homes staying on the market for longer periods than in the past. PPL Electric experienced the lowest increase in new customers in its history in 2011, with total customer growth at less than 1/10th of 1 percent for the year.

The slow economic recovery resulted in a marginal increase in the sale of electricity in PPL Electric's service area. However, sales remain below 2008 levels. Residential normalized average use dropped by 4 percent in 2010 and increased by

only 0.7 percent in 2011. In the near term, the continuing success of energy efficiency programs will likely offset much of the sales gain that could result from an improving economy.

Similarly, average use by both small and large commercial and industrial customers dropped 0.7 percent and 1 percent respectively, during 2011 and 6.6 percent and 6 percent respectively since 2008. This is a result of the recession, increased national energy efficiency standards, state mandated energy efficiency programs, and conservation efforts driven by higher prices as a result of the rate cap expiration. The sales forecast shows average use recovering slightly going forward.

These flat or declining consumption data have serious implications for PPL Electric's annual revenue and are a substantial factor in the Company's request for rate relief. The Company forecasts that sales will increase by 0.14 percent in 2012 when compared to 2011 (on a weather-normalized basis). Actual revenues are expected to decline by 5.7 percent compared to 2011, reflecting a forecast of normal weather for 2012 in contrast to the high cooling and heating degree days experienced in the past two years.

B. Increased Capital Investment to Ensure Reliability

The economic downturn is particularly difficult for PPL Electric because it has undertaken significant capital investments to maintain and improve current system reliability and replace aging infrastructure throughout its system. Much of the Company's electric distribution system was constructed and placed in service in the 1960s and 1970s. PPL Electric has been able to maintain this equipment in a way

that has continued reliable customer service. However, much of that equipment has an expected useful life of approximately 40 years, and is nearing or past the end of that lifespan. The Company has begun to incur increasing maintenance expenses to deal with rising equipment failures, a solution that becomes expensive and does not adequately address long-term reliability. Investment in system replacements will reduce the rate of O&M cost increases, minimize the total cost of doing business and reduce the potential for eroding reliability performance.

In late 2008, the Company began a detailed, comprehensive study to assess the overall equipment age, condition and performance of its transmission and distribution assets. The purpose of the study was to develop a strategy for capital replacement and maintenance improvements that would allow the Company to avoid the anticipated cost and reliability effects of aging infrastructure and bolster its ability to maintain reliable electric service. Based on the results of the study, PPL Electric has embarked on a 10-year capital plan to replace, maintain and improve various distribution assets. In addition, the replacement of older technology with new systems and facilities will improve system reliability by reducing service outages and shortening outage response time.

Replacing and modernizing these delivery system facilities will require PPL Electric to make significant capital investments. Over the past five years, 2007 through 2011, the Company invested almost \$1.3 billion in the delivery system, associated information technology and facilities infrastructure. PPL Electric intends to invest an additional \$1.6 billion in the delivery system from 2012 to 2016. In 2011, PPL Electric invested a total of \$326.6 million in distribution system improvements.

The Company plans to make distribution system capital investments of \$337 million during the future test year in this case (calendar year 2012). The Company will have to raise a significant amount of money in the capital markets to make those planned investments.

At the time of the last major utility-led infrastructure build-out period in the 1960s and 70s, utility corporate credit ratings were typically at the A to AA- levels. Today, the most common Standard & Poor's Rating Services corporate credit rating among electric utilities is BBB, which also tends to be about the average for the industry and is just two notches above speculative grade. This downward drift in utility credit ratings reflects the continued challenging business environment and slow economic recovery in the United States, including declining electric sales, increasing operating expenses and the need to fund significant capital investments. Clearly, access to capital at reasonable borrowing rates is extremely important to the Company and, ultimately, to its customers. For these reasons, it is critical that the financial community views PPL Electric as an attractive investment.

Since its last distribution base rate case, Moody's has downgraded the Company's credit rating from Baa1 to Baa2. PPL Electric forecasts its return on equity for the distribution business will fall to approximately 6.7 percent in 2012 based on current rates. This return is inadequate by any standard. In this filing, the Company is requesting an allowed return on equity of 11.25 percent, along with a capital structure of approximately 51 percent common equity and 49 percent long-term debt, which PPL Electric believes are necessary ratios to successfully raise capital under today's financial market conditions.

In light of the business environment described above, PPL Electric believes its requested return on equity is the minimum required to attract needed capital under reasonable terms. Such access to the capital markets will allow the Company to proceed with its proactive strategy to renew and strengthen the delivery system from a position of financial strength. Ultimately, it will enable the Company to execute its plan more efficiently, which will result in lower costs to customers over the long term, maintain reliable service, and create hundreds of jobs. Adequate rate relief also will permit the Company to pursue efforts to improve its bond ratings which, if achieved, would further lower the cost to serve customers.

C. Competitive Markets

PPL Electric also anticipates it will incur increased costs over the next several years to support the development and expansion of retail electric competition in Pennsylvania.

In an Order entered on April 29, 2011, the Commission initiated an investigation of Pennsylvania's retail electricity market, order entered at Docket No. I-2011-2237952. PPL Electric has been an active participant in all aspects of the investigation.

During the course of the investigation, various initiatives for enhancing the retail electricity market in Pennsylvania have been proposed. Many of these initiatives will result in increased costs to electric distribution companies ("EDCs") like PPL Electric.

PPL Electric is complying fully with the requirements established thus far and expects additional requirements to arise as the investigation continues. During the future test year in this case (calendar year 2012), the Company expects to spend significant amounts on these initiatives, now and in the near future, as additional direction is provided by the Commission.

D. Storm Damage

In addition to the various items discussed above, PPL Electric incurred significant costs in 2011 to respond to extraordinary damage resulting from numerous storms across its service area. In fact, more storms impacted service to customers in 2011 than any year in the past 12 years, and two of these storms ranked among the Company's five worst storms ever in terms of customers affected.

In late August 2011, the remnants of Hurricane Irene struck a majority of PPL Electric's service territory. These areas experienced severe weather, which included heavy rainfall and extremely high winds with gusts up to 55 mph and resulted in outages to more than 428,000 customers. Full service restoration lasted several days. PPL Electric incurred total costs of \$26.2 million to restore service to all customers during this event.

On October 29, 2011, an unusual fall snowstorm impacted the Northeast region of the country, including portions of the PPL Electric service territory. Heavy wet snow, as much as 13 inches in some areas, accumulated on leaves of trees and caused widespread damage to both electric transmission and distribution facilities. Total outages exceeded 388,000 customers. The severity of this storm again

required multiple days to achieve full service restoration. The Company's restoration efforts included extensive use of other utilities and contract resources from across the eastern, southern and Midwestern United States. PPL Electric incurred total costs of \$27 million associated with the October snowstorm.

PPL Electric filed two petitions with the Commission requesting permission to defer the incremental costs of these storms (net of capital, straight time wages and storm insurance recoveries) for recovery in a future base rate proceeding. In Orders entered on December 15, 2011, at Docket No. P-2011-2270396 and Docket No. P-2011-2274298, the Commission granted both petitions. Accordingly, PPL Electric is including in this filing a request to recover \$24.2 million of 2011 storm restoration costs to be amortized over a five-year period.

III. Management Effectiveness

PPL Electric's management is effectively controlling costs while, at the same time, providing customers with high quality service and expanded service options. The Company owns and maintains an expansive network of facilities that are required to deliver electricity to its customers, and the costs associated with operating and maintaining these facilities continue to increase.

In addition to facing substantial upward pressure on its costs, the Company also is facing declining revenues and lower credit ratings. PPL Electric has undertaken substantial efforts to address these issues while continuing to provide high quality, reliable service to its customers. Several examples of these efforts are

provided below. PPL Electric requests that the PUC consider these efforts in establishing its cost of common equity capital in this proceeding.

A. Advanced Metering Infrastructure

The Company, wherever reasonable and economic, utilizes new technology to improve productivity and manage its operating costs. For example, PPL Electric's advanced metering infrastructure reduces costs associated with manual meter reading processes and aids in the outage identification and restoration process. In addition, it provides more detailed information to customers and to electric generation suppliers ("EGSs"), which is important as Pennsylvania's competitive retail electric market evolves and expands. PPL Electric steadily has improved upon its advanced metering infrastructure to the benefit of all customers by adding features such as a data management system that makes daily and hourly electric-use information available to customers.

PPL Electric is exploring new capabilities for the Company's meters as part of its smart meter plan approved by the Commission in an order entered on June 24, 2010 at Docket No. M-2009-2123945. Because the Company's existing system already meets the PUC's requirements for smart meter technology, PPL Electric does not need to replace its metering equipment. Rather, the Company is testing a variety of applications that will expand the capabilities of the current system and equipment over the next five years.

B. Operating Initiatives

In late 2009, PPL Electric was awarded a \$19 million matching grant from the U.S. Department of Energy to implement advanced Smart Grid functionality for the Harrisburg area. Since the grant was awarded, a secure fiber optic and wireless communication solution has been designed and constructed in the Harrisburg area. By June 2012, more than 500 centrally-controllable distribution automation (“DA”) devices will be installed and connected to PPL Electric’s Distribution Management System (“DMS”). The Smart Grid solution will provide direct reliability benefits to more than 60,000 customers and will benefit all customers by providing system operators with advanced and timely situational awareness and control capabilities. PPL Electric plans to leverage this foundational grid modernization project to deploy self-healing Smart Grid functionality to approximately 50% of customers and circuits by 2019.

PPL Electric is in the process of deploying an enterprise work and asset management system (“WAM”). Beyond the significant effort required to convert to a new large scale software solution, the Company also has placed a strong emphasis on improving its associated work management business processes to more effectively and efficiently manage its portfolio of construction and maintenance work. As the WAM system is deployed, it will provide the future capability to more effectively store conditional and operational information associated with specific assets. The Company’s plan is to leverage WAM and this new asset information to optimize maintenance and aging infrastructure replacement programs.

The historic storms of 2011 revealed areas where storm processes and systems were effective, as well as areas with opportunities for improvement. Some of the improvement initiatives already completed include:

- Hardware and software upgrades of the Company's Outage Management System to speed outage processing;
- Integration with a third-party service to handle customer outage calls when the telephone infrastructure reaches capacity;
- Revamped damage assessment processes to better utilize employees with mobile damage reporting capabilities and, in some cases, utilize retirees;
- Re-configured regional storm centers to optimize the flow of outage information and provide all required support; and
- Implementation of improved estimated restoration time ("ERT") processes and associated metrics.

The Company continuously evaluates and prioritizes reliability improvement and maintenance initiatives based upon several criteria, including the System Average Interruption Duration Index ("SAIDI"), which is the number of minutes an average customer is without electric service over the course of a year. In this way, attention is directed to worst-performing circuits. PPL Electric regularly reviews its worst-performing circuits and develops initiatives to alleviate conditions that contribute to poor performance. The Company also implements improvement projects on portions of the distribution system exhibiting particularly high interruption frequencies.

Finally, the Company has successfully deployed a comprehensive family of programs to meet its requirements under Pennsylvania Act 129. That Act requires electric distribution companies to work with customers to reduce energy use by 1 percent by May 31, 2011, and 3 percent by May 31, 2013. It also requires a 4.5 percent reduction in peak demand by May 31, 2013. The Company met the 2011 requirement and expects to meet both of the 2013 requirements.

C. Customer Contact Center

PPL Electric received nearly 6.5 million customer contacts in 2011, which is up from 4.3 million contacts in 2009. With more than 580,000 customers now shopping, the Company's interaction with customers has fundamentally changed. Even though the number of contacts has increased by 50 percent since 2009, operating costs for the Customer Contact Center have increased only 10 percent over that same period. These efficiencies are a direct result of capital investment in information systems to support customer choice and to provide expanded self-service options for customers.

Payment agreements and requests to start or stop electric service account for nearly 30 percent of the total contacts in 2011. The Company has implemented a payment agreement tool for its agents to improve compliance with Commission regulations, strengthen operational flexibility, enhance call-handling efficiency, and increase customer satisfaction. This system automatically establishes payment agreements, documents accounts, creates/cancels work orders, and generates confirmation letters. The payment agreement system includes automated consumer

protections such as: voiding termination notices, reinstating payment agreements, and referring customers to PPL Electric's Customer Assistance Program ("CAP").

For requests to start or stop electric service, the Company has implemented a call-flow tool to improve the service application process, strengthen compliance with Commission regulations, and enhance call handling efficiency. This tool helps address uncollectible accounts by the timely handling of overdue balances transferred from previous accounts. These efforts mitigate the growth in write-offs of past due debt.

These system and process improvements create efficiencies by reducing the number of call transfers, lowering call handling times and increasing the grade of service (i.e., calls answered within 30 seconds).

With Commission approval in late 2010, PPL Electric implemented a two-year pilot program that allows residential customers to use self-serve tools (IVR and the web) to establish their own payment agreements. Customers already had the ability to make payments through the IVR or web. In 2011, customers made about 275,000 self-serve payments and established over 107,000 self-serve payment agreements.

PPL Electric also has made significant improvements to its call handling capabilities. In December 2011, PPL Electric increased the capacity of its telephony platform by 20 percent and leased IVR capacity from a high-volume call answering service. This added capacity will virtually eliminate busy messages during future major outage events. PPL Electric also instituted high-volume outbound calling capability to provide storm and ERT update messages to customers who are out of

power or to issue alerts ahead of major events to help customers better prepare for service outages.

D. Retail Electric Competition

On January 1, 1997, the Electricity Generation Customer Choice and Competition Act ("Customer Choice Act") became effective. PPL Electric was a staunch supporter of the Customer Choice Act and, since its passage, has been an active supporter of both wholesale and retail electricity competition and the development of customer choice within Pennsylvania. Today, approximately three-quarters of the energy consumed within the PPL Electric service territory is provided by competitive EGSs. As previously discussed, PPL Electric is also an active participant in all phases of the PUC's retail market investigation.

E. Customer Education and Energy Efficiency Programs

The Company has included \$8 million in its 2012 operating budget and in the future test year in this proceeding to continue providing consumers with programs and information that demonstrate how to use electric energy more efficiently and how these actions contribute to energy savings. These efforts are separate from the outreach component of Act 129, discussed above.

PPL Electric intends to maintain comprehensive consumer education and efficiency programs of the type included in its 2008-2012 consumer education plan beyond 2012. The Company proposes to maintain a broad-based, multi-media approach to provide all customers with educational programs designed to help them

understand how and when they use electricity, how they can use energy more efficiently to better manage their electric costs, and how they can shop for electric supply in Pennsylvania's competitive retail electric market. The Company's plan successfully has targeted customers in all segments.

PPL Electric plans to offer the E-power team, a group of energy educators who interact with customers at community events (including Commission sponsored shopping events). In addition, the Company plans to create a traveling exhibit to promote shopping and energy efficiency. The mobile exhibit will be used in concert with community events and support other program activities including the E-power team and school programs. The Company also will develop an Energy Efficiency Technical Resource Center to offer seminars and workshops that provide businesses, facility managers, designers, contractors and engineers with an opportunity to learn about state of the art technology for saving energy and money.

F. Customer Assistance Programs

PPL Electric currently administers a family of universal service programs that provide reduced payment amounts and arrearage forgiveness (OnTrack); free weatherization measures and energy conservation education (WRAP and Act 129 WRAP); direct payments for energy bills (Operation HELP); and referral services for residential customers who have temporary hardships (CARES). In 2012, PPL Electric will expend approximately \$77 million on these programs. The Company recovers these costs primarily through its reconcilable Universal Service Rider, which the Commission approved in PPL Electric's 2007 distribution rate case at Docket No.

R-00072155. In addition, a portion of the costs of the Company's low-income weatherization programs is included in its Energy Efficiency & Conservation Plan, which the Commission approved at Docket No. M-2009-2093216. The Company recovers these costs through its Act 129 Compliance Rider.

On May 5, 2011, the Commission entered an Order, at Docket No. M-2010-2179796, approving the Company's 2011-2013 Universal Service and Energy Conservation Plan ("Plan"). On June 1, 2013, PPL Electric will submit its proposed 2014-2016 Plan to the Commission for review and approval. In that filing, the Company will propose any necessary and appropriate changes to its current programs and services for low-income customers.

G. Industry Awards

In aggregate, the Company's efforts to control costs through effective management, use of improved business processes and application of new technology have been highly successful. Moreover, PPL Electric has been able to manage its costs without adversely affecting the quality of service to its customers. PPL Electric's customers consistently rank the Company as one of the best electric utilities in the country, as demonstrated by its numerous industry awards for quality of service and customer satisfaction.

In 2011, for the ninth time, PPL Electric was ranked highest among large electric utilities in the eastern United States in J.D. Power and Associates' annual study of business customer satisfaction. The J.D. Power and Associates study ranks companies' performance in areas such as power quality and reliability, billing and

payment, corporate citizenship, price, communications, and customer service. In addition to its nine business customer satisfaction awards, PPL Electric has earned the top honor for residential customer satisfaction in the East eight times.

IV. Overview of Filing

In this filing, PPL Electric is requesting an annual distribution revenue increase of approximately \$104.6 million, based on a future test year ending December 31, 2012, and a proposed allowed rate of return on equity of 11.25 percent. If granted by the Commission, this request will produce a system average increase in distribution rates of approximately 13 percent and an average increase in total rates (distribution, transmission and generation charges) of approximately 2.9 percent for default service customers.

Generally, the Company is proposing to allocate the increase to customer classes based on a class cost-of-service study and is proposing to move the rate of return for each customer class toward the system average rate of return. Based on the results of the class cost-of-service study and the Commonwealth Court's decision in *Lloyd v. Pa. Public Utility Commission*, 904 A.2d 1010 (Pa. Cmwlth. 2006), the Company proposes to allocate the increase to rate classes that are below the proposed system average rate of return. The affected classes include residential customers, small single-phase commercial customers, street-lighting customers, and transmission service voltage customers. The Company proposes a rate decrease to one general service rate schedule with an overall rate of return well above the system average. PPL Electric limited the increase to Rate Schedule RTS (residential thermal

storage) to approximately one-half the amount that would be required to move this rate class to system average rate of return.

This filing does not include either of the ratemaking mechanisms permitted by Act 11 of 2012. The Act authorizes fixed utilities to: (1) propose a distribution system improvement charge ("DSIC") and (2) use a fully projected future test year in base rate proceedings. Under the Act, utilities are not permitted to file a petition with the Commission to establish a DSIC until after January 1, 2013. As a result, PPL Electric has not included such a petition in this proceeding. However, PPL Electric does expect to file a petition for a DSIC in early January 2013. The authorization to utilize a fully projected future test year does not contain a similar filing restriction. However, the Company did not have sufficient time to prepare a fully projected future test year given its March 2012 filing date for this request. PPL Electric believes that proper development of such data for the first time would have required several months, at a minimum, and would have substantially delayed the effective date of new rates in this proceeding. Moreover, the Commission has not had an opportunity to develop the procedures and requirements for the use of a fully projected future test year.

The Company proposes to update its retail tariff to clarify certain provisions and eliminate other provisions that no longer are effective, including elimination of a number of terminated rate riders. The Company also has continued moving toward a rate design that more closely follows cost-of-service signals, specifically to recover a greater portion of its revenue requirements through demand and customer components. The Company, therefore, proposes an increase in the monthly

customer charge for Rate Schedule RS from \$ 8.75 per month to \$16 per month.

The customer charge for Rate Schedule RTS will remain at \$18.06 per month.

For Rate Schedules GS-1, GS-3, GH-2 and LP-4, the Company proposes the distribution revenue requirement be recovered through an increased Customer Charge.

The Company also proposes to eliminate several rate schedules. When PPL Electric's generation rate caps expired on December 31, 2009, most of the interruptible service customers either switched to an EGS or migrated to firm power rate schedules, because the advantage of lower energy costs previously reflected in the interruptible service rates had been eliminated. Accordingly, the Company proposes to eliminate Rate Schedule IS-P (only two customers remain on Rate Schedule IS-P) and transfer those customers to Rate Schedule LP-4. The Company also proposes to eliminate Rate Schedule LP-6 (only two customers remain on Rate Schedule LP-6) and transfer those customers to Rate Schedule LP-5. Rate Schedules IS-P and LP-6 would be eliminated.

Also, as requested by the Office of Small Business Advocate ("OSBA") in the Company's 2010 distribution base rate case at Docket No. R-2010-2161694, PPL Electric sent letters to all customers being served under Rate Schedule GH-1 advising them that their distribution rates would be lower if they were served on Rate Schedules GS-1, GS-3, or LP-4. Those customers also have received personal telephone calls from PPL Electric. Currently, none of the Rate Schedule GH-1 customers benefit by staying on that rate schedule. Accordingly, PPL Electric proposes to move these customers to their respective general rate schedule (Rate

Schedule GS-1 for single-phase customers, Rate Schedule GS-3 for three-phase customers, and Rate Schedule LP-4 for primary voltage customers) and eliminate Rate Schedule GH-1.

PPL Electric proposes to eliminate Rate Schedule RTD (residential time of day) and bill these customers in the future under Rate Schedule RS. All of the distribution charges for both rate schedules currently are the same.

PPL Electric also proposes to modify the Net Metering for Renewable Customer-Generators Rider to reflect changes in the Alternative Energy Portfolio Standards Act and to clarify the net metering provisions for shopping customers. Also, PPL Electric is proposing to limit, prospectively, the generation in new Net Metering applications to 110% of the customer's connected load. This change is consistent with the original intent of the Net Metering provisions in the Alternative Energy Portfolio Standards Act, 73 P.S. Section 1648.1, *et seq.*, and the Commission's regulations implementing that Act, 52 Pa. Code Section 75.11, *et seq.* Also, this change is consistent with the size limitation proposed by the Commission in its Tentative Order at Docket No. M-2011-2249441.

PPL Electric proposes to increase the customer disconnect/reconnect charge for termination of service under Rule 10 of its Tariff from \$15 to \$30 during normal business hours and from \$21 to \$50 during non-business hours to better reflect the true costs of performing these services.

Finally, the Company is proposing to recover non-capital costs associated with consumer education, actions undertaken in response to the Retail Markets Investigation and other activities of a similar nature through a reconcilable rider - - the

Competitive Enhancement Rider ("CER"). The Company proposes the CER become effective on January 1, 2013, that it be applied on a per customer basis to each customer who takes distribution service and that it be subject to annual reconciliation.

Included in the filing as Exhibit DAK 1A is a black line version of the tariff reflecting these changes; Exhibit DAK 1 is a clean version of the revised tariff.

V. Conclusion

In this filing, PPL Electric is proposing a distribution rate increase appropriate for the restructured electric utility industry now in place in Pennsylvania. It reflects PPL Electric's status as a distribution electric utility and is based on financial and operating data for that single business line. The requested rate increase reflects the business environment the Company currently faces, particularly its need to make significant capital investments to help ensure that its reliability performance remains strong for customers today and in the future. The increase will move PPL Electric's inadequate return on equity from an estimated 6.7 percent in 2012 to an allowed 11.25 percent. This return is the minimum required for the Company to attract capital on reasonable terms, provide safe and reliable service to its customers and fully fund the various innovative programs described above. The return on equity proposed in this filing is particularly appropriate in view of PPL Electric's management effectiveness and award-winning customer service in the face of challenging economic and capital market conditions. For all of these reasons, PPL Electric's proposed distribution rate increase is just and reasonable and should be approved by the Commission.

PPL ELECTRIC UTILITIES CORPORATION

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G.L. Banzhoff

Balance Sheet at
December 31, 2012
Assets and Other Debits
(Thousands of Dollars)

Acct.	<u>No.</u> <u>Title of Account</u>	<u>Amount</u>
	Utility Plant	
101	Plant in service	\$ 6,291,315
105	Plant held for future use	38,911
106	Completed construction not classified	236,470
107	Construction work in progress	425,859
	Gross utility plant	<u>6,992,555</u>
108	Accumulated provision for depreciation	(2,387,895)
111	Accumulated provision for amortization	<u>(28,103)</u>
	Net utility plant	<u>4,576,557</u>
	Other Property and Investments	
121	Nonutility property	3,558
122	Accumulated provision for depreciation of nonutility property	<u>(779)</u>
	Net nonutility property	2,779
123	Investment in subsidiary companies	0
124	Other investments	988
128	Other special funds	<u>11,428</u>
	Total Other Property and Investments	<u>15,195</u>
	Current and Accrued Assets	
131	Cash	237
132	Interest special deposits	0
134	Other special deposits	0
135	Working funds	94
136	Temporary cash investments	54,676
	Notes and accounts receivable	
141	Notes receivable	0
142	Customer accounts receivable	274,416
143	Other accounts receivable	25,695
144	Accumulated provision for uncollectible accounts-credit	<u>(21,050)</u>
	Total notes and accounts receivable	<u>279,061</u>
145	Notes receivable from associated companies	0
146	Accounts receivable from associated companies	0
	Materials and supplies	
154	Plant materials and operating supplies	38,868
163	Stores expense undistributed	<u>2,993</u>
	Total materials and supplies	<u>41,861</u>

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Balance Sheet at
December 31, 2012
Assets and Other Debits
(Thousands of Dollars)

Acct.		<u>Amount</u>
<u>No.</u>	<u>Title of Account</u>	
	Current and Accrued Assets (continued)	
165	Prepayments	\$ 73,528
	Other current and accrued assets	
171	Interest and dividends receivable	2
172	Rents receivable	6,187
173	Accrued utility revenues	101,402
174	Miscellaneous current and accrued assets	5,291
190	Accumulated deferred income taxes (current)	21,508
	Total other current and accrued assets	<u>134,390</u>
	Total Current and Accrued Assets	<u>583,847</u>
	Deferred Debits	
181	Unamortized debt expense	16,261
182.3	Other regulatory assets	601,323
183	Preliminary survey and investigation charges	0
184	Clearing accounts	0
185	Temporary facilities	0
186	Miscellaneous deferred debits	52,259
189	Unamortized loss on reacquired debt	65,452
190	Accumulated deferred income taxes (noncurrent)	
	Contributions in aid of construction	110,487
	Net Operating Losses	48,367
	Pension and Post-Retirement Costs	125,527
	SFAS 109	2,395
	Other	14,640
	Total accumulated deferred income taxes (noncurrent)	<u>301,416</u>
	Total Deferred Debits	<u>1,036,711</u>
	Total Assets and Other Debits	<u>\$ 6,212,310</u>

PPL ELECTRIC UTILITIES CORPORATION

Balance Sheet at
December 31, 2012
Liabilities and Other Credits
(Thousands of Dollars)

Acct.		<u>Amount</u>
<u>No.</u>	<u>Title of Account</u>	
	Proprietary Capital	
201	Common stock issued	\$ 363,833
204	Preferred stock issued	0
207	Premium on capital stock	0
211	Miscellaneous paid-in capital	1,141,330
214	Capital stock expense	(11,735)
215.1	Appropriated retained earnings - amortization reserve - Federal	0
216	Unappropriated retained earnings	473,670
216.1	Unappropriated undistributed subsidiary earnings	0
217	Reacquired capital stock	0
219	Other comprehensive income	0
	Total Proprietary Capital	<u>1,967,098</u>
	Long-Term Debt	
221	Bonds	1,964,040
224	Other long-term debt	0
225	Unamortized premium	0
226	Unamortized discount on long-term debt-debit	(6,082)
		<u>1,957,958</u>
	Less amount due within one year	
221	Bonds	0
	Total Long-Term Debt	<u>1,957,958</u>
	Other Noncurrent Liabilities	
227	Obligations under capital leases (noncurrent)	<u>0</u>
	Current and Accrued Liabilities	
224	Long-term debt due within one year-other	0
231	Notes payable	0
232	Accounts payable	186,716
234	Accounts payable to associated companies	125,104
235	Customer deposits	16,862
236	Taxes accrued	0
237	Interest accrued	22,533
238	Dividends declared	0
240	Matured interest	0
241	Tax collections payable	576
242	Miscellaneous current and accrued liabilities	56,338
243	Obligations under capital-leases - current	0
283	Accumulated deferred income taxes-other (current)	3,401
	Total Current and Accrued Liabilities	<u>411,530</u>

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Balance Sheet at
December 31, 2012
Liabilities and Other Credits
(Thousands of Dollars)

Acct.		<u>Amount</u>
<u>No.</u>	<u>Title of Account</u>	
	Deferred Credits	
228.3	Accumulated provision for pensions and benefits	\$ 184,965
229	Accumulated provision for rate refunds	0
252	Customer advances for construction	180
253	Other deferred credits	74,098
254	Other regulatory liabilities	62,506
255	Accumulated deferred investment tax credits	3,377
281	Accumulated deferred income taxes - accelerated amortization property	0
282	Accumulated deferred income taxes - other property	
	Accelerated cost recovery system	634,230
	SFAS 109	172,610
	Net Book/Net Tax Plant (Excluding CIAC) - Transmission	190,662
	Other 263A & repair allowance	212,996
	Other	4,396
	Total accumulated deferred income-taxes - other property	<u>1,214,894</u>
283	Accumulated deferred income taxes - other (noncurrent)	<u>335,704</u>
	Total Deferred Credits	<u>1,875,724</u>
	Total Liabilities and Other Credits	<u>\$ 6,212,310</u>

PPL ELECTRIC UTILITIES CORPORATION

Electric Service
Statement of Net Utility Operating Income
Year Ended December 31, 2012
(Thousands of Dollars)

<u>Acct. No.</u>	<u>Title of Account</u>	<u>Amount</u>
400	Operating Revenue (B-3)	\$ 1,864,765
	Operating Expenses:	
401,402	Operation and Maintenance expenses (B-4)	
	Power production	636,830
	Transmission	111,084
	Regional market	451
	Distribution	171,112
	Customer accounts	74,811
	Customer service and informational expenses	117,515
	Sales	2,472
	Administrative and general	181,604
	Total Operation and Maintenance Expenses	<u>1,295,879</u>
403	Depreciation expense	143,605
404,405	Amortization of electric plant	12,465
407.3	Regulatory debits	2,285
407.4	Regulatory credits	0
	Taxes (B-5)	
408.1	Taxes other than income taxes	110,944
409.1	Income taxes	(16,542)
	Deferred income taxes	
410.1	Provision	126,858
411.1	Provision - Credit	(31,005)
411.4	Investment tax credit adjustments	(1,373)
	Total Taxes	<u>188,882</u>
411.6	Gains from disposition of utility plant	0
411.7	Losses from disposition of utility plant	0
	Total Operating Expenses	<u>1,643,116</u>
	Net Utility Operating Income	<u>\$ 221,649</u>

PPL ELECTRIC UTILITIES CORPORATION

Electric Service
Statement of Operating Revenue
Year Ended December 31, 2012
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
	<u>Sales of Electricity</u>	
1	Residential	\$ 1,234,508
2	Commercial	374,141
3	Industrial	56,889
4	Public authorities	23,583
5	Railroads	654
6	Sales for resale	2,421
7	Provision for rate refunds	0
8	Sales Revenue	<u>1,692,196</u>
	<u>Other Operating Revenue</u>	
9	Forfeited discounts	13,000
10	Miscellaneous service revenue	425
11	Rent from electric property	35,313
12	Unbilled revenue	4,283
13	Other electric revenue	<u>119,548</u>
14	Total Other Operating Revenue	<u>172,569</u>
15	Total Electric Operating Revenue	<u>\$ 1,864,765</u>

PPL ELECTRIC UTILITIES CORPORATION

Electric Service
Statement of Operation and Maintenance Expenses
Year Ended December 31, 2012
(Thousands of Dollars)

<u>Acct. No.</u>	<u>Title of Account</u>	<u>Amount</u>
	<u>Power Production Expenses</u>	
	Other Power Supply Expenses	
555	Purchased power	
	Market-based from EWGs	\$ 626,943
	Non-utility generation	2,421
	PJM ancillary services	3,491
	Other	0
556	System control and load dispatching	
	PJM ancillary services	65
	Other	0
557	Other expenses	3,910
	Total Other Power Supply Expenses	<u>636,830</u>
	Total Power Production Expenses	<u>636,830</u>
	<u>Transmission Expenses</u>	
	Operation	
560	Operation supervision and engineering	4,755
561	Load dispatching	2,758
562	Station expenses	733
563	Overhead line expenses	1,640
564	Underground line expenses	0
565	Transmission of electricity by others	57,982
566	Miscellaneous transmission expenses	1,224
567	Rents	12
	Total Transmission Operation Expenses	<u>69,104</u>
	Maintenance	
568	Maintenance supervision and engineering	1,099
569	Maintenance of structures	179
570	Maintenance of station equipment	8,978
571	Maintenance of overhead lines	30,958
572	Maintenance of underground lines	194
573	Maintenance of miscellaneous transmission plant	572
	Total Transmission Maintenance Expenses	<u>41,980</u>
	Total Transmission Expenses	<u>111,084</u>

PPL ELECTRIC UTILITIES CORPORATION

Electric Service
Statement of Operation and Maintenance Expenses
Year Ended December 31, 2012
(Thousands of Dollars)

<u>Acct. No.</u>	<u>Title of Account</u>	<u>Amount</u>
	<u>Regional Market Expenses</u>	
	Operation	
575.7	Market Facilitation, Monitoring and Compliance Services	\$ 451
	Total Regional Market Expenses	<u>451</u>
	<u>Distribution Expenses</u>	
	Operation	
580	Operation supervision and engineering	25,198
581	Load dispatching	203
582	Station expenses	829
583	Overhead line expenses	28,032
584	Underground line expenses	7,903
585	Street lighting and signal system expenses	1,042
586	Meter expenses	11,700
587	Customer installations expenses	4,504
588	Miscellaneous distribution expenses	5,752
589	Rents	7,104
	Total Distribution Operation Expenses	<u>92,267</u>
	Maintenance	
590	Maintenance supervision and engineering	2,829
591	Maintenance of structures	115
592	Maintenance of station equipment	7,554
593	Maintenance of overhead lines	53,421
594	Maintenance of underground lines	7,132
595	Maintenance of line transformers	1,850
596	Maintenance of street lighting and signal systems	2,997
597	Maintenance of meters	24
598	Maintenance of miscellaneous distribution plant	2,923
	Total Distribution Maintenance Expenses	<u>78,845</u>
	Total Distribution Expenses	<u>171,112</u>
	<u>Customer Accounts Expenses</u>	
	Operation	
901	Supervision	987
902	Meter reading expenses	1,974
903	Customer records and collection expenses	38,546
904	Uncollectible accounts	32,160
905	Miscellaneous customer accounts expenses	1,144
	Total Customer Accounts Expenses	<u>74,811</u>

PPL ELECTRIC UTILITIES CORPORATION

Electric Service
Statement of Operation and Maintenance Expenses
Year Ended December 31, 2012
(Thousands of Dollars)

<u>Acct. No.</u>	<u>Title of Account</u>	<u>Amount</u>
	<u>Customer Service and Informational Expenses</u>	
	Operation	
908	Customer assistance expenses	
	On-track uncollectible accounts	\$ 12,000
	Other	95,857
909	Informational and instructional expense	9,523
910	Miscellaneous customer service and informational expenses	135
	Total Customer Service and Informational Expenses	<u>117,515</u>
	<u>Sales Expenses</u>	
	Operation	
911	Supervision	238
912	Demonstrating and selling expenses	993
913	Advertising expenses	9
916	Miscellaneous sales expenses	1,232
	Total Sales Expenses	<u>2,472</u>
	<u>Administrative and General Expenses</u>	
	Operation	
920	Administrative and general salaries	6,329
921	Office supplies and expenses	98,751
923	Outside services employed	265
924	Property insurance	10,658
925	Injuries and damages	3,347
926	Employee pensions and benefits	35,998
928	Regulatory commission expenses	5,000
930	Miscellaneous general expenses	200
		<u>160,548</u>
	Maintenance	
935	Maintenance of general plant	<u>21,056</u>
	Total Administrative and General Expenses	181,604
	Total Operation and Maintenance Expenses	<u>\$ 1,295,879</u>

PPL ELECTRIC UTILITIES CORPORATION

Electric Service
Statement of Detail Taxes
Year Ended December 31, 2012
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
	Taxes Other Than Income	
	State and Local	
1	Capital Stock	\$ 2,447
2	Gross Receipts	95,926
3	Local property and Other	2,064
4	Public Utility Realty	2,698
5	State Unemployment Compensation	510
6	Sales and Use	0
7	Total State and Local	<u>103,645</u>
	Federal	
8	Unemployment Tax Act	68
9	Social Security and Hospital Insurance	7,231
10	Total Federal	<u>7,299</u>
11	Total Taxes Other Than Income	<u>110,944</u>
	Income Taxes	
12	State	5,307
13	Federal	(21,849)
14	Total Income Taxes	<u>(16,542)</u>
	Investment Tax Credit	
15	Deferred	0
16	Amortization of Deferral	(1,373)
17	Net Investment Tax Credit	<u>(1,373)</u>

PPL ELECTRIC UTILITIES CORPORATION

Electric Service
Statement of Detail Taxes
Year Ended December 31, 2012
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Federal</u>	<u>State</u>	<u>Amount</u>
	Deferred Income Taxes			
	Provision for Deferred Taxes			
18	ACRS & MACRS - Transmission Property	\$ 33,323	\$ 1,393	\$ 34,716
19	ACRS & MACRS - Distribution Property	32,279	0	32,279
20	Bad Debts	4,546	1,441	5,987
21	Environmental Cleanup	116	37	153
22	Storm Deferral	508	161	669
23	Other Basis Adjustment - Repair Expense - Distribution Property	9,280	2,943	12,223
24	Other Basis Adjustment - Repair Expense - Transmission Property	8,954	2,840	11,794
25	PA NOL Carryforward Deferred Tax Asset	0	1,327	1,327
26	Pension	17,150	5,438	22,588
27	Post-Retirement Benefits	532	168	700
28	RAR Adjustment	273	43	316
29	Reversal of 263A & Repair Expenses - General Property	545	173	718
30	Reversal of CIAC - Distribution Property	1,944	620	2,564
31	Reversal of CIAC - Transmission Property	342	108	450
32	Variable Pay	284	90	374
33	Total Provision	<u>110,076</u>	<u>16,782</u>	<u>126,858</u>
	Provision for Deferred Taxes - Credit			
34	ACRS & MACRS - General Property	(34)	0	(34)
35	Contributions in Aid of Construction - Distribution Property	(5,914)	(1,876)	(7,790)
36	Contributions in Aid of Construction - Transmission Property	(1,129)	(358)	(1,487)
37	Deferred Compensation - Officers	(56)	(18)	(74)
38	Federal NOL Carryforward Deferred Tax Asset	(8,077)	0	(8,077)
39	Loss - Reacquired Debt	(3,465)	(1,099)	(4,564)
40	Other Basis Adjustment - 263A & Repair Expenses - General Property	(126)	(40)	(166)
41	PA NOL Carryforward Deferred Tax Asset	(464)	0	(464)
42	Post-Employment Benefits	(16)	(5)	(21)
43	Prepays	(167)	(53)	(220)
44	Rate Case Expenses	(213)	(67)	(280)
45	Reversal of 263A & Repair Expenses - Distribution Property	(5,184)	(1,650)	(6,834)
46	Reversal of 263A & Repair Expenses - Transmission Property	(560)	(177)	(737)
47	SERP/DRP	(33)	(10)	(43)
48	Vacation Pay	(161)	(51)	(212)
49	Workers Compensation	(1)	(1)	(2)
50	Total Credits	<u>\$ (25,600)</u>	<u>\$ (5,405)</u>	<u>(31,005)</u>
51	Total Deferred Income Taxes			<u>95,853</u>
52	Total All Taxes			<u>\$ 188,882</u>

PPL ELECTRIC UTILITIES CORPORATION

Calculation of Composite Cost Rate of Long-Term Debt
at December 31, 2012
(Thousands of Dollars)

Line No.	(1) First Mortgage Bonds	(2) Amount Outstanding	(3) Percent to Total	(4) Effective Interest Rate (a)	(5) Average Weighted Cost Rate	
1	7-3/8 % Series due 2014	\$ 10,290	1.56	7.55 %	0.12	
2	3.00% Series due 2021	400,000	60.58	3.19	1.93	
3	5.20% Series due 2041	250,000	37.86	5.31	2.01	
4	Total	\$ 660,290	100.00 %		4.06 %	
	<u>Pollution Control Bonds</u>					
5	4.75% Series due 2027	108,250	34.50	4.90	1.69	
6	4.70% Series due 2029	115,500	36.81	4.86	1.79	
7	Series 2008 due 2023	90,000	28.69	4.21	1.21	
8	Total	\$ 313,750	100.00 %		4.69 %	
	<u>Senior Secured Bonds</u>					
9	4.95% Series due 2015	100,000	10.10	5.03	0.51	
10	5.15% Series due 2020	100,000	10.10	5.21	0.53	
11	6.45% Series due 2037	250,000	25.25	6.53	1.65	
12	6.25% Series due 2039	300,000	30.30	6.37	1.93	
13	2.95% Series due 2022	240,000	24.24	3.03	0.73	
14	Total	\$ 990,000	99.99 %		5.35 %	
15	Total First Mortgage Bonds	\$ 660,290	33.62 %	4.06 %	1.36 %	
16	Total Pollution Control Bonds	313,750	15.97	4.69	0.75	
17	Total Senior Secured Bonds	990,000	50.41	5.35	2.70	
18		\$ 1,964,040	100.00 %		4.81 %	
19	Long-Term Debt	\$ 1,964,040			4.81 %	\$ 94,470 (b)
20	Loss on Reacquired Debt	(65,452)				11,180 (c)
21	Gain on Reacquired Debt	0				0 (d)
22	Adjusted Long-Term Debt	\$ 1,898,588			5.56 %	\$ 105,650 (e)

(a) Effective interest rate from Schedule B-6, page 2.

(b) 4.81% * \$1,964,040

(c) Annualized amortization of loss on reacquired debt

(d) Annualized amortization of gain on reacquired debt

(e) \$105,650 / \$1,898,588

PPL ELECTRIC UTILITIES CORPORATION

Schedule of Long-Term Debt and Calculation
of Average Weighted Cost Rate at December 31, 2012

Line No.	(1) Description of Issue	(2) Nominal Date of Issue	(3) Date of	(4) Amount Issued	(5) Amount Outstanding	(6) Amount Retired	(7) Coupon Rate - %	(8) Premium, Option or (Discount) at Issuance	(9) Issuance Expense	(10) Net Proceeds	(11) Annual Sinking Fund Requirement(a)	(12) Average Term in Years	(13) Net Proceeds Ratio(b)	(14) Effective Interest Rate - %
First Mortgage Bonds														
1	7-3/8% Series due 2014	3/1/1994	3/1/2014	\$ 100,000,000	\$ 10,290,000	\$ 89,710,000	7.375	\$ (1,655,000)	\$ 144,440	\$ 98,200,560		20	98.20	7.55
2	3.0% Series Due 2021	8/23/2011	9/15/2021	400,000,000	400,000,000	\$ 0	3.00	(3,236,000)	3,161,192	393,602,808		10	98.40	3.19
3	5.20% Series Due 2041	7/15/2011	7/15/2041	250,000,000	250,000,000	\$ 0	5.20	(1,430,000)	2,707,351	245,862,649		30	98.35	5.31
Pollution Control Bonds														
4	4.75% Series due 2027	5/17/2005	2/15/2027	108,250,000	108,250,000	0	4.75		2,183,567	106,066,433		22	97.98	4.90
5	4.70% Series due 2029	2/23/2005	9/1/2029	115,500,000	115,500,000	0	4.70		2,605,170	112,894,830		24	97.74	4.86
6	Series 2008 due 2023	10/28/2008	10/1/2023	90,000,000	90,000,000	0	4.00		2,072,950	87,927,050		15	97.70	4.21
Senior Secured Bonds														
7	4.95% Series due 2015	12/20/2005	12/15/2015	100,000,000	100,000,000	0	4.95		621,302	99,378,698		10	99.38	5.03
8	5.15% Series due 2020	12/20/2005	12/15/2020	100,000,000	100,000,000	0	5.15		621,301	99,378,699		15	99.38	5.21
9	6.45% Series due 2037	8/13/2007	8/15/2037	250,000,000	250,000,000	0	6.45	(67,500)	2,522,764	247,409,736		30	98.96	6.53
10	6.25% Series due 2039	5/22/2009	5/15/2039	300,000,000	300,000,000	0	6.25	(1,806,000)	3,105,155	295,088,845		30	98.36	6.37
11	2.95% Series due 2022	6/1/2012	5/30/2022	240,000,000	240,000,000	0	2.95		1,560,000	238,440,000		10	99.35	3.03
12	TOTAL				\$ 1,964,040,000									

(a) The sinking fund requirements may be met with property additions or bonds

(b) Approximates net proceeds ratio at time of issuance

NOTE: No bonds under any series outstanding have been reacquired or retired by the Company.

PPL ELECTRIC UTILITIES CORPORATION

Composite Cost Rate of Preferred and Preference Stock
December 31, 2012
(Thousands of Dollars)

<u>Line No.</u>		(1) <u>Amount Outstanding</u>	(2) <u>Percent of Total</u>	(3) <u>Effective Cost Rate</u>	(4) <u>Weighted Cost Rate</u>	(5) <u>Annual Cost</u>
1	Preference Stock	\$ 0	0.00 %	0.00 %	0.00 %	\$ 0
2	Unamortized Premiums and Unrecovered Original Issues Costs on Redeemed Stock	0				0
3		<u>\$ 0</u>			<u>0.00 %</u>	<u>\$ 0</u>

Note: Preference stock in the amount of \$250,000,000 is expected to be fully redeemed in the 2nd quarter of 2012.

PPL ELECTRIC UTILITIES CORPORATION

Capital Structure
(Millions of Dollars)

Line No.		<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
	Capitalization						
1	Long-Term Debt (a)	\$ 1,340.1	\$ 1,743.4	\$ 1,441.0	\$ 1,446.6	\$ 1,647.4	\$ 1,898.6
2	Preferred & Preference Stock	299.9	300.1	300.2	249.8	250.0	0.0
3	Common Equity (b)	1,221.5	1,265.8	1,510.2	1,604.4	1,780.2	1,978.8
4	Total	<u>\$ 2,861.5</u>	<u>\$ 3,309.3</u>	<u>\$ 3,251.4</u>	<u>\$ 3,300.8</u>	<u>\$ 3,677.6</u>	<u>\$ 3,877.4</u>
	Capitalization Ratios						
5	Long-Term Debt (a)	46.83%	52.68%	44.32%	43.82%	44.79%	48.97%
6	Preferred & Preference Stock	10.48%	9.07%	9.23%	7.57%	6.80%	0.00%
7	Common Equity (b)	42.69%	38.25%	46.45%	48.61%	48.41%	51.03%
8	Total	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

(a) Long-term debt includes amount due within one year and the unamortized loss on reacquired debt.

(b) Common equity includes an adjustment for the unamortized premiums and unrecovered original issue costs on reacquired preferred and preference stock.

PPL ELECTRIC UTILITIES CORPORATION

Capital Structure
(Thousands of Dollars)

Line No.		2007	2008	2009	2010	2011	2012
	<u>Computation of Long-Term Debt</u>						
1	Long-term Debt	\$ 1,369,625	\$ 1,769,625	\$ 1,474,040	\$ 1,474,040	\$ 1,724,040	\$ 1,964,040
2	Unamortized Loss on Recquired Debt	(29,486)	(26,229)	(33,015)	(27,466)	(76,633)	(65,452)
3	Adjusted Long-Term Debt	\$ 1,340,139	\$ 1,743,396	\$ 1,441,025	\$ 1,446,574	\$ 1,647,407	\$ 1,898,588
	<u>Computation of Preferred & Preference Stock</u>						
4	Preferred and Preference Stock	\$ 300,519	\$ 300,519	\$ 300,519	\$ 250,000	\$ 250,000	\$ 0
5	Adjustment for Unamortized Premiums and Unrecovered Original Issue Costs on Recquired Preferred and Preference Stock	(600)	(459)	(318)	(176)	(35)	0
6	Preferred & Preference Stock	\$ 299,919	\$ 300,060	\$ 300,201	\$ 249,824	\$ 249,965	\$ 0
	<u>Computation of Common Equity</u>						
	Common Equity per Books						
7	Common Stock Issued	\$ 363,833	\$ 363,833	\$ 363,833	\$ 363,833	\$ 363,833	\$ 363,833
8	Treasury Stock	0	0	0	0	0	0
9	Misc Paid in Capital	436,263	436,263	836,263	891,263	991,263	1,141,263
10	Earnings Reinvested	420,829	465,202	309,805	349,112	425,052	473,670
11		1,220,925	1,265,298	1,509,901	1,604,208	1,780,148	1,978,766
	Adjustments for:						
	Unamortized Premiums and Unrecovered Original Issue Costs on Recquired Preferred and Preference Stock	600	459	318	176	35	0
12							
13	Adjusted Common Equity	\$ 1,221,525	\$ 1,265,757	\$ 1,510,219	\$ 1,604,384	\$ 1,780,183	\$ 1,978,766

PPL ELECTRIC UTILITIES CORPORATION

**Rate of Return at
December 31, 2012**

<u>Line No.</u>	(1)	(2)	(3)	(4)
		Capitalization Ratio (B-8)	Embedded Cost	Return
1	Long-Term Debt	48.97 %	5.56 % (B-6)	2.72 %
2	Common Equity	<u>51.03</u>	11.25	<u>5.74</u>
3		<u><u>100.00</u></u> %		<u><u>8.46</u></u> %

PPL ELECTRIC UTILITIES CORPORATION

Measures of Value and Rates of Return
As of December 31, 2012
(Thousands of Dollars)

<u>Line No.</u>	<u>Title of Account</u>	<u>Total T&D Operations</u>	<u>PPUC Jurisdictional (Exhibit JMK 2)</u>
	Electric Plant		
1	Electric plant in service (C-2)	\$ 6,487,736	\$ 4,904,470
2	Reserve for depreciation (C-2)	2,379,242	1,812,861
3	Net electric plant in service	<u>4,108,494</u>	<u>3,091,609</u>
	Additions		
3	Plant held for future use (C-3)	0	0
4	Total electric plant	<u>4,108,494</u>	<u>3,091,609</u>
	Working Capital		
5	Cash working capital (C-4)	40,506	33,069
6	Materials and operating supplies (C-5)	47,287	33,710
7	Total working capital	<u>87,793</u>	<u>66,779</u>
	Deductions		
8	Accumulated deferred taxes on income (C-6)	889,855	719,240
9	Customer advances for construction (B-1)	180	180
10	Customer deposits (B-1)	16,862	16,862
11	Total deductions	<u>906,897</u>	<u>736,282</u>
12	Measures of Value (net)	<u>\$ 3,289,390</u>	<u>\$ 2,422,106</u>
	Pro forma return at present rates		
13	Amount (D-1, col. 6)		148,762
14	Percent		6.14%
	Pro forma return at proposed rates		
15	Amount (D-1, col. 8)		204,910
16	Percent		8.46%

PPL ELECTRIC UTILITIES CORPORATION

Electric Plant in Service - Original Cost
As of December 31, 2012
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Transmission	\$ 1,543,367
2	Distribution	4,225,700
3	General	642,452
4	Intangible	<u>80,872</u>
5	Total electric plant in service	6,492,391
6	Less: Smart Meter Plan Assets	<u>4,655</u>
7	Net electric plant in service	<u>\$ 6,487,736</u>

PPL ELECTRIC UTILITIES CORPORATION

Reserve for Depreciation - Original Cost
As of December 31, 2012
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Transmission	\$ 535,975
2	Distribution	1,588,826
3	General	215,530
4	Intangible	<u>39,026</u>
5	Total reserve for depreciation	2,379,357
6	Less: Smart Meter Plan Assets	<u>115</u>
7	Net reserve for depreciation	<u>\$ 2,379,242</u>

PPL ELECTRIC UTILITIES CORPORATION

Electric Plant Held For Future Use

As of December 31, 2012
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
	Transmission	
1	Substations	\$ 11,245
2	Lines	24,112
3	Total	<u>35,357</u>
	Distribution	
4	Area - Substations	3,502
5	Lines	26
6	Other	0
7	Total	<u>3,528</u>
8	Total plant held for future use	38,885
9	Less: Eliminate plant held for future use	38,885
10	Adjusted plant held for future use	<u>\$ 0</u>

Note: No claim is being made by the Company to include future use property in its rate base in this proceeding.

PPL ELECTRIC UTILITIES CORPORATION

Cash Working Capital
As of December 31, 2012
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Operation and maintenance expense (C-4, page 2)	\$ 27,499
2	Average prepayments (C-4, page 3)	3,174
3	Accrued taxes (C-4, page 4)	17,894
4	Interest payments (C-4, page 5)	(8,061)
5	Preferred and preference dividend payments (C-4, page 6)	<u>N/A</u>
6	Total cash working capital requirement	<u>\$ 40,506</u>

PPL Electric Utilities Corporation

Working Capital Required for Operation and Maintenance Expenses

As of December 31, 2012

(Thousands of Dollars)

The Company bills its customers every month. As a result, there is a lag between the time electricity is furnished to a customer and the time the customer pays for such electricity.

In many instances, the Company must pay its bills for payroll and other O&M expenses prior to the time it is able to collect the amount due for the service which requires the incurrence of such expenses. The Company has examined its records to determine, as to the major categories of expense, the average lag which exists between the time an expense is incurred and the time it must be paid. Schedule C-4, page 2, of Exhibit Historic 1 sets forth the individual components which result in the days lag between payment of expenses and receipt of the related revenues used in the determination of the working capital required for the pro forma O&M expense for the test year ending December 31, 2011.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Net pro forma O&M expense (a)	\$ 466,929
2	O&M expense per day (line 1 divided by 365 days)	1,279
3	Average lag in days between payment of O&M expenses and receipt of revenue (b)	21.5
4	Working capital requirement (line 2 x line 3)	<u>\$ 27,499</u>
(a)	Total pro forma operation and maintenance expense (D-1)	\$ 487,432
	Less: Non-cash items	
	Uncollectible accounts expense per budget	14,055
	Amortization of 2005 Storm costs	1,611
	Amortization of 2011 Storm costs	4,837
	Net pro forma O&M expense	<u>\$ 466,929</u>

(b) See Exhibit Historic 1, Schedule C-4, page 2.

PPL ELECTRIC UTILITIES CORPORATION

Average Prepayments
As of December 31, 2012
(Thousands of Dollars)

Line No.	Month	Insurance	PUC Annual Assessment	Postage	Other	Total
1	December 2011	\$ 54	\$ 2,337	\$ 7	\$ 110	\$ 2,508
2	January 2012	50	1,947	44	456	2,497
3	February	45	1,558	29	421	2,053
4	March	41	1,168	7	557	1,773
5	April	36	779	35	509	1,359
6	May	32	389	56	445	922
7	June	27	5,326	48	404	5,805
8	July	23	4,883	48	363	5,317
9	August	18	4,439	48	314	4,819
10	September	14	3,995	44	261	4,314
11	October	9	3,551	44	201	3,805
12	November	5	3,107	5	156	3,273
13	December	54	2,663	7	110	2,834
14	Total Prepayments	\$ 408	\$ 36,142	\$ 422	\$ 4,307	\$ 41,279
15	Monthly Average	\$ 31	\$ 2,780	\$ 32	\$ 331	\$ 3,174

PPL ELECTRIC UTILITIES CORPORATION

Accrued Taxes
Year Ended December 31, 2012
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	<u>12-Month Accrued Factor (c)</u>	<u>Accrued Taxes</u>
1	Federal income tax (D-1, line 6, col. 5 + col. 7)	\$ 10,913	-3.77%	\$ (411)
2	PA income tax (D-1, line 7, col. 5 + col. 7)	15,753	-1.68%	(265)
3	PA gross receipts tax (a)	50,102	35.82%	17,945
4	PA capital stock tax (b)	2,098	-1.68%	(35)
5	PA public utility reality tax (D-11, page 4)	2,832	23.32%	660
6	Total accrued taxes			<u>\$ 17,894</u>
(a) PA gross receipts tax				
	Amount per D-11, page 3	\$ 43,930		
	Amount due to proposed increase (D-12, page 6)	<u>6,172</u>		
	TOTAL	<u>\$ 50,102</u>		
(b) PA capital stock tax				
	Amount applicable to electric operations (D-11, page 2)	\$ 1,954		
	Amount applicable to proposed increase (D-12, page 6)	<u>144</u>		
	Total	<u>\$ 2,098</u>		

(c) The 12-month average factor represents, in the case of Federal and State income tax and capital stock tax, the portion of the tax liability which is available to the Company for the payment of other costs. This situation exists because revenue is available from customers prior to payment dates of the tax. The factors for the other Pennsylvania taxes represent the portions of those tax liabilities which must be provided by the Company due to payment of the taxes before the revenue is available from customers. Exhibit Historic 1, Schedule C-4, pages 7 through 12 reflect the computation of such factors.

PPL ELECTRIC UTILITIES CORPORATION

Interest Payments
As of December 31, 2012
(Thousands of Dollars)

<u>Line</u> <u>No.</u>	<u>Description</u>		<u>Amount</u>
1	Measures of value at December 31, 2012 (C-1)		\$ 3,289,390
2	Long-term debt ratio (B-9)		48.97%
3	Embedded cost of long-term debt (B-9)		5.56%
4	Pro forma interest (line 1 x line 2 x line 3)		<u>89,561</u>
5	Daily amount (line 4 ÷ 365)		<u>\$ 245</u>
6	Days to mid-point of interest payments	90.0	
7	Less: Revenue lag days (Historic C-4, page 2)	<u>57.1</u>	
8	Interest payments lag days (line 6 - line 7)		<u>32.9</u>
9	Total interest payments (line 5 x line 8)		<u>\$ 8,061</u>

PPL ELECTRIC UTILITIES CORPORATION

Preferred and Preference Dividend Payments
As of December 31, 2012
(Thousands of Dollars)

This calculation was made to include the preferred and preference dividend payments cash lag into the cash working capital requirement in the historic test year only. This page is included for consistency between Exhibits Historic 1 and Future 1.

PPL ELECTRIC UTILITIES CORPORATION

Plant Materials and Operating Supplies
As of December 31, 2012
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Plant Materials and Operating Supplies (C-5, page 2)	\$ 43,240
2	Stores expense undistributed (C-5, page 3)	<u>4,047</u>
3	Total materials and operating supplies	<u><u>\$ 47,287</u></u>

PPL ELECTRIC UTILITIES CORPORATION

Plant Materials and Operating Supplies
As of December 31, 2012
(Thousands of Dollars)

Line No.	Month	Amount
1	December 2011	\$ 38,869
2	January 2012	44,614
3	February	46,468
4	March	45,899
5	April	43,728
6	May	43,450
7	June	43,686
8	July	43,589
9	August	43,269
10	September	43,018
11	October	43,134
12	November	43,529
13	December	<u>38,869</u>
14	Total Plant Materials and Operating Supplies	<u>\$ 562,122</u>
15	13-Month Average	<u>\$ 43,240</u>

PPL ELECTRIC UTILITIES CORPORATION

Stores Expense Undistributed
As of December 31, 2012
(Thousands of Dollars)

<u>Line No.</u>	<u>Month</u>	<u>Amount</u>
1	December 2011	\$ 2,993
2	January 2012	4,915
3	February	5,234
4	March	4,689
5	April	4,144
6	May	4,289
7	June	4,250
8	July	4,418
9	August	3,745
10	September	3,535
11	October	3,538
12	November	3,865
13	December	<u>2,993</u>
14	Total Plant Materials and Operating Supplies	<u>\$ 52,608</u>
15	13-Month Average	<u>\$ 4,047</u>

PPL ELECTRIC UTILITIES CORPORATION

Accumulated Deferred Taxes on Income
As of December 31, 2012
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>		<u>Amount</u>
	Distribution		
1	Accelerated Cost Recovery System (ACRS/MACRS) (a)	\$ 554,068	
2	Contributions In Aid Of Construction (CIAC)	(87,292)	
3	Other 263A & Repair Allowance (a)	202,096	
4	Balance at December 31, 2012	<u> </u>	\$ 668,872
	General		
5	Accelerated Cost Recovery System (ACRS/MACRS) (a)	57,213	
6	Other 263A & Repair Allowance	(3,697)	
7	Balance at December 31, 2012	<u> </u>	53,516
	Transmission		
8	Contributions In Aid Of Construction (CIAC)	(23,195)	
9	Net Book/Net Tax Plant (Excluding CIAC)	190,662	
10	Balance at December 31, 2012	<u> </u>	<u>167,467</u>
	Total (B-1)		
11	Accelerated Cost Recovery System (ACRS/MACRS)	611,281	
12	Contributions In Aid Of Construction (CIAC)	(110,487)	
13	Net Book/Net Tax Plant (Excluding CIAC) - Transmission	190,662	
14	Other 263A & Repair Allowance	198,399	
15	Total accumulated deferred taxes on income	<u> </u>	<u>\$ 889,855</u>

(a) Accelerated cost recovery system and Other 263A & Repair Allowance are netted with applicable net operating losses on lines 1, 3 and 5.

PPL ELECTRIC UTILITIES CORPORATION

Operating Income
Pro Forma at Present and Proposed Rates
Year Ended December 31, 2012
(Thousands of Dollars)

Line No.	(1) Total Amount Per Books	(2) Less: Automatic Cost Recovery Clauses/Riders (a)	(3) T & D Operations Per Books	(4) Pro Forma Adjustments (D-2)	(5) T & D Pro Forma at Present Rates	(6) Pro Forma at Present Rates (Exhibit JM-K-1)	(7) PPUC Jurisdictional Rate Increase (D-12, Pg. 6)	(8) Pro Forma at Proposed Rates
1	Operating Revenues	\$ (864,427)	\$ 1,000,338	\$ (1,174)	\$ 999,164	\$ 784,462	\$ 104,618	\$ 889,080
2	Operating Expenses							
3	Operation and Maintenance	(816,162)	479,717	5,430	485,147	416,971	2,333	419,304
4	Depreciation	(822)	155,248	13,672	168,920	139,719	0	139,719
5	Regulatory Debits/Credits	0	2,285	0	2,285	2,285	0	2,285
6	Provision for Taxes							
7	Taxes Other Than Income	(51,985)	58,959	(419)	58,540	53,789	6,316	60,105
8	Income Taxes							
9	Federal	876	(20,973)	1,652	(19,321)	(6,769)	30,234	23,465
10	State	298	5,605	561	6,166	1,759	9,587	11,346
11	Deferred Income Taxes	371	96,224	(24,006)	72,218	28,861	0	28,861
12	Investment Tax Credit	(1,373)	(1,373)	0	(1,373)	(915)	0	(915)
13	Total Taxes	188,882	138,442	(22,212)	116,230	76,725	46,137	122,862
14	(Gain)/Loss from Disposition of Utility Plant	0	0	0	0	0	0	0
15	Total Operating Expenses	1,543,116	775,692	(3,110)	772,582	635,700	48,470	684,170
16	Operating Income	\$ 221,649	\$ 224,646	\$ 1,936	\$ 226,582	\$ 148,762	\$ 56,148	\$ 204,910

(a) Automatic Recovery Clauses/Riders include CTC, POR, SMR, GSC, MFC, TSC, USR, and ACR.

PPL ELECTRIC UTILITIES CORPORATION

Adjustments to Income
Year Ended December 31, 2012
(Thousands of Dollars)

<u>Line No.</u>	<u>Reference</u>	<u>Description</u>	<u>Amount</u>
		<u>Operating Revenues</u>	
1	D-3, page 1	Operating Revenue	<u>\$ (1,174)</u>
		<u>Operation and Maintenance Expenses</u>	
2	D-5	Employee wages and benefits	(640)
3	D-6	Rate case expense	1,013
4	D-7	Interest expense on customer deposits	1,012
5	D-8	Company Use Generation Supply Purchase	(792)
6	D-9	Deferred 2011 Storm Outage Costs	<u>4,837</u>
7		Total operation and maintenance expense	<u>5,430</u>
		<u>Depreciation</u>	
8	D-10	Annual depreciation expense	<u>13,672</u>
		<u>Provision for Taxes</u>	
		Taxes other than income	
9	D-11	Capital stock	(493)
10	D-11	Gross receipts	(23)
11	D-11	Public utility realty	134
12	D-5	Payroll taxes	(37)
		Income taxes	
13	D-12	Federal	1,652
14	D-12	State	561
15	D-13	Deferred income taxes	(24,006)
16	D-14	Investment tax credit - amortization	<u>0</u>
17		Total Taxes	(22,212)
18		Gain and losses on property dispositions	<u>0</u>
19		Total Operating Expenses	<u>(3,110)</u>
20		Total Adjustments to Income	<u><u>\$ 1,936</u></u>

PPL ELECTRIC UTILITIES CORPORATION

Adjustments to Operating Revenue
Year Ended December 31, 2012
(Thousands of Dollars)

Line No.	Description	(1) Total Per Books	(2) Less: Automatic Cost Recovery Clauses/Riders(a)	(3) T&D Operations Per Books	(4) Pro Forma Adjustments	(5) T&D Pro forma at Present Rates
1	Transmission revenue	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
2	Distribution revenue	851,666	(117,204)	734,462	(391)	734,071
3	TSC revenue	70,724	(70,724)	0	0	0
4	CTC revenue	0	0	0	0	0
5	GSC revenue	772,611	(772,611)	0	0	0
6	STAS revenue	(5,227)	2,723	(2,503)	0	(2,503)
7	Sales to affiliate	2,421	(2,421)	0	0	0
8	Spot Market	0	0	0	0	0
9	Total Rate Revenue	<u>1,692,196</u>	<u>(960,237)</u>	<u>731,959</u>	<u>(391)</u>	<u>731,568</u>
Other Electric Revenue						
10	Late Payment	13,000	0	13,000	0	13,000
11	Misc. Revenue	425	0	425	0	425
12	Rent	35,313	0	35,313	0	35,313
13	Other	119,547	99,311	218,858	0	218,858
14	Total Other	<u>168,285</u>	<u>99,311</u>	<u>267,596</u>	<u>0</u>	<u>267,596</u>
15	Operating Revenue (excl. unbilled)	1,860,481	(860,926)	999,555	(391)	999,164
16	Unbilled Revenue	4,284	(3,502)	782	(782)	0
17	Total Operating Revenue	<u>\$ 1,864,765</u>	<u>\$ (864,427)</u>	<u>\$ 1,000,338</u>	<u>\$ (1,174)</u>	<u>\$ 999,164</u>

(a) Automatic Recovery Clauses/Riders include CTC, POR, SMR, GSC, MFC, TSC, USR and ACR.

PPL Electric Utilities Corporation
12 month Period Ended December 31, 2012 Budget with Annualization

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Line Number	Rate Schedule	Number of Bills (December)	Sales (KWH)	Distribution Present Rate Revenue	Smart Meter Rider (SMR)	Universal Service Rider (USR)	Act 129 Compliance Rider (ACR)	Transmission Present Rate Revenue	E&C Present Rate Revenue	Present Rate Revenue	State Tax Adjustment Surcharge (STAS) Distribution	State Tax Adjustment Surcharge (STAS) Other	Total Revenue
1	RS	1,214,349	13,546,267,584	474,537,435	4,255,870	72,033,816	32,781,968	56,027,363	602,656,729	1,242,293,180	(2,000,451)	(1,858,584)	1,238,434,144
2	RTS	12,028	297,540,211	4,604,044	92,227	1,581,224	720,047	1,834,752	19,461,348	28,293,643	(24,063)	(60,259)	28,209,331
3	RTD	163	3,806,572	120,436	1,187	20,230	9,209	15,740	168,778	335,579	(517)	(520)	334,541
4	GS-1	144,938	1,922,711,481	71,521,481	92,701	-	6,402,629	2,229,818	22,966,695	103,212,403	(249,428)	(66,310)	102,896,665
5	GS-3	28,901	8,412,970,114	118,859,379	406,946	-	28,015,190	9,770,429	100,761,901	257,813,846	(444,966)	(274,895)	257,093,985
6	LP-4	1,179	6,384,119,041	33,525,722	2,995	-	7,191,225	165,372	5,657,844	46,543,158	(117,795)	(13,867)	46,411,495
7	IS-P	0	0	0	0	0	0	0	0	0	0	0	0
8	LP-5	142	5,532,894,144	1,174,104	354	-	5,842,740	171,907	4,935,724	12,124,829	(11,584)	(6,941)	12,106,304
9	LP-6	2	141,639,386	35,376	10	-	138,367	4,115	125,625	303,492	(303)	(186)	303,003
10	LPEP	1	92,576,844	445,200	3	-	209,734	1,522	-	654,936	(1,522)	-	653,414
11	IS-1	1	1,407,455	20,160	67	-	4,687	1,636	16,761	43,310	(75)	(46)	43,189
12	BL	43	20,829,717	276,630	330	-	22,841	7,972	81,925	389,697	(961)	(237)	388,500
13	SA	-	6,859,154	3,935,358	999	-	-	24,145	-	3,960,502	(13,393)	(68)	3,947,042
14	SM	64	3,474,379	682,055	166	-	-	3,999	-	686,220	(2,320)	(11)	683,889
15	SHS	1,327	54,085,509	16,207,805	2,590	-	-	62,751	-	16,273,146	(55,135)	(176)	16,217,835
16	SE	100	37,600,289	2,076,864	1,803	-	125,209	43,699	448,735	2,696,110	(7,150)	(1,315)	2,687,644
17	TS	8	301,128	26,448	15	-	-	350	-	26,813	(90)	(1)	26,721
18	SH-1	3	82,975	19,165	4	-	-	96	-	19,265	(65)	(0)	19,200
19	GH-1	595	249,147,486	5,007,663	11,898	-	829,661	289,659	2,958,234	9,097,015	(18,031)	(8,242)	9,070,742
20	GH-2	1,839	60,674,921	1,387,078	2,883	-	202,047	70,516	719,551	2,361,076	(4,949)	(2,019)	2,374,108
21	Other	0	0	0	0	0	0	0	0	0	0	0	0
22	Standby(LP-S)	0	0	0	0	0	0	0	0	0	0	0	0
23	Rate Revenue	1,405,683	36,768,987,391	734,462,281	4,873,048	73,635,270	82,495,554	70,724,219	760,957,849	1,727,148,220	(2,952,790)	(2,293,678)	1,721,901,753
24	Annualization Adjustment		(7,030,334)							(391,171)			(391,171)
25	Total PUC Tariff Revenue		36,761,957,057	734,071,110	4,873,048	73,635,270	82,495,554	70,724,219	760,957,849	1,726,757,050	(2,952,790)	(2,293,678)	1,721,510,582
27	Other Electric Revenues												
28	Late Payment			13,000,000						13,000,000			13,000,000
29	Misc. Revenue			425,000						425,000			425,000
30	Rent			35,098,893				214,248		35,313,141			35,313,141
31	Other			4,369,769				214,169,418		218,539,187			218,539,187
32	Total Other			52,893,662				214,383,666		267,277,328			267,277,328
33	Total Operating Revenue			786,964,772	4,873,048	73,635,270	82,495,554	285,107,885	760,957,849	1,994,034,378	(2,952,790)	(2,293,678)	1,988,679,910

PPL Electric Utilities Corporation
12 month Period Ended December 31, 2012 Pro Forma Budget at Present Rates
 Without Shopping

(1) Line Number	(2) Rate Schedule	(3) Distribution Present Rate Revenue	(4) Smart Meter Rider (SMR)	(5) Universal Service Rider (USR)	(6) Act 129 Compliance Rider (ACR)	(7) Transmission Present Rate Revenue	(8) E&C Present Rate Revenue	(9) Total Present Rate Revenue	(10) State Tax Adjustment Surcharge (STAS) Distribution	(11) State Tax Adjustment Surcharge (STAS) Other	(12) Total Revenue
1	RS	(Note 1) \$ 474,537,435	(Note 2) \$ 4,470,268	(Note 3) \$ 72,201,606	(Note 4) \$ 32,781,968	(Note 5) \$ 101,967,932	(Note 6) \$ 840,274,978	\$ 1,526,134,187	\$ (2,014,770)	\$ (2,875,686)	\$ 1,521,443,731
2	RTS	\$ 4,604,044	\$ 98,188	\$ 1,565,889	\$ 720,047	\$ 2,237,502	\$ 18,456,419	\$ 27,702,090	\$ (24,178)	\$ (58,771)	\$ 27,619,141
3	RTD	\$ 120,436	\$ 1,256	\$ 20,284	\$ 9,209	\$ 28,618	\$ 236,060	\$ 415,862	\$ (522)	\$ (752)	\$ 414,589
4	GS-1	\$ 71,521,559	\$ 96,136	\$ -	\$ 6,402,629	\$ 17,189,041	\$ 105,960,630	\$ 201,169,994	\$ (269,170)	\$ (349,745)	\$ 200,551,079
5	GS-3	\$ 118,699,379	\$ 420,649	\$ -	\$ 28,015,190	\$ 75,211,943	\$ 497,490,334	\$ 719,997,495	\$ (508,169)	\$ (1,626,474)	\$ 717,862,852
6	LP-4	\$ 33,525,722	\$ 3,098	\$ -	\$ 7,191,225	\$ 12,099,693	\$ 458,628,739	\$ 511,448,467	\$ (140,464)	\$ (1,336,669)	\$ 509,971,114
7	IS-P	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8	LP-5	\$ 1,174,104	\$ 373	\$ -	\$ 5,842,740	\$ 14,873,662	\$ 478,551,260	\$ 500,442,140	\$ (24,209)	\$ (1,401,327)	\$ 499,016,604
9	LP-6	\$ 35,376	\$ 5	\$ -	\$ 138,367	\$ 268,217	\$ 13,461,825	\$ 13,903,790	\$ (599)	\$ (38,993)	\$ 13,864,197
10	LPEP	\$ 445,200	\$ 3	\$ -	\$ 209,734	\$ 435,971	\$ 8,036,205	\$ 9,127,112	\$ (2,260)	\$ (24,061)	\$ 9,100,791
11	IS-1	\$ 20,160	\$ 70	\$ -	\$ 4,687	\$ 12,583	\$ 77,565	\$ 115,065	\$ (86)	\$ (256)	\$ 114,723
12	BL	\$ 276,630	\$ 343	\$ -	\$ 22,841	\$ 61,321	\$ 378,008	\$ 739,142	\$ (1,034)	\$ (1,248)	\$ 736,860
13	SA	\$ 3,935,358	\$ 999	\$ -	\$ -	\$ 186,218	\$ 1,147,926	\$ 5,270,501	\$ (13,580)	\$ (3,789)	\$ 5,253,131
14	SM	\$ 682,055	\$ 166	\$ -	\$ -	\$ 31,061	\$ 191,473	\$ 904,756	\$ (2,354)	\$ (632)	\$ 901,770
15	SHS	\$ 16,207,805	\$ 2,590	\$ -	\$ -	\$ 483,524	\$ 2,980,652	\$ 19,674,572	\$ (55,926)	\$ (9,838)	\$ 19,608,808
16	SE	\$ 2,075,664	\$ 1,803	\$ -	\$ 125,209	\$ 336,147	\$ 2,072,152	\$ 4,611,974	\$ (7,603)	\$ (6,840)	\$ 4,597,532
17	TS	\$ 26,448	\$ 15	\$ -	\$ -	\$ 2,692	\$ 16,595	\$ 45,750	\$ (91)	\$ (55)	\$ 45,604
18	SH-1	\$ 19,165	\$ 4	\$ -	\$ -	\$ 742	\$ 4,573	\$ 24,483	\$ (66)	\$ (15)	\$ 24,402
19	GH-1	\$ 5,007,663	\$ 12,457	\$ -	\$ 829,661	\$ 2,227,379	\$ 13,730,518	\$ 21,807,678	\$ (20,182)	\$ (45,320)	\$ 21,742,175
20	GH-2	\$ 1,387,078	\$ 3,034	\$ -	\$ 202,047	\$ 542,434	\$ 3,343,795	\$ 5,478,388	\$ (5,493)	\$ (11,037)	\$ 5,461,858
21	Standby(LP5-S)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
22	Rate Revenue	\$ 734,462,281	\$ 5,111,458	\$ 73,807,779	\$ 82,495,554	\$ 214,383,666	\$ -	\$ -	\$ -	\$ -	\$ 3,558,330,963
23	Annualization Adjustment	\$ (391,171)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
24	Total PUC Tariff Revenue	\$ 734,071,110	\$ 5,111,458	\$ 73,807,779	\$ 82,495,554	\$ 214,383,666	\$ -	\$ -	\$ -	\$ -	\$ -
25	Other Electric Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
26	Late Payment	\$ 13,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
27	Misc. Revenue	\$ 425,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
28	Rent	\$ 35,098,893	\$ -	\$ -	\$ -	\$ 214,248	\$ -	\$ 214,248	\$ -	\$ -	\$ 214,248
29	Other	\$ 4,369,769	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
30	Total Other	\$ 52,893,662	\$ -	\$ -	\$ -	\$ 214,383,666	\$ -	\$ -	\$ -	\$ -	\$ -
31	Total Operating Revenue	\$ 786,964,772	\$ 5,111,458	\$ 73,807,779	\$ 82,495,554	\$ 214,383,666	\$ -	\$ -	\$ -	\$ -	\$ -
32	Total Revenue	\$ 786,964,772	\$ 5,111,458	\$ 73,807,779	\$ 82,495,554	\$ 214,383,666	\$ -	\$ -	\$ -	\$ -	\$ -

Note 1: From column 5, page 2
 Note 2: SMR effective January 1, 2012 through December 31, 2012
 Note 3: USR effective January 1, 2012 through December 31, 2012
 Note 4: ACR effective June 1, 2011 through May 31, 2012
 Note 5: TSC effective June 1, 2011 through May 31, 2012
 Note 6: E&C prices effective March 1, 2012 through May 31, 2012

**PPL Electric Utilities Corporation
12 month Period Ended December 31, 2012 Proforma Budget at Proposed Rates, Without Shopping**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Line Number	Rate Schedule	Proposed Distribution Rate Revenue	Distribution Revenue Change	Smart Meter Rider (SMR)	Universal Service Rider (USR)	Act 129 Compliance Rider (ACR)	Transmission Present Rate Revenue	E&C Present Rate Revenue	Total Proposed Rate Revenue	State Tax Adjustment Surcharge (STAS) Distribution -0.345%	State Tax Adjustment Surcharge (STAS) Other -0.284%	Total Revenue	Total Revenue \$ Change	Total Percent Change
		(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)						(Note 6)	(Note 7)	
1	RS	\$ 573,766,433	\$ 99,108,563	\$ 4,471,524	\$ 72,221,890	\$ 32,791,177	\$ 101,896,550	\$ 840,511,038	\$ 1,625,658,612	\$ (2,357,216)	\$ (2,676,438)	\$ 1,620,624,959	\$ 98,765,638	6.49%
2	RTS	\$ 8,173,559	\$ 3,569,515	\$ 98,188	\$ 1,585,889	\$ 720,047	\$ 2,237,502	\$ 18,456,419	\$ 31,271,605	\$ (36,493)	\$ (68,771)	\$ 31,176,341	\$ 3,557,200	12.88%
3	RTD	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4	GS-1	\$ 72,689,876	\$ 179,780	\$ 97,008	\$ -	\$ 6,460,706	\$ 17,344,957	\$ 106,921,766	\$ 203,494,312	\$ (273,335)	\$ (382,917)	\$ 202,868,059	\$ 795,028	0.40%
5	GS-3	\$ 118,691,842	\$ -4,624,357	\$ 431,736	\$ -	\$ 28,753,589	\$ 77,194,309	\$ 509,710,495	\$ 734,781,971	\$ (510,176)	\$ (1,866,810)	\$ 732,604,985	\$ (4,608,403)	-0.64%
6	LP-4	\$ 33,733,127	\$ 37,098	\$ 3,109	\$ -	\$ 7,192,621	\$ 12,188,778	\$ 459,344,679	\$ 512,462,314	\$ (141,205)	\$ (1,339,155)	\$ 510,981,954	\$ 7,074	0.00%
7	IS-P	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8	LP-5	\$ 1,919,082	\$ 709,602	\$ 378	\$ -	\$ 5,981,107	\$ 15,141,879	\$ 492,013,085	\$ 515,055,532	\$ (27,257)	\$ (1,440,320)	\$ 513,587,955	\$ 707,154	0.14%
9	LP-6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10	LPEP	\$ 445,200	\$ -	\$ 3	\$ -	\$ 209,734	\$ 435,971	\$ 8,036,205	\$ 9,127,112	\$ (2,260)	\$ (24,061)	\$ 9,100,791	\$ -	0.00%
11	IS-1	\$ 22,672	\$ 52,512	\$ 70	\$ -	\$ 4,687	\$ 12,583	\$ 77,565	\$ 117,226	\$ (95)	\$ (256)	\$ 117,226	\$ 2,503	2.18%
12	BL	\$ 279,867	\$ 53,237	\$ 343	\$ -	\$ 22,841	\$ 61,321	\$ 378,008	\$ 742,379	\$ (1,046)	\$ (1,248)	\$ 740,086	\$ 3,226	0.44%
13	SA	\$ 4,406,388	\$ 473,050	\$ 999	\$ -	\$ -	\$ 186,218	\$ 1,147,928	\$ 5,743,581	\$ (15,212)	\$ (3,789)	\$ 5,724,529	\$ 471,398	8.97%
14	SM	\$ 763,833	\$ 81,778	\$ 166	\$ -	\$ -	\$ 31,061	\$ 191,473	\$ 966,534	\$ (2,636)	\$ (632)	\$ 963,266	\$ 81,486	9.04%
15	SHS	\$ 18,155,983	\$ 1,948,178	\$ 2,890	\$ -	\$ -	\$ 483,524	\$ 2,980,652	\$ 21,822,750	\$ (62,647)	\$ (9,868)	\$ 21,550,265	\$ 1,941,457	9.90%
16	SE	\$ 2,326,279	\$ 249,615	\$ 1,803	\$ -	\$ 125,209	\$ 336,147	\$ 2,072,152	\$ 4,861,589	\$ (8,464)	\$ (6,840)	\$ 4,846,286	\$ 248,754	5.41%
17	TS	\$ 29,672	\$ 3,224	\$ 15	\$ -	\$ -	\$ 2,692	\$ 16,595	\$ 48,974	\$ (102)	\$ (55)	\$ 48,817	\$ 3,213	7.05%
18	SH-1	\$ 21,359	\$ 2,194	\$ 4	\$ -	\$ -	\$ 742	\$ 4,573	\$ 26,677	\$ (74)	\$ (74)	\$ 26,589	\$ 2,186	8.96%
19	GH-1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
20	GH-2	\$ 1,711,377	\$ 324,299	\$ 3,034	\$ -	\$ 202,047	\$ 542,434	\$ 3,343,795	\$ 5,802,687	\$ (6,612)	\$ (11,037)	\$ 5,785,039	\$ 323,180	5.92%
21	Standby(LP-5)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
22	Rate Revenue	\$ 837,118,549	\$ 102,652,268	\$ 5,110,970	\$ 73,807,779	\$ 82,463,764	\$ -	\$ -	\$ 5,802,687	\$ -	\$ -	\$ 3,580,767,147	\$ 102,436,184	2.88%
23	Annualization Adjustment	\$ (731,611)	\$ (340,440)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
25	Total PUC Tariff Revenue	\$ 836,386,937	\$ 102,315,828	\$ 5,110,970	\$ 73,807,779	\$ 82,463,764	\$ -	\$ -	\$ 5,802,687	\$ -	\$ -	\$ 3,580,767,147	\$ 102,436,184	2.88%
27	Other Electric Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
28	Late Payment	\$ 15,299,801	\$ 2,299,801	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
29	Misc. Revenue	\$ 425,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
30	Rent	\$ 35,098,893	\$ -	\$ -	\$ -	\$ -	\$ 214,248	\$ -	\$ 214,248	\$ -	\$ -	\$ 214,169,418	\$ -	\$ -
31	Other	\$ 4,369,769	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
32	Total Other	\$ 55,193,463	\$ 2,299,801	\$ -	\$ -	\$ -	\$ 214,383,666	\$ -	\$ 214,383,666	\$ -	\$ -	\$ 214,383,666	\$ -	\$ -
33	Total Operating Revenue	\$ 891,580,400	\$ 104,615,628	\$ 5,110,970	\$ 73,807,779	\$ 82,463,764	\$ -	\$ -	\$ 5,802,687	\$ -	\$ -	\$ 3,580,767,147	\$ 102,436,184	2.88%

Note 1: SMR effective January 1, 2012 through December 31, 2012
 Note 2: USR effective January 1, 2012 through December 31, 2012
 Note 3: ACR effective June 1, 2011 through May 31, 2012
 Note 4: TSC effective June 1, 2011 through May 31, 2012
 Note 5: E&C prices effective March 1, 2012 through May 31, 2012
 Note 6: Column 13 of page 4 minus column 12 of page 3. Current RTD revenue added to RS; LP6 revenue added to RS; LP6 revenue added to LPS; GH1 revenue allocated to GS1, GS3 and LP4.
 Note 7: Column 14 of page 4 minus column 12 of page 3 (%). In the denominator, current RTD revenue added to RS; LP6 revenue added to LPS; GH1 revenue allocated to GS1, GS3 and LP4.

PPL ELECTRIC UTILITIES CORPORATION

Adjustment to Operating Revenues for Unbilled Revenue
Year Ended December 31, 2012
(Thousands of Dollars)

This adjustment was made to normalize distribution operating revenue for the test period by eliminating unbilled revenue shown on Schedule D-3, page 1.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Unbilled revenue- distribution	\$ (782)
2	Total increase in distribution operating revenue	<u>\$ (782)</u>

PPL ELECTRIC UTILITIES CORPORATION

Adjustment to Wages and Benefits
Year Ended December 31, 2012
(Thousands of Dollars)

This adjustment was made to reflect the average number of transmission and distribution (T&D)-related employees and level of wages and benefits in effect at the end of the year.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Average monthly T&D-related wages to expense per employee	\$ 4,259
2	T&D-related personnel to be employed at the end of the year	2,002
3	Annualized T&D-related total wages to expense (line 1 x line 2 x 12)	102,318
4	Less: Budgeted T&D-related wages to expense for the year ended December 31, 2012	<u>102,801</u>
5	Decrease in wages to expense (line 3 - line 4)	(483)
6	Decrease in benefits expense (line 5 x 32.57%)	(157)
7	Decrease in payroll taxes (line 5 x 7.59%)	<u>(37)</u>
8	Decrease in T&D-related wages, taxes and benefits (line 5 + line 6 + line 7)	<u><u>\$ (677)</u></u>

PPL ELECTRIC UTILITIES CORPORATION

Adjustment for Rate Case Expense
Year Ended December 31, 2012
(Thousands of Dollars)

Rate case expenditures are charged to expense when incurred. The Company's claim for 2012 distribution rate case expense is based on a normalized amount as shown below.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	2012 distribution rate case expense	<u>\$ 2,025</u>
2	Normalized amount (line 1 / 2 years)	\$ 1,013
3	Less: 2012 distribution rate case expense per budget	<u>0</u>
4	Net increase in distribution operating expense	<u>\$ 1,013</u>

PPL ELECTRIC UTILITIES CORPORATION

Adjustment for Interest Expense on Customer Security Deposits
Year Ended December 31, 2012
(Thousands of Dollars)

The Commission, in its Final Order at Docket No. R-80031114, determined that it was appropriate to include the interest expense on customer deposits in PPL Electric's operation and maintenance expense when the deposits are used as a reduction to rate base. The interest on customer security deposits is computed at an interest rate calculated in accordance with 66 Pa. C.S. § 1404 (c) (6) and the Company's Tariff - Electric Pa. P.U.C. No. 201.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Customer security deposits	\$ 16,862
2	Interest rate	<u>6.000%</u>
3	Total increase in transmission and distribution expense (line 1 x line 2)	<u><u>\$ 1,012</u></u>

PPL ELECTRIC UTILITIES CORPORATION

Adjustment for Company Use Generation Supply Purchases
Year Ended December 31, 2012
(Thousands of Dollars)

This adjustment was made to reflect the distribution operating expense associated with PPL Electric's purchase of generation supply for the facilities that it owns, i.e., Company Use.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Kilowatt-hour usage for the period January 1, 2012 through December 31, 2011: 67,824,525	
2	Generation supply purchase price per kilowatt-hour	<u>\$ 0.07033</u>
3	Total estimated generation supply expense January 1, 2012 - December 31, 2012 (line 1 x line 2)	\$ 4,770
4	Less: Amount per budget	<u>5,732</u>
5	Net generation supply expense (line 3 - line 4)	<u>\$ (962)</u>
6	Portion assigned to PPL Electric	82.3%
7	Net decrease in distribution operating expense	<u>\$ (792)</u>

PPL ELECTRIC UTILITIES CORPORATION

Adjustment for Deferred 2011 Storm Outage Costs
Year Ended December 31, 2012
(Thousands of Dollars)

On December 15, 2011, the PUC granted PPL Electric's petitions to defer the costs incurred in August 2011 and October 2011 as a result of Hurricane Irene and the Halloween snowstorm, at Docket Nos. P-2011-2270396 and P-2011-2274298, respectively. In accordance with Generally Accepted Accounting Principles (GAAP), the Company established a regulatory asset of \$24.2 million for the portion of the costs that would be recoverable from customers in its next base rate case.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Total net deferral amount for 2011 storm outage costs	<u>\$ 24,183</u>
2	Normalized Amount (Line 1/ 5 years)	\$ 4,837
3	Less: Amount per budget	0
4	Net increase in distribution operating expense	<u>\$ 4,837</u>

PPL ELECTRIC UTILITIES CORPORATION

Adjustment to Annual Depreciation Expense
Year Ended December 31, 2012
(Thousands of Dollars)

<u>Line No.</u>	<u>Depreciation - Electric Plant In Service</u>	<u>Amount</u>
1	Intangible Plant	\$ 14,802
2	Transmission Plant	26,617
3	Distribution Plant	102,825
4	General Plant	24,676
6	Total (a)	<u>168,920</u>
7	Less: Adjusted depreciation expense per budget	155,248
8	Net increase in depreciation expense	<u>\$ 13,672</u>

(a) Includes negative net salvage of \$9,625,
and excludes smart meter depreciation
recovered through the SMR.

PPL ELECTRIC UTILITIES CORPORATION

Adjustment to Taxes Other Than Income
Year Ended December 31, 2012
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
	<u>PA Capital Stock Tax</u>	
	Adjustment to reflect current taxable value	
1	Estimated Tax applicable to T&D operations at 1.89 mills (D-11, page 2)	\$ 1,954
2	Less: Capital stock tax on T&D operations per budget	<u>2,447</u>
3	Net decrease in expense	<u>\$ (493)</u>
	 <u>PA Gross Receipts Tax</u>	
	Adjustment to provide for gross receipts tax on pro forma revenue at present rates	
4	Gross receipts tax recoverable through base rates (D-11, page 3)	\$ 43,930
5	Less: Gross receipts tax on T&D operations per budget	<u>43,953</u>
6	Net decrease in expense	<u>\$ (23)</u>
	 <u>PA Public Utility Realty</u>	
	Adjustment to reflect current taxable value	
7	Public utility realty tax recoverable through base rates (D-11, page 4)	\$ 2,832
8	Less: Public utility realty tax on T&D operations per budget	<u>2,698</u>
9	Net increase in expense	<u>\$ 134</u>

PPL ELECTRIC UTILITIES CORPORATION

Capital Stock Tax at Present Rates
Year Ended December 31, 2012
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	PA Capital Stock Tax=50%((5 Year Average Net Income/0.095)+(75%(Net Worth))	
	Net Income	
2	2008	\$ 87,403
3	2009	103,885
4	2010	80,572
5	2011	129,591
6	2012	<u>102,553</u>
7	Total	<u>\$ 504,004</u>
8	Average	<u>\$ 100,801</u>
9	Net worth at December 31, 2012	<u>\$ 1,795,734</u>
10	PA Capital stock value = 0.5(((\$100,801/0.095) + (0.75 x \$1,795,734)) =	\$ 1,203,931
11	Statutory Exemption	<u>160</u>
12	Value of Capital Stock less Statutory Exemption	1,203,771
13	Apportionment Percentage	<u>0.954053</u>
14	PA Capital Stock Taxable Value	<u>\$1,148,461</u>
15	PA Capital Stock Tax at 1.89 mills	\$ 2,171
16	Less: PA Education and NAP tax credits	<u>(217)</u>
17	Pa Capital Stock Tax	<u>\$ 1,954</u>

PPL ELECTRIC UTILITIES CORPORATION

Gross Receipts Tax (GRT) at Present Rates
Year Ended December 31, 2012
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Pro Forma Revenue</u>	<u>Applicable GRT Rate (Mills)</u>	<u>Amount</u>
	Tariff Revenue			
1	Total Tariff Revenue (D-3, page 1, line 1-8)	\$ 731,568	59	\$ 43,163
	Other Electric Revenue			
2	Late payment (D-3, page 1, line 10)	13,000	59	767
3	Other electric revenue (D-3, page 1, lines 11-13)	254,596	-	0
4	Total Other	<u>\$ 267,596</u>		<u> </u>
5	Total gross receipts tax on pro forma revenue at present rates			<u>\$ 43,930</u>

PPL ELECTRIC UTILITIES CORPORATION

Public Utility Realty Tax (PURTA) at Present Rates
Year Ended December 31, 2012
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	State Taxable Value (per Notice of Determination dated August 1, 2011)	\$ 97,606
2	Rate @ 29.0156 mills (per Notice of Determination dated August 1, 2011)	<u>0.0290156</u>
3	Tax Amount	<u>\$ 2,832</u>

PPL ELECTRIC UTILITIES CORPORATION
Computation of Income Taxes - Electric
Year Ended December 31, 2012
(Thousands of Dollars)

Line No.	Description	Total Amount Per Budget	Less: Automatic Recovery Clauses/Riders	T&D Operations Per Budget	Pro forma Adjustments	T&D Pro forma at Present Rates
1	Operating Revenues	\$ 1,864,765	\$ (864,427)	\$ 1,000,338	\$ (1,174)	\$ 999,164
	Operating Expenses					
2	Operation and maintenance	1,295,879	(816,162)	479,717	5,430	485,147
3	Depreciation and amortization	156,070	(822)	155,248	13,672	168,920
4	Regulatory Debits and Credits	2,285	0	2,285	0	2,285
5	Taxes Other than Income	110,944	(51,985)	58,959	(419)	58,540
6	Income Taxes - Federal	(21,849)	876	(20,973)	1,652	(19,321)
7	Income Taxes - State	5,307	298	5,605	561	6,166
8	Deferred Income Taxes	95,853	371	96,224	(24,006)	72,218
9	Investment Tax Credit - Amortization	(1,373)	0	(1,373)	0	(1,373)
10	Gains and Losses on Property Dispositions	0	0	0	0	0
11	Total Operating Expense	1,643,116	(867,424)	775,692	(3,110)	772,582
12	Operating Income	221,649	2,997	224,646	1,936	226,582
13	Less: Interest Expense	102,770	0	102,770	(13,209)	89,561
14	Net Operating Income	118,879	2,997	121,876	15,145	137,021
15	Income Tax Adjustments					
16	Federal Income Tax	(21,849)	876	(20,973)	1,652	(19,321)
17	State Income Tax	5,307	298	5,605	561	6,166
18	Deferred Income Taxes	95,853	371	96,224	(24,006)	72,218
19	Investment tax credit amortization	(1,373)	0	(1,373)	0	(1,373)
20	Pension and supplemental retirements	(54,335)	0	(54,335)	0	(54,335)
21	Contributions in aid of construction - Trans.	3,585	0	3,585	0	3,585
22	Contributions in aid of construction - Dist.	18,775	0	18,775	0	18,775
23	Environmental Clean-up	(368)	0	(368)	0	(368)
24	Book Depreciation	156,070	(822)	155,248	13,672	168,920
25	Book Depreciation Capitalized	0	0	0	0	0
26	Tax Depreciation	(312,809)	0	(312,809)	0	(312,809)
27	Removal costs - Transmission	(3,368)	0	(3,368)	0	(3,368)
28	Removal costs - Distribution	(19,390)	0	(19,390)	0	(19,390)
29	Tax Gains/(Losses) on Plant Dispositions-General	1,986	0	1,986	0	1,986
30	Tax Gains/(Losses) on Plant Dispositions-Trans.	(53)	0	(53)	0	(53)
31	Tax Gains/(Losses) on Plant Dispositions-Dist.	1,827	0	1,827	0	1,827
32	ESOP dividend paid in cash	(5,259)	0	(5,259)	0	(5,259)
33	Reacquired debt costs	11,000	0	11,000	0	11,000
34	Post - retirement/employment benefits	(1,639)	0	(1,639)	0	(1,639)
35	Business Meals Not Deductible	315	0	315	0	315
36	Adjust Gross receipts Tax- Cash basis	0	0	0	0	0
37	Vacation Pay	511	0	511	0	511
38	Bad debts & Property damage	(14,429)	0	(14,429)	0	(14,429)
39	Consumer Education	0	0	0	0	0
40	Deferred Compensation - Officers	178	0	178	0	178
41	Storm Deferrals	(1,611)	0	(1,611)	0	(1,611)
42	Other 263A & Repair Allowance - Trans.	(28,423)	0	(28,423)	0	(28,423)
43	Other 263A & Repair Allowance - General	401	0	401	0	401
44	Other 263A & Repair Allowance - Dist.	(29,457)	0	(29,457)	0	(29,457)
45	Other Taxes	0	0	0	0	0
46	Osolete Inventory	0	0	0	0	0
47	Litigation Contingencies	0	0	0	0	0
48	Workers Compensation	4	0	4	0	4
49	Reg Liab for 1997 Purta Tax Surcharge	0	0	0	0	0
50	Reg Liab for STAS adj	0	0	0	0	0
51	Default Service Plan	0	0	0	0	0
52	Conservation Program	0	0	0	0	0
53	Over/Under Collection of Transmission Service Co.	0	0	0	0	0
54	Over/Under Collection of Universal Service Rider	0	0	0	0	0
55	Over/Under Collection of Transmission Rate Base	0	0	0	0	0
56	Over/Under Collection of Generation Service Char	0	0	0	0	0
57	Smart Meter Technology - S/T	0	0	0	0	0
58	Rate Cases Expenses	674	0	674	0	674
59	CTC	0	0	0	0	0
60	RAR Adjustments	(824)	0	(824)	0	(824)
61	Health Care PMC Amortization	0	0	0	0	0
62	Prepays	529	0	529	0	529
63	Variable Pay	(900)	0	(900)	0	(900)
64	Clearing Accounts	0	0	0	0	0
65	Rate Refund	0	0	0	0	0
66	Income Tax Adjustments	(199,072)	723	(198,349)	(8,121)	(206,470)
67	Taxable Net Income Before Special Deductions	\$ (80,193)	\$ 3,720	\$ (76,473)	\$ 7,024	\$ (69,449)

PPL ELECTRIC UTILITIES CORPORATION
Computation of Income Taxes - Electric
Year Ended December 31, 2012
(Thousands of Dollars)

Line No.	Description	Total Amount Per Budget	Less: Automatic Recovery Clauses/Riders	T&D Operations Per Budget	Pro forma Adjustments	T&D Pro forma at Present Rates
<u>PA Corporate Net Income Tax Calculation</u>						
1	Taxable Net Income Before Special Deductions	\$ (80,193)	\$ 3,720	\$ (76,473)	\$ 7,024	\$ (69,449)
PA Special Deductions						
2	Tax Preference Income	(86)	0	(86)	0	(86)
3	Dividends Paid Credit	0	0	0	0	0
4	Bonus Depreciation Adjustment	146,690	0	146,690	0	146,690
5	State Intercompany Tax Gain	0	0	0	0	0
6	State NOL Carryforward/(Utilization)	(13,282)	(744)	(14,026)	(1,405)	(15,431)
7	PA Taxable Income	53,129	2,976	56,105	5,619	61,724
8	PA Tax @ 9.99%	5,307	298	5,605	561	6,166
9	PA Tax Credits	0	0	0	0	0
10	Accrual for Potential Deficiency	0	0	0	0	0
11	Prior Period Tax Return Adjustments	0	0	0	0	0
12	Total PA Income Tax	\$ 5,307	\$ 298	\$ 5,605	\$ 561	\$ 6,166
<u>Federal Income Tax Calculation</u>						
13	Taxable Net Income Before Special Deductions	\$ (80,193)	\$ 3,720	\$ (76,473)	\$ 7,024	\$ (69,449)
Federal Special Deductions						
14	PA Income Tax Less Tax Credits	(5,307)	(298)	(5,605)	(561)	(6,166)
15	Dividends Paid Credit	0	0	0	0	0
16	State Income Tax Adjustment for Prior Year	0	0	0	0	0
17	Federal Taxable Income	(85,500)	3,422	(82,078)	6,463	(75,615)
18	Federal Tax @ 35%	(29,926)	1,199	(28,727)	2,263	(26,464)
19	Federal Tax Credits	0	0	0	0	0
20	Federal NOL Carryforward/(Utilization)	8,077	(323)	7,754	(611)	7,143
21	Accrual for Potential Deficiency	0	0	0	0	0
22	Prior Period Tax Return Adjustments	0	0	0	0	0
23	Consolidated Income Tax Adjustment (D-12, page 4)	0	0	0	0	0
24	Total Federal Income Tax	\$ (21,849)	\$ 876	\$ (20,973)	\$ 1,652	\$ (19,321)

PPL ELECTRIC UTILITIES CORPORATION
Adjustment to Interest Deduction for Income Tax Purposes
Year Ended December 31, 2012
(Thousands of Dollars)

This adjustment provides for the annualized interest on claimed measures of value at December 31, 2012.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Measures of value at December 31, 2012 (C-1)	\$ 3,289,390
2	Long-term debt ratio (B-9)	48.97%
3	Embedded cost of long-term debt (B-9)	5.56%
4	Annualized interest (line 1 x line 2 x line 3)	89,561
5	Less: Interest expense on T&D operations (D-12, page 1)	<u>102,770</u>
6	Net decrease in interest deduction (line 4 - line 5)	<u><u>\$ (13,209)</u></u>

**PPL Electric Utilities Corporation
Consolidated Income Tax Adjustment
Year Ended December 31, 2012
(Thousands of Dollars)**

<u>Line No.</u>	<u>2009</u> (1)	<u>2010</u> (2)	<u>2011</u> (3)	<u>Three Year Average</u> (4)=\$((1)+(2)+(3))/3
Non-Regulated Company				
Taxable Losses				
1	\$ 0	\$ (63)	\$ (261)	\$ (108)
2	0	0	(263)	(88)
3	0	(234)	(2,231)	(822)
4	(47)	(34)	(17)	(33)
5	0	(3,284)	(40,798)	(14,694)
6	0	(8,607)	(2,112)	(3,573)
7	0	(21,106)	0	(7,035)
8	0	(675)	(2,028)	(901)
9	0	0	(2)	(1)
10	0	(10)	0	(3)
11	0	(6)	(7)	(4)
12	0	(30,813)	(27,865)	(19,559)
13	(211,717)	0	(161,972)	(124,563)
14	0	0	(2,393)	(798)
15	0	(3,262)	(8,524)	(3,929)
16	0	(3,236)	0	(1,079)
17	(137)	(127)	(55)	(106)
18	<u>\$ (211,901)</u>	<u>\$ (71,457)</u>	<u>\$ (248,528)</u>	<u>\$ (177,296) (a)</u>
19	\$ 457,743	\$ 1,850,537	\$ 304,060	870,780 (b)
Taxable Income - PA Utilities				
20	\$ 5,675	\$ 0	\$ -	\$ 1,892
21	<u>\$ 5,675</u>	<u>\$ 0</u>	<u>\$ -</u>	<u>\$ 1,892 (c)</u>
22	1.2398%	0.0000%	0.0000%	0.4133% (d)
% Taxable Income Pa. Utilities to Total Taxable Income Companies (d)=(c)/(b)				
23			Adjustment for Consolidated Tax Savings Applicable to PA Utilities (e)=(a)*(d)	\$ (733) (e)
24			Adjustment to Federal Income Taxes (e) * 35%	\$ (257) (f)
25			% T&D Taxable Income to Total Taxable Income	<u>81.7133% (g)</u>
26			T&D pro forma adjustment to Federal Income Taxes	<u>\$ - (h)</u>
Note 1:				
27	\$ 0	\$ (59,106)	\$ 0	
Taxable (Loss)				
Adjustment for Non-recurring Items:				
28	\$ 0	\$ 38,000	\$ 0	
29	\$ 0	\$ 38,000	\$ 0	
Total adjustments				
30	<u>\$ 0</u>	<u>\$ (21,106)</u>	<u>\$ 0</u>	
Adjusted Taxable Income/(Loss)				

NOTE: The above-shown calculation is being provided for informational purposes only. PPL Electric is in a current tax loss position. Accordingly, no consolidated tax savings adjustment is appropriate.

PPL Electric Utilities Corporation
Consolidated Income Tax Adjustment
Year Ended December 31, 2012
(Thousands of Dollars)

<u>Line No.</u>		<u>2009</u>	<u>2010</u>	<u>2011</u>
	Note 2:			
1	Taxable (Loss)	\$ 0	\$ (135,657)	\$ (73,174)
	Adjustment for Non-recurring Items:			
2	LKE and WEM Acquisition Expenses	<u>\$ 0</u>	<u>\$ 104,844</u>	<u>\$ 45,309</u>
3	Total adjustments	<u>\$ 0</u>	<u>\$ 104,844</u>	<u>\$ 45,309</u>
4	Adjusted Taxable Income/(Loss)	<u>\$ 0</u>	<u>\$ (30,813)</u>	<u>\$ (27,865)</u>
	Note 3:			
5	Taxable (Loss)	\$ (244,176)	\$ 0	\$ (134,757)
	Adjustment for Non-recurring Items:			
6	Discontinued Operations	<u>\$ 32,459</u>	<u>\$ 0</u>	<u>\$ (27,215)</u>
7	Total adjustments	<u>\$ 32,459</u>	<u>\$ 0</u>	<u>\$ (27,215)</u>
8	Adjusted Taxable Income/(Loss)	<u>\$ (211,717)</u>	<u>\$ 0</u>	<u>\$ (161,972)</u>
	Note 4:			
9	Taxable (Loss)	\$ (11,543)	\$ (49,266)	\$ 0
	Adjustment for Non-recurring Items:			
10	Extraordinary Sales/Dispositions	\$ 18,599	\$ 0	\$ 0
11	One Time Pension Catch-up Payment	0	44,500	0
12	LKE Acquisition Expenses	0	1,530	0
13	Total adjustments	<u>\$ 18,599</u>	<u>\$ 46,030</u>	<u>\$ 0</u>
14	Adjusted Taxable Income/(Loss)	<u>\$ 7,056</u>	<u>\$ (3,236)</u>	<u>\$ 0</u>
	Note 5:			
15	Consolidated Taxable Income/(Loss)	\$ 303,890	\$ (315,673)	\$ (231,910)
	Adjustment for Non-regulated LLC disregarded for income tax purposes:			
16	PPL Transition Bond Company, LLC	\$ (941)	\$ 0	\$ 0
	Adjustment for Non-recurring items:			
17	One Time Pension Catch-up Payment	\$ 0	\$ 82,325	\$ 0
18	Competitive Transition Charge	(297,274)	0	0
19	Total Adjustments	<u>\$ (298,215)</u>	<u>\$ 82,325</u>	<u>\$ -</u>
20	Adjusted Taxable Income/(Loss)	<u>\$ 5,675</u>	<u>\$ (233,348)</u>	<u>\$ (231,910)</u>

PPL ELECTRIC UTILITIES CORPORATION
Operating Revenue and Applicable Tax
Related to Proposed Rate Increase
Year Ended December 31, 2012
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Additional operating revenue from proposed rate increase	\$ 104,618
	Less:	
2	Provision for uncollectible accounts expense (line 1 x 2.23%) Note 1	2,333
3	PA gross receipts tax (line 1 x 59 mills)	6,172
4	PA Capital stock tax (D-12, page 7, line 19)	<u>144</u>
5	Taxable income for PA Corporate net income tax	95,969
6	PA corporate net income tax (line 5 x 9.99%)	<u>9,587</u>
7	Taxable income for Federal income tax	86,382
8	Federal income tax (line 7 x 35%)	<u>30,234</u>
9	Operating income	<u><u>\$ 56,148</u></u>

PPL ELECTRIC UTILITIES CORPORATION

Capital Stock Tax at Proposed Rates
Year Ended December 31, 2012
(Thousands of Dollars)

Line No.	<u>Description</u>	<u>Amount</u>
1	PA Capital Stock Tax=50%((5 Year Average Net Income/0.095)+(75%(Net Worth))	
	Net Income	
2	2008	\$ 87,403
3	2009	103,885
4	2010	80,572
5	2011	129,591
6	2012 (Note 1)	<u>158,701</u>
7	Total	<u>\$ 560,152</u>
8	Average	<u>\$ 112,030</u>
9	Net worth at December 31, 2012 (Note 2)	<u>\$ 1,851,882</u>
10	PA Capital stock value = 0.5(((\$112,030/0.095) + (0.75 x \$1,851,882)) =	\$ 1,284,087
11	Statutory Exemption	<u>160</u>
12	Value of Capital Stock less Statutory Exemption	1,283,927
13	Apportionment Percentage	<u>0.954053</u>
14	PA Capital Stock Taxable Value	<u>\$1,224,934</u>
15	PA Capital Stock Tax at 1.89 mills	\$ 2,315
16	Less: PA Education tax credit	<u>(217)</u>
17	Pa Capital Stock Tax at Proposed Rates	\$ 2,098
18	Less: PA Capital Stock Tax at Present Rates (D-11, page 1, line 1)	<u>1,954</u>
19	Additional PA Capital Stock Tax due to Proposed Rate Increase	<u>\$ 144</u>
	Note 1:	
20	Net Income at Present Rates (D-11, page 2, line 6)	\$ 102,553
21	Net Income from Proposed Rate Increase (D-12, page 6, line 9)	56,148
22	Total 2012 Net Income	<u>\$ 158,701</u>
	Note 2:	
23	Net Worth at Present Rates (D-11, page 2, line 9)	\$ 1,795,734
24	Net Worth from Proposed Rate Increase (D-12, page 6, line 9)	56,148
25	Total 2012 Net Worth	<u>\$ 1,851,882</u>

PPL ELECTRIC UTILITIES CORPORATION

Adjustment to Deferred Income Taxes
As of December 31, 2012
(Thousands of Dollars)

Line No.	Provision	Debit	Credit	Net	Adjustment	Adjusted
Distribution Property:						
1	ACRS & MACRS	\$ 32,279	\$ 0	\$ 32,279	\$ (1,328)	\$ 30,951
2	Contributions In Aid of Construction (CIAC)	2,564	(7,790)	(5,226)	127	(5,099)
3	Other 263A & Repair Allowance	12,223	(6,834)	5,389	(297)	5,092
4	Prior Year Tax Return Adjustments	0	0	0	0	0
5	Total Distribution Property	<u>47,066</u>	<u>(14,624)</u>	<u>32,442</u>	<u>(1,498)</u>	<u>30,944</u>
General Property:						
6	ACRS & MACRS	0	(34)	(34)	(2,453)	(2,487)
7	Other 263A & Repair Allowance	718	(166)	552	(135)	417
8	Prior Year Tax Return Adjustments	0	0	0	0	0
9	Total General Property	<u>718</u>	<u>(200)</u>	<u>518</u>	<u>(2,588)</u>	<u>(2,070)</u>
Transmission Property:						
10	Contributions In Aid of Construction (CIAC)	450	(1,487)	(1,037)	70	(967)
11	Net Book/Net Tax Plant (Excluding CIAC)	46,510	(737)	45,773	(1,462)	44,311
12	Prior Year Tax Return Adjustments	0	0	0	0	0
13	Total Transmission Property	<u>46,960</u>	<u>(2,224)</u>	<u>44,736</u>	<u>(1,392)</u>	<u>43,344</u>
Total						
14	ACRS & MACRS	32,279	(34)	32,245	(3,781)	28,464
15	Contributions In Aid of Construction (CIAC)	3,014	(9,277)	(6,263)	197	(6,066)
16	Other 263A & Repair Allowance	12,941	(7,000)	5,941	(432)	5,509
17	Net Book/Net Tax Plant (Excluding CIAC)-Transmission	46,510	(737)	45,773	(1,462)	44,311
18	Prior Year Tax Return Adjustments	0	0	0	0	0
19	Total	<u>\$ 94,744</u>	<u>\$ (17,048)</u>	<u>\$ 77,696</u>	<u>\$ (5,478)</u>	<u>72,218</u>
20	Less: Deferred income taxes on T&D operations per budget					<u>96,224</u>
21	Net decrease in deferred income taxes					<u>\$ (24,006)</u>

PPL ELECTRIC UTILITIES CORPORATION
Adjustment to Provision For Deferred Income Taxes
As of December 31, 2012
(Thousands of Dollars)

This adjustment provides for the annual provision for deferred income taxes due to the (1) Accelerated Cost Recovery System (ACRS) of the Economic Recovery Act of 1981, (2) Modified Accelerated Cost Recovery System (MACRS) of the Tax Reform Act of 1986 and (3) Other 263A & Repair Allowance.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
	Distribution Property	
1	Excess Tax over Book depreciation on ACRS and MACRS property	\$ 89,512
2	Other 263A, Repair Allowance and CIAC book and tax basis adjustments and reversals	<u>(243)</u>
3	Plant activity for the calculation of deferred income taxes	<u>89,269</u>
	General Property	
4	Excess Tax over Book depreciation on ACRS and MACRS property	(6,989)
5	Other 263A, Repair Allowance and CIAC book and tax basis adjustments and reversals	<u>1,004</u>
6	Plant activity for the calculation of deferred income taxes	<u>(5,985)</u>
	Transmission Property	
7	Net Tax over Net Book plant activity (excluding CIAC)	124,474
8	CIAC tax basis adjustment and reversal	<u>(2,331)</u>
9	Plant activity for the calculation of deferred income taxes	<u>122,143</u>
10	Total plant activity for the calculation of deferred income taxes	<u>\$ 205,427</u>
11	Tax Rate Provisions for Distribution and General Property - 35% Reversals for Distribution and General Property - Average Rate Assumption Method Provisions and Reversals for Transmission Property - 41.4935% Provisions and Reversals for Other 263A, Repair Allowance and CIAC	
12	Net annual deferred tax debit / (credit)	<u>\$ 72,218</u>
	Less: Net provision on T&D operations per budget	
13	Provision for deferred taxes - debit	94,744
14	Provision for deferred taxes - credit	<u>(17,048)</u>
15		<u>77,696</u>
16	Net increase in deferred income tax provision	<u>\$ (5,478)</u>

PPL ELECTRIC UTILITIES CORPORATION

**Adjustment to Amortization of
Deferred Investment Tax Credit
Year Ended December 31, 2012**
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>4% Investment Tax Credit</u>	<u>10% Investment Tax Credit</u>	<u>Total</u>
	Transmission Property:			
1	1980	0	118	118
2	1981	0	211	211
3	1982	0	61	61
4	1983	0	2	2
5	1984	0	24	24
6	1985	0	17	17
7	1986	0	13	13
8	1987	0	9	9
9	1988	0	2	2
10	1989	0	0	0
11	1990	0	0	0
	Total Transmission Property			<u>457</u>
	Distribution Property:			
12	1980	0	160	160
13	1981	0	161	161
14	1982	0	147	147
15	1983	0	79	79
16	1984	0	84	84
17	1985	0	117	117
18	1986	0	120	120
19	1987	0	28	28
20	1988	0	12	12
21	1989	0	3	3
22	1990	0	5	5
	Total Distribution Property			<u>916</u>
23	Total Amount of Amortization			1,373
24	Less: Amortization on T&D operations per budget			<u>1,373</u>
25	Decrease in Amortization			<u>\$ -</u>