

PPL ELECTRIC UTILITIES CORPORATION

**Operating Statements
For the 12 Months Ended December 31, 2009 and 2010**

Significant increases or decreases (in thousands of dollars) are attributed to the following:

Account 400 - Operating Revenues - \$394,830

Residential Sales - \$414,980 - Increase is related to: **Weather** - 2009 sales were reduced 1.3% due to mild weather. 2010 forecast based on normal weather. **Rate Changes** - ACR added for 2010, USR increased, Rate Caps expired. **Shopping** - Expiration of Rate Caps allows for competitive energy offers, which will reduce POLR revenue.

Commercial Sales - \$65,942 - Increase is related to: **Weather** - 2009 sales were reduced 1.1% due to mild weather. 2010 forecast based on normal weather. **Rate Changes** - ACR added for 2010, Rate Caps expired. **Shopping** - Expiration of Rate Caps allows for competitive energy offers, which will reduce POLR revenue.

Industrial Sales - (\$31,837) - Decrease is due to expiration of the Rate Caps, which will allow for competitive energy offers, offset by a slight recovery in Industrial sales as the economy improves.

Sales for Resale - (\$68,397) - The decrease is primarily the result of lower NUG transactions in 2010 compared to 2009.

Unbilled Revenue - Net - (\$48,334) - Decrease is primarily due to higher than budgeted unbilled sales in December 2009 due to colder than normal weather, while December 2010 is budgeted based on normal weather.

Other Electric Revenue - \$55,714 - Increase is due mostly to the Transmission Service Charge (TSC) over/under billing accrual. TSC rates will be adjusted in 2010 to adjust the accrual. Also, Transmission Owner Revenue is increased in 2010 based on the FERC formula rate.

Accounts 401 & 402 - Operation and Maintenance Expenses - \$737,189

PPL Electric's budgeting process entails budgeting by category of expense, not by account. However, the Company is providing, for the purpose of this filing, an allocation of budgeted operation and maintenance expenses to accounts. This allocation is based primarily on the ratio of the actual charges by account for the historic test year.

Following is a comparison of these expenses by category of expense:

	<u>2010</u>	<u>2009</u>	<u>Difference</u>
Power Purchases	\$ 2,679,286	\$ 2,062,104	\$ 617,182
Wages & Employee Benefits	131,336	120,775	10,561
Other Operating Costs	392,574	283,128	109,446
	<u>\$ 3,203,196</u>	<u>\$ 2,466,007</u>	<u>\$ 737,189</u>

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Explanations of major changes in category of expense are:

Power Purchases - \$617,182 - Increase primarily due to higher energy cost from acquisition contracts for POLR customers not using alternate suppliers and higher customer usage, partially offset by lower NUG power purchases.

Wages & Employee Benefits - \$10,561 - Increase is due to general inflation, and increase in work scope, and an increase in employees for customer responsiveness.

Other Operating Costs - \$109,446 - Other Operating Costs are further segregated into the following categories of expense:

	<u>2010</u>	<u>2009</u>	<u>Difference</u>
Employee Expenses	\$ 2,132	\$ 1,112	\$ 1,020
Vehicles & Equipment Use	7,646	7,170	476
Materials & Supplies	6,945	4,157	2,788
Printing & Office Supplies	1,061	438	623
Tree Trimming	31,102	25,523	5,579
Work by Outsiders	63,274	48,227	15,047
Services	7,029	6,090	939
Postage	6,533	6,029	504
Telephone & Leased Wires	2,605	2,785	(180)
Rents	11,300	10,646	654
Advertising	2,516	1,313	1,203
Uncollectible Accounts	48,124	37,750	10,374
Miscellaneous	79,177	16,849	62,328
PPL Electric Other Operating Costs	269,444	168,089	101,355
Affiliate Support	123,130	115,039	8,091
Total Other Operating Costs	<u>\$ 392,574</u>	<u>\$ 283,128</u>	<u>\$ 109,446</u>

Employee Expenses \$1,020 - Increase is due to planned employee additions.

Materials & Supplies \$2,788 - Increase is due to general inflation and an increase in work scope.

Tree Trimming \$5,579 - Increase due to projected increased volume of work in 2010. In 2009 and prior years cost cutting measures yielded a reduction in vegetation management program.

Work By Outsiders \$15,047 - Increase is primarily for additional contractors due to an increase in work scope.

Uncollectible Accounts \$10,374 - increase is primarily due to rate changes. ACR added for 2010, USR increased, and Rate Caps expired for the energy and capacity portion of customers bills.

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Miscellaneous \$62,328 - Increase primarily due to the amortization of Act 129 Energy Acquisition and Energy Conservation activities begun in 2010.

Affiliate Support \$8,091 - See Filing Requirement II-D-8

Account 407 - Regulatory Debits (Credits, net - (\$314,289)) - Decrease is due primarily to the end of amortization of CTC stranded cost recovery at 12/31/2009.

Account 408.1 - Taxes Other Than Income Taxes - \$40,934 - Increase is primarily due to higher gross receipts resulting from projected increased retail sales in 2010.

Account 409.1 - Federal Income Taxes - (\$51,769) - Decrease is due primarily to the following items:

Lower pre-tax book income	\$ (16,723)
Change in book/tax timing differences	(94,403)
Offset by the following items:	
2008 return to accrual adjustments recorded in 2009	58,845
2009 tax reserves	512
	<u>\$ (51,769)</u>

Account 409.1 - State Income Taxes - (\$19,761) - Decrease is due primarily to the following items:

Lower pre-tax book income	\$ (5,303)
Change in book/tax timing differences	(34,212)
Offset by the following items:	
2008 return to accrual adjustments recorded in 2009	11,235
2009 tax reserves	8,519
	<u>\$ (19,761)</u>

Account 410.1 & 411.1 - Deferred Income Taxes - Federal & State - Net - \$54,112 - Increase is due primarily to the following items:

Change in book/tax timing differences	\$ 128,025
Offset by the following items:	
2008 return to accrual adjustments recorded in 2009	(73,284)
2009 tax reserves	(629)
	<u>\$ 54,112</u>

Account 427 - Interest on Long-term Debt - (\$13,846) - Decrease is due to three debt retirements partially offset by one issuance.

Account 431 - Other Interest Expense - (\$7,331) - Decrease is due mostly to interest expense in 2009 related to stranded cost deferral and due to interest expense in 2009 for taxes due per Fin 48. Decrease is also due to less accrued interest expense on rate mitigation and TSC.

Account 432 - Allowance for Borrowed Funds used During Construction - (\$4,642) - Change is due to increased capital construction expenditure in 2010.