

PPL ELECTRIC UTILITIES CORPORATION

Debt to Total Capitalization Credit Facility Covenant

PPL Electric Utilities Corporation is the borrower under a credit agreement, dated May 4, 2007, pursuant to which it has the ability to make cash borrowings and to request the lenders to issue letters of credit. This credit facility contains a financial covenant requiring that the debt to total capitalization not exceed 70%. The covenant and pertinent definitions from the credit agreement are as follows:

Section 6.09 Consolidated Debt to Consolidated Capitalization Ratio.

The ratio of Consolidated Debt of the Borrower to Consolidated Capitalization of the Borrower shall not exceed 70% at any time.

“Consolidated Capitalization” shall mean the sum of, without duplication, (A) the Consolidated Debt (without giving effect to clause (b) of the definition of “Consolidated Debt”) and (B) the consolidated shareowners’ equity (determined in accordance with GAAP) of the common, preference and preferred shareowners of the Borrower and minority interests recorded on the Borrower’s consolidated financial statements (excluding from shareowner’s equity the balance of accumulated other comprehensive income/loss of the Borrower on any date of determination solely with respect to (i) the effect of all unrealized gains and losses reported under Financial Accounting Standards Board Statement No. 133 in connection with forward contracts, futures contracts or other derivatives or commodity hedging agreements for the future delivery of electricity or capacity and (ii) the effect of any pension and other post-retirement benefit liability adjustment recorded in accordance with GAAP), except that for purposes of calculating Consolidated Capitalization of the Borrower, Consolidated Debt of the Borrower shall exclude Non Recourse Debt and Consolidated Capitalization of the Borrower shall exclude that portion of shareowner’s equity attributable to assets securing Non Recourse Debt.

“Consolidated Debt” means the consolidated Debt of the Borrower and its Consolidated Subsidiaries (determined in accordance with GAAP), except that for purposes of this definition (a) Consolidated Debt shall exclude Non Recourse Debt of the Borrower and its Consolidated Subsidiaries, and (b) Consolidated Debt shall exclude (i) Hybrid Securities of the Borrower and its Consolidated

Subsidiaries in an aggregate amount as shall not exceed 15% of Consolidated Capitalization and (ii) Equity-Linked Securities in an

aggregate amount as shall not exceed 15% of Consolidated Capitalization.

“Debt” of any Person means, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (iii) all Guarantees by such Person of Debt of others, (iv) all Capital Lease Obligations and Synthetic Leases of such Person, (v) all obligations of such Person in respect of Interest Rate Protection Agreements, foreign currency exchange agreements or other interest or exchange rate hedging arrangements (the amount of any such obligation to be the net amount that would be payable upon the acceleration, termination or liquidation thereof), but only to the extent that such net obligations exceed \$75,000,000 in the aggregate and (vi) all obligations of such Person as an account party in respect of letters of credit and bankers’ acceptances; provided, however, that “Debt” of such Person does not include (a) obligations of such Person under any installment sale, conditional sale or title retention agreement or any other agreement relating to obligations for the deferred purchase price of property or services (b) obligations under agreements relating to the purchase and sale of any commodity, including any power sale or purchase agreements, any commodity hedge or derivative (regardless of whether any such transaction is a “financial” or physical transaction), (c) any trade obligations or other obligations of such Person incurred in the ordinary course of business or (d) obligations of such Person under any lease agreement (including any lease intended as security) that is not a Capital Lease or a Synthetic Lease.

“Non-Recourse Debt” shall mean (a) Debt that is nonrecourse to the Borrower or any Subsidiary of the Borrower and (b) any transition bonds issued by PPL Transition Bond Company, LLC, a subsidiary of the Borrower, or any similar special purpose company organized for the purpose of issuing bonds payable from revenues associated with intangible transition property created under the PEGCCCA or other assets of PPL Transition Bond Company LLC or any such other special purpose company, provided that (i) such bonds are nonrecourse to the Borrower or any of its Subsidiaries (other than PPL Transition Bond Company LLC or any such other special purpose company) and (ii) the aggregate amount of such transition bonds shall not exceed \$2,850,000,000.