

**PPL ELECTRIC UTILITIES CORPORATION**

EXHIBIT

TO ACCOMPANY

THE DIRECT TESTIMONY

OF

PAUL R. MOUL, MANAGING CONSULTANT  
P. MOUL & ASSOCIATES

PPL Electric Utilities Corporation  
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**PPL Electric Utilities Corporation**  
Proposed Rate of Return  
Based upon Investor Provided Capital

<u>Type of Capital</u>	<u>Ratios</u>	<u>Cost Rate</u>	<u>Weighted Cost Rate</u>
Long-Term Debt	44.02%	6.67%	2.94%
Preferred and Preference Stock	7.61%	6.39%	0.49%
Common Equity	<u>48.37%</u>	11.75%	<u>5.68%</u>
Total	<u>100.00%</u>		<u>9.11%</u>

Indicated levels of fixed charge coverage assuming that the Company could actually achieve its proposed rate of return:

Pre-tax coverage of interest expense based upon a 41.4935% composite federal and state income tax rate ( 13.49% ÷ 2.94% )	4.59 x
Post-tax coverage of interest expense ( 9.11% ÷ 2.94% )	3.1 x
Post-tax coverage of interest expense and preferred stock dividends ( 9.11% ÷ 3.43% )	2.66 x

PPL Electric Utilities Corporation  
Capitalization and Financial Statistics  
2004-2008, Inclusive

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	
			(Millions of Dollars)			
Amount of Capital Employed						
Permanent Capital	\$ 3,415.0	\$ 2,955.0	\$ 2,932.0	\$ 2,894.0	\$ 2,708.0	
Short-Term Debt	\$ 95.0	\$ 41.0	\$ 42.0	\$ 42.0	\$ 42.0	
Total Capital	<u>\$ 3,510.0</u>	<u>\$ 2,996.0</u>	<u>\$ 2,974.0</u>	<u>\$ 2,936.0</u>	<u>\$ 2,750.0</u>	
Capital Structure Ratios						
Based on Permanent Capital:						<u>Average</u>
Long-Term Debt <sup>(1)</sup>	51.8%	46.3%	46.8%	52.5%	51.1%	49.7%
Preferred and Preference Stock	8.8%	10.2%	10.3%	1.8%	1.9%	6.6%
Common Equity <sup>(2)</sup>	39.4%	43.5%	42.9%	45.7%	47.0%	43.7%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Based on Total Capital:						
Total Debt incl. Short Term <sup>(1)</sup>	53.1%	47.1%	47.6%	53.2%	51.9%	50.6%
Preferred and Preference Stock	8.6%	10.0%	10.1%	1.7%	1.9%	6.5%
Common Equity <sup>(2)</sup>	38.3%	42.9%	42.3%	45.1%	46.3%	43.0%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.1%</u>	<u>100.0%</u>
Rate of Return on Book Common Equity <sup>(2)</sup>	12.0%	11.4%	13.9%	11.2%	5.9%	10.9%
Operating Ratio <sup>(3)</sup>	89.0%	89.7%	88.3%	86.6%	90.9%	88.9%
Coverage incl. AFUDC <sup>(4)</sup>						
Pre-tax: All Interest Charges	3.50 x	2.82 x	2.60 x	2.19 x	1.44 x	2.51 x
Post-tax: All Interest Charges	2.59 x	2.21 x	2.04 x	1.81 x	1.40 x	2.01 x
Overall Coverage: All Int. & Pfd. Div.	2.22 x	1.95 x	1.90 x	1.79 x	1.39 x	1.85 x
Coverage excl. AFUDC <sup>(4)</sup>						
Pre-tax: All Interest Charges	3.50 x	2.82 x	2.60 x	2.19 x	1.44 x	2.51 x
Post-tax: All Interest Charges	2.59 x	2.21 x	2.04 x	1.81 x	1.40 x	2.01 x
Overall Coverage: All Int. & Pfd. Div.	2.22 x	1.95 x	1.90 x	1.79 x	1.39 x	1.85 x
Quality of Earnings & Cash Flow						
AFC/Income Avail. for Common Equity	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Effective Income Tax Rate	36.7%	33.7%	34.9%	31.9%	9.5%	29.3%
Internal Cash Generation/Construction <sup>(5)</sup>	86.9%	74.8%	61.6%	134.5%	148.0%	101.2%
Gross Cash Flow/ Avg. Total Debt <sup>(6)</sup>	20.2%	23.6%	19.8%	22.0%	19.8%	21.1%
Gross Cash Flow Interest Coverage <sup>(7)</sup>	3.79 x	3.04 x	2.32 x	2.66 x	2.48 x	2.86 x
Common Dividend Coverage <sup>(8)</sup>	3.38 x	2.80 x	2.53 x	3.52 x	12.04 x	4.85 x

See Page 2 for Notes.

PPL Electric Utilities Corporation  
Capitalization and Financial Statistics  
2004-2008, Inclusive

Notes:

- (1) Excluding the Transitional Funding Obligations that were issue for stranded generating assets, and whose debt service is covered through dedicated revenue collections.
- (2) Excluding Accumulated Other Comprehensive Income ("OCI") from the equity account.
- (3) Total operating expenses, maintenance, depreciation and taxes other than income taxes as a percent of operating revenues.
- (4) Coverage calculations represent the number of times available earnings, both including and excluding AFUDC (allowance for funds used during construction) as reported in its entirety, cover fixed charges.
- (5) Internal cash generation/gross construction is the percentage of gross construction expenditures provided by internally-generated funds from operations after payment of all cash dividends divided by gross construction expenditures and excluding amortization of recoverable transition costs.
- (6) Gross Cash Flow (sum of net income, depreciation, amortization, net deferred income taxes and investment tax credits, less total AFUDC) plus interest charges, divided by interest charges.
- (7) Gross Cash Flow plus interest charges divided by interest charges.
- (8) Common dividend coverage is the relationship of internally-generated funds from operations after payment of preferred stock dividends to common dividends paid.

Source of Information: Utility COMPUSTAT

Electric Group  
Capitalization and Financial Statistics <sup>(1)</sup>  
2004-2008, Inclusive

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	
			(Millions of Dollars)			
Amount of Capital Employed						
Permanent Capital	\$ 6,344.0	\$ 5,887.8	\$ 5,629.4	\$ 5,330.9	\$ 5,182.5	
Short-Term Debt	\$ 317.7	\$ 247.5	\$ 132.4	\$ 204.1	\$ 121.1	
Total Capital	<u>\$ 6,661.7</u>	<u>\$ 6,135.3</u>	<u>\$ 5,761.8</u>	<u>\$ 5,535.0</u>	<u>\$ 5,303.6</u>	
Market-Based Financial Ratios						<u>Average</u>
Price-Earnings Multiple	15 x	18 x	18 x	16 x	18 x	17 x
Market/Book Ratio	141.3%	169.0%	153.5%	140.4%	135.5%	147.9%
Dividend Yield	4.6%	3.9%	4.3%	4.6%	4.8%	4.4%
Dividend Payout Ratio	71.9%	67.7%	73.8%	77.3%	84.3%	75.0%
Capital Structure Ratios						
Based on Permanent Capital:						
Long-Term Debt	52.3%	51.3%	51.5%	50.8%	51.1%	51.4%
Preferred Stock	1.2%	1.4%	1.5%	1.6%	1.7%	1.5%
Common Equity <sup>(2)</sup>	<u>46.5%</u>	<u>47.3%</u>	<u>47.0%</u>	<u>47.6%</u>	<u>47.2%</u>	<u>47.1%</u>
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Based on Total Capital:						
Total Debt incl. Short Term	55.1%	54.3%	52.7%	52.5%	51.9%	53.3%
Preferred Stock	1.1%	1.3%	1.5%	1.5%	1.7%	1.4%
Common Equity <sup>(2)</sup>	<u>43.8%</u>	<u>44.5%</u>	<u>45.8%</u>	<u>45.9%</u>	<u>46.4%</u>	<u>45.3%</u>
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Rate of Return on Book Common Equity <sup>(2)</sup>	9.1%	9.7%	9.1%	5.6%	7.9%	8.3%
Operating Ratio <sup>(3)</sup>	89.7%	89.9%	90.6%	92.5%	90.3%	90.6%
Coverage incl. AFUDC <sup>(4)</sup>						
Pre-tax: All Interest Charges	3.07 x	3.29 x	3.21 x	2.54 x	2.98 x	3.02 x
Post-tax: All Interest Charges	2.30 x	2.50 x	2.50 x	2.00 x	2.25 x	2.31 x
Overall Coverage: All Int. & Pfd. Div.	2.26 x	2.45 x	2.44 x	1.95 x	2.20 x	2.26 x
Coverage excl. AFUDC <sup>(4)</sup>						
Pre-tax: All Interest Charges	3.02 x	3.23 x	3.16 x	2.50 x	2.95 x	2.97 x
Post-tax: All Interest Charges	2.24 x	2.45 x	2.45 x	1.96 x	2.21 x	2.26 x
Overall Coverage: All Int. & Pfd. Div.	2.20 x	2.40 x	2.39 x	1.91 x	2.16 x	2.21 x
Quality of Earnings & Cash Flow						
AFC/Income Avail. for Common Equity	5.0%	4.3%	5.2%	2.2%	3.7%	4.1%
Effective Income Tax Rate	36.8%	34.0%	7.3%	77.2%	33.0%	37.7%
Internal Cash Generation/Construction <sup>(5)</sup>	95.1%	74.8%	90.8%	59.4%	106.7%	85.4%
Gross Cash Flow/ Avg. Total Debt <sup>(6)</sup>	22.9%	19.3%	19.7%	14.3%	20.5%	19.3%
Gross Cash Flow Interest Coverage <sup>(7)</sup>	4.92 x	4.42 x	4.39 x	3.45 x	4.41 x	4.32 x
Common Dividend Coverage <sup>(8)</sup>	4.73 x	3.83 x	3.15 x	2.63 x	3.95 x	3.66 x

See Page 2 for Notes.

Electric Group  
Capitalization and Financial Statistics  
2004-2008, Inclusive

Notes:

- (1) All capitalization and financial statistics for the group are the arithmetic average of the achieved results for each individual company in the group.
- (2) Excluding Accumulated Other Comprehensive Income ("OCI") from the equity account.
- (3) Total operating expenses, maintenance, depreciation and taxes other than income taxes as a percent of operating revenues.
- (4) Coverage calculations represent the number of times available earnings, both including and excluding AFUDC (allowance for funds used during construction) as reported in its entirety, cover fixed charges.
- (5) Internal cash generation/gross construction is the percentage of gross construction expenditures provided by internally-generated funds from operations after payment of all cash dividends divided by gross construction expenditures.
- (6) Gross Cash Flow (sum of net income, depreciation, amortization, net deferred income taxes and investment tax credits, less total AFUDC) plus interest charges, divided by interest charges.
- (7) Gross Cash Flow plus interest charges divided by interest charges.
- (8) Common dividend coverage is the relationship of internally-generated funds from operations after payment of preferred stock dividends to common dividends paid.

Basis of Selection

The Electric Group includes companies that (i) their stock is traded on the New York Stock Exchange, (ii) they are listed in the "Electric Utility (East)" section of The Value Line Investment Survey, (iii) they operate in the Northeast region of the U.S., (iv) they are not currently the target of a publicly-announced merger or acquisition, and (v) they do not have a significant amount of electric generation.

<u>Ticker</u>	<u>Company</u>	<u>Corporate Credit Ratings</u>		<u>Stock Traded</u>	<u>S&amp;P Stock Ranking</u>	<u>Value Line Beta</u>
		<u>Moody's</u>	<u>S&amp;P</u>			
CHG	CH Energy Group	A3	A	NYSE	A-	0.65
CV	Central Vermont P.S.	Baa3	NR	NYSE	B	0.75
ED	Consolidated Edison	A3	A-	NYSE	B+	0.65
NU	Northeast Utilities	Baa1	BBB	NYSE	B	0.70
NST	NSTAR	A1	A+	NYSE	A-	0.65
POM	Pepco Holdings	Baa2	BBB	NYSE	B	0.80
UIL	UIL Holdings	Baa2	BBB	NYSE	B	0.70
	Average	<u>Baa1</u>	<u>BBB+</u>		<u>B+</u>	<u>0.70</u>

Note: Ratings are those of utility subsidiaries

Source of Information: Utility COMPUSTAT

Standard & Poor's Public Utilities  
Capitalization and Financial Statistics <sup>(1)</sup>  
2004-2008, Inclusive

	2008	2007	2006	2005	2004	
	(Millions of Dollars)					
Amount of Capital Employed						
Permanent Capital	\$ 15,307.2	\$ 13,978.1	\$ 14,025.4	\$ 13,213.3	\$ 13,102.2	
Short-Term Debt	\$ 746.9	\$ 578.0	\$ 478.8	\$ 436.5	\$ 261.0	
Total Capital	<u>\$ 16,054.1</u>	<u>\$ 14,556.1</u>	<u>\$ 14,504.2</u>	<u>\$ 13,649.8</u>	<u>\$ 13,363.2</u>	
Market-Based Financial Ratios						<u>Average</u>
Price-Earnings Multiple	15 x	16 x	17 x	16 x	16 x	16 x
Market/Book Ratio	184.8%	228.7%	217.3%	211.3%	173.3%	203.1%
Dividend Yield	4.1%	3.3%	3.4%	3.5%	3.7%	3.6%
Dividend Payout Ratio	60.6%	53.3%	57.9%	55.7%	58.7%	57.2%
Capital Structure Ratios						
Based on Permanent Capital:						
Long-Term Debt	53.7%	51.8%	53.0%	54.5%	56.2%	53.8%
Preferred Stock	1.0%	1.1%	1.2%	1.3%	1.4%	1.2%
Common Equity <sup>(2)</sup>	<u>45.4%</u>	<u>47.1%</u>	<u>45.9%</u>	<u>44.2%</u>	<u>42.4%</u>	<u>45.0%</u>
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Based on Total Capital:						
Total Debt incl. Short Term	56.6%	54.5%	55.1%	56.8%	58.0%	56.2%
Preferred Stock	1.0%	1.1%	1.1%	1.2%	1.4%	1.2%
Common Equity <sup>(2)</sup>	<u>42.5%</u>	<u>44.5%</u>	<u>43.8%</u>	<u>41.9%</u>	<u>40.6%</u>	<u>42.6%</u>
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Rate of Return on Book Common Equity <sup>(2)</sup>	11.2%	13.1%	12.1%	11.2%	11.6%	11.8%
Operating Ratio <sup>(3)</sup>	82.1%	84.3%	84.6%	86.0%	84.6%	84.3%
Coverage incl. AFUDC <sup>(4)</sup>						
Pre-tax: All Interest Charges	3.42 x	3.81 x	3.38 x	3.23 x	3.15 x	3.40 x
Post-tax: All Interest Charges	2.58 x	2.87 x	2.62 x	2.57 x	2.50 x	2.63 x
Overall Coverage: All Int. & Pfd. Div.	2.55 x	2.84 x	2.59 x	2.53 x	2.46 x	2.59 x
Coverage excl. AFUDC <sup>(4)</sup>						
Pre-tax: All Interest Charges	3.32 x	3.73 x	3.33 x	3.19 x	3.11 x	3.34 x
Post-tax: All Interest Charges	2.48 x	2.79 x	2.57 x	2.53 x	2.46 x	2.57 x
Overall Coverage: All Int. & Pfd. Div.	2.45 x	2.75 x	2.54 x	2.49 x	2.42 x	2.53 x
Quality of Earnings & Cash Flow						
AFC/Income Avail. for Common Equity	7.1%	5.0%	3.5%	1.0%	3.1%	3.9%
Effective Income Tax Rate	32.3%	34.1%	26.8%	29.4%	27.0%	29.9%
Internal Cash Generation/Construction <sup>(5)</sup>	78.6%	82.3%	88.5%	101.9%	123.6%	95.0%
Gross Cash Flow/ Avg. Total Debt <sup>(6)</sup>	24.7%	24.6%	22.6%	20.8%	21.6%	22.9%
Gross Cash Flow Interest Coverage <sup>(7)</sup>	5.14 x	4.94 x	4.49 x	4.40 x	4.54 x	4.70 x
Common Dividend Coverage <sup>(8)</sup>	5.31 x	5.84 x	4.31 x	4.40 x	4.84 x	4.94 x

See Page 2 for Notes.

Standard & Poor's Public Utilities  
Capitalization and Financial Statistics  
2004-2008, Inclusive

Notes:

- (1) All capitalization and financial statistics for the group are the arithmetic average of the achieved results for each individual company in the group.
- (2) Excluding Accumulated Other Comprehensive Income ("OCI") from the equity account
- (3) Total operating expenses, maintenance, depreciation and taxes other than income taxes as a percent of operating revenues.
- (4) Coverage calculations represent the number of times available earnings, both including and excluding AFUDC (allowance for funds used during construction) as reported in its entirety, cover fixed charges.
- (5) Internal cash generation/gross construction is the percentage of gross construction expenditures provided by internally-generated funds from operations after payment of all cash dividends divided by gross construction expenditures.
- (6) Gross Cash Flow (sum of net income, depreciation, amortization, net deferred income taxes and investment tax credits, less total AFUDC) as a percentage of average total debt.
- (7) Gross Cash Flow (sum of net income, depreciation, amortization, net deferred income taxes and investment tax credits, less total AFUDC) plus interest charges, divided by interest charges.
- (8) Common dividend coverage is the relationship of internally-generated funds from operations after payment of preferred stock dividends to common dividends paid.

Source of Information: Annual Reports to Shareholders  
Utility COMPUSTAT

**Standard & Poor's Public Utilities**

Company Identities <sup>(1)</sup>

	Ticker	Credit Rating <sup>(2)</sup>		Common Stock Traded	S&P Stock Ranking	Value Line Beta
		Moody's	S&P			
Allegheny Energy	AYE	Baa3	BBB-	NYSE	B	1.00
Ameren Corporation	AEE	Baa2	BBB-	NYSE	B+	0.80
American Electric Power	AEP	Baa2	BBB	NYSE	B	0.70
CMS Energy	CMS	Baa2	BBB-	NYSE	B	0.80
CenterPoint Energy	CNP	Baa3	BBB	NYSE	B	0.80
Consolidated Edison	ED	A3	A-	NYSE	B+	0.65
Constellation Energy Group	CEG	Baa2	BBB	NYSE	B	0.80
DTE Energy Co.	DTE	Baa1	BBB	NYSE	B	0.75
Dominion Resources	D	Baa1	A-	NYSE	B+	0.70
Duke Energy	DUK	A3	A-	NYSE	B	0.65
Edison Int'l	EIX	A3	BBB+	NYSE	B	0.80
Entergy Corp.	ETR	Baa2	BBB	NYSE	A	0.70
EQT Corp.	EQT	Baa1	BBB	NYSE	B+	1.15
Exelon Corp.	EXC	A3	BBB	NYSE	B+	0.85
FPL Group	FPL	A1	A	NYSE	A	0.75
FirstEnergy Corp.	FE	Baa2	BBB	NYSE	A-	0.80
Integrus Energy Group	TEG	A2	A-	NYSE	B+	0.95
NICOR Inc.	GAS	A2	AA	NYSE	B	0.70
NiSource Inc.	NI	Baa2	BBB-	NYSE	B	0.85
Northeast Utilities	NU	Baa1	BBB	NYSE	B	0.70
PEPCO Holdings, Inc.	POM	Baa2	BBB	NYSE	B	0.80
PG&E Corp.	PCG	A3	BBB+	NYSE	B	0.55
PPL Corp.	PPL	Baa1	A-	NYSE	B+	0.70
Pinnacle West Capital	PNW	Baa2	BBB-	NYSE	B	0.75
Progress Energy, Inc.	PGN	A3	BBB+	NYSE	B	0.65
Public Serv. Enterprise Inc.	PEG	Baa1	BBB	NYSE	B+	0.80
Questar Corp.	STR	A3	BBB+	NYSE	A	1.20
SCANA Corp.	SCG	Baa1	BBB+	NYSE	B	0.65
Sempra Energy	SRE	A2	A	NYSE	B+	0.85
Southern Co.	SO	A2	A	NYSE	A-	0.55
TECO Energy	TE	Baa1	BBB	NYSE	B	0.85
Wisconsin Energy Corp.	WEC	A1	A-	NYSE	B+	0.65
Xcel Energy Inc	XEL	A3	A-	NYSE	B	0.65
Average for S&P Utilities		<u>Baa1</u>	<u>BBB+</u>		<u>B+</u>	<u>0.77</u>

Note: <sup>(1)</sup> Includes companies contained in S&P Utility Compustat. AES Corp. and Dynegy, Inc. are not included.

<sup>(2)</sup> Ratings are those of utility subsidiaries

Source of Information: Moody's Investors Service  
Standard & Poor's Corporation  
Standard & Poor's Stock Guide  
Value Line Investment Survey for Windows

**PPL Electric Utilities Corporation**  
Capitalization and Related Capital Structure Ratios  
Actual at December 31, 2009 and Estimated at December 31, 2010

	Actual at December 31, 2009			Estimated at December 31, 2010		
	Amount	Ratios		Amount	Ratios	
	Outstanding (\$000)	Excl. S-T Debt	Incl. S-T Debt	Outstanding (\$000)	Excl. S-T Debt	Incl. S-T Debt
Long-Term Debt	\$ 1,441,025	44.32%	44.32%	\$ 1,446,571	44.02%	44.02%
Preferred and Preference Stock	300,201	9.23%	9.23%	250,000 <sup>(3)</sup>	7.61%	7.61%
Common Equity						
Common stock	363,833			363,833		
Additional Paid-in Capital <sup>(1)</sup>	836,581			889,782 <sup>(4)</sup>		
Retained earnings <sup>(2)</sup>	309,805			335,649 <sup>(5)</sup>		
Total Common Equity	1,510,219	46.45%	46.45%	1,589,264	48.37%	48.37%
Total Permanent Capital	3,251,445	100.00%	100.00%	3,285,835	100.00%	100.00%
Short-Term Debt	-		0.00%	-		0.00%
Total Capital Employed	\$ 3,251,445		100.00%	\$ 3,285,835		100.00%

Notes: <sup>(1)</sup> Additional paid-in capital reflects an adjustment for the unamortized premiums and unrecovered original issuance costs on reacquired preferred and preference stock of \$317,611.

<sup>(2)</sup> Excluding Accumulated Other Comprehensive Income (OCI) of \$50,604.

<sup>(3)</sup> Reflects call of five series of preferred stock.

<sup>(4)</sup> Reflects capital contribution of \$53.519 million from Parent Company

<sup>(5)</sup> Forecast based on:

	(\$000)
Retained Earnings at December 31, 2009	\$ 309,805
2010 income available to common equity	85,844
2010 common dividend payments	(60,000)
Retained Earnings at December 31, 2010	\$ 335,649

Source of Information: Company provided data

**PPL Electric Utilities Corporation**

Calculation of the Embedded Cost of Long-Term Debt

Actual at December 31, 2009

<u>Series</u>	<u>Date of Maturity</u>	<u>Principal Amount Outstanding</u> <sup>(1)</sup> (\$000)	<u>Percent to Total</u>	<u>Effective Cost Rate</u>	<u>Weighted Cost Rate</u> <sup>(2)</sup>
<u>First Mortgage Bonds</u>					
7.375%	03/01/14	\$ 10,290	0.70%	7.55%	0.05%
<u>Pollution Control Bonds</u>					
4.75%	02/15/27	108,250	7.34%	4.90%	0.36%
4.70%	09/01/29	115,500	7.84%	4.86%	0.38%
4.85%	10/01/23	90,000	6.11%	4.99%	0.30%
<u>Senior Secured Bonds</u>					
4.95%	12/15/15	100,000	6.78%	5.03%	0.34%
5.15%	12/15/20	100,000	6.78%	5.21%	0.35%
6.45%	08/15/37	250,000	16.96%	6.53%	1.11%
6.25%	05/15/39	300,000	20.35%	6.37%	1.30%
7.125%	11/30/13	375,000	25.44%	7.31%	1.86%
7.125%	11/30/13	25,000	1.70%	7.24%	0.12%
		1,474,040	100.00%		6.17%
Unamortized Call Premium		<u>(33,015)</u>			
Long Term- Debt		<u>\$ 1,441,025</u>			
Annualized Cost		\$ 90,948			
Amortization of Loss on Reacquired Debt		<u>4,646</u>			
Total Cost		<u>\$ 95,594</u>			<u>6.63%</u>

Notes: <sup>(1)</sup> Includes current portion of long-term debt.

<sup>(2)</sup> As calculated on page 3 of this schedule.

Source of Information: Company provided data

**PPL Electric Utilities Corporation**

Calculation of the Embedded Cost of Long-Term Debt

Estimated at December 31, 2010

<u>Series</u>	<u>Date of Maturity</u>	<u>Principal Amount Outstanding</u> <sup>(1)</sup> (\$000)	<u>Percent to Total</u>	<u>Effective Cost Rate</u>	<u>Weighted Cost Rate</u> <sup>(2)</sup>
<u>First Mortgage Bonds</u>					
7.375%	03/01/14	\$ 10,290	0.70%	7.55%	0.05%
<u>Pollution Control Bonds</u>					
4.75%	02/15/27	108,250	7.34%	4.90%	0.36%
4.70%	09/01/29	115,500	7.84%	4.86%	0.38%
4.85%	10/01/23	90,000	6.11%	4.99%	0.30%
<u>Senior Secured Bonds</u>					
4.95%	12/15/15	100,000	6.78%	5.03%	0.34%
5.15%	12/15/20	100,000	6.78%	5.21%	0.35%
6.45%	08/15/37	250,000	16.96%	6.53%	1.11%
6.25%	05/15/39	300,000	20.35%	6.37%	1.30%
7.125%	11/30/13	375,000	25.44%	7.31%	1.86%
7.125%	11/30/13	25,000	1.70%	7.24%	0.12%
		1,474,040	100.00%		6.17%
Unamortized Call Premium		<u>(27,469)</u>			
Long Term- Debt		<u>\$ 1,446,571</u>			
Annualized Cost		\$ 90,948			
Amortization of Loss on Reacquired Debt		<u>5,545</u>			
Total Cost		<u>\$ 96,494</u>			<u>6.67%</u>

Notes: <sup>(1)</sup> Includes current portion of long-term debt.

<sup>(2)</sup> As calculated on page 3 of this schedule.

Source of Information: Company provided data

**PPL Electric Utilities Corporation**

Calculation of the Effective Cost of Long-Term Debt by Series

<u>Series</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Average Term in Years</u> <sup>(1)</sup>	<u>Principal Amount Issued</u>	<u>Premium/Discount &amp; Expense</u>	<u>Net Proceeds</u>	<u>Net Proceeds Ratio</u>	<u>Effective Cost Rate</u> <sup>(2)</sup>
<b>First Mortgage Bonds</b>								
7.375%	03/01/94	03/01/14	20.0	\$ 100,000,000	\$ 1,799,440	\$ 98,200,560	98.20%	7.55%
<b>Pollution Control Bonds</b>								
4.75%	05/17/05	02/15/27	22.0	108,250,000	2,183,567	106,066,433	97.98%	4.90%
4.70%	02/23/05	09/01/29	25.0	115,500,000	2,605,170	112,894,830	97.74%	4.86%
4.85%	<sup>(3)</sup> 11/18/08	10/01/23	15.0	90,000,000	1,341,189	88,658,811	98.51%	4.99%
<b>Senior Secured Bonds</b>								
4.95%	12/20/05	12/15/15	10.0	100,000,000	621,302	99,378,698	99.38%	5.03%
5.15%	12/20/05	12/15/20	15.0	100,000,000	621,301	99,378,699	99.38%	5.21%
6.45%	08/13/07	08/15/37	30.0	250,000,000	2,590,264	247,409,736	98.96%	6.53%
6.25%	05/22/09	05/15/39	30.0	300,000,000	4,911,155	295,088,845	98.36%	6.37%
7.125%	10/17/08	11/30/13	5.0	375,000,000	3,015,964	371,984,036	99.20%	7.31%
7.125%	10/17/08	11/30/13	5.0	25,000,000	128,000	24,872,000	99.49%	7.24%

Notes: <sup>(1)</sup> Determined by taking into account the effect of the annual sinking fund requirements which are met by the retirement of bonds which reduce the term of each issue.

<sup>(2)</sup> The effective cost for each issue is the yield to maturity using as inputs the average term of issue, coupon rate, and net proceeds ratio.

<sup>(3)</sup> Variable Rate Series 2008, which were in a term rate mode of 4.85% until October 2010. Afterward, they will be remarketed using one of the interest rate options.

Source of Information: Company provided data

**PPL Electric Utilities Corporation**  
Calculation of the Embedded Cost of Preferred and Preference Stock  
Actual at December 31, 2009

Series	Principal Amount Outstanding (\$000)	Percent to Total	Effective Cost Rate	Weighted Cost Rate <sup>(1)</sup>
3.35%	\$ 2,061	0.69%	3.37%	0.02%
4.60%	2,861	0.95%	4.79%	0.05%
4.40%	11,768	3.92%	4.46%	0.17%
4.50%	24,752	8.24%	5.03%	0.41%
6.75%	9,077	3.02%	6.82%	0.21%
6.25%	250,000	83.19%	6.39%	5.32%
	300,519	100.00%		6.18%
Unamortized Call Premium	(318)			
Total Preferred and Preference Stock	\$ 300,201			
Annualized Cost	\$ 18,572			
Amortization of Loss on Redeemed Stock	141			
Total Cost	\$ 18,713			6.23%

Notes: <sup>(1)</sup> As calculated on page 3 of this schedule.

Source of Information: Company provided data

**PPL Electric Utilities Corporation**  
Calculation of the Embedded Cost of Preferred and Preference Stock  
Estimated at December 31, 2010

Series	Principal Amount Outstanding (\$000)	Percent to Total	Effective Cost Rate	Weighted Cost Rate <sup>(1)</sup>
6.25%	\$ 250,000	100.00%	6.39%	<u>6.39%</u>
Unamortized Call Premium	250,000 -	<u>100.00%</u>		<u>6.39%</u>
Total Preferred and Preference Stock	<u>\$ 250,000</u>			
Annualized Cost Amortization of Loss on Redeemed Stock	\$ 15,975 -			
Total Cost	<u>\$ 15,975</u>			<u>6.39%</u>

Notes: <sup>(1)</sup> As calculated on page 3 of this schedule.

Source of Information: Company provided data

**PPL Electric Utilities Corporation**

Calculation of the Effective Cost of Preferred and Preference Stock by Series

<u>Series</u>	<u>Date of Issue</u>	<u>Principal Amount Outstanding</u>	<u>Discount and Expense</u>	<u>Net Proceeds</u>	<u>Net Proceeds Ratio</u>	<u>Effective Cost Rate</u> <sup>(1)</sup>
3.35%	05/02/46	\$ 2,060,500	\$ 10,370	\$ 2,050,130	99.50%	3.37%
4.60%	10/21/48	2,861,400	113,048	2,748,352	96.05%	4.79%
4.40%	08/05/52	11,767,600	162,966	11,604,634	98.62%	4.46%
4.50%	12/10/45	24,752,400	2,606,595 <sup>(2)</sup>	22,145,805	89.47%	5.03%
6.75%	10/05/93	9,077,000	90,879	8,986,121	99.00%	6.82%
6.25%	04/06/06	250,000,000	5,451,816	244,548,184	97.82%	6.39%

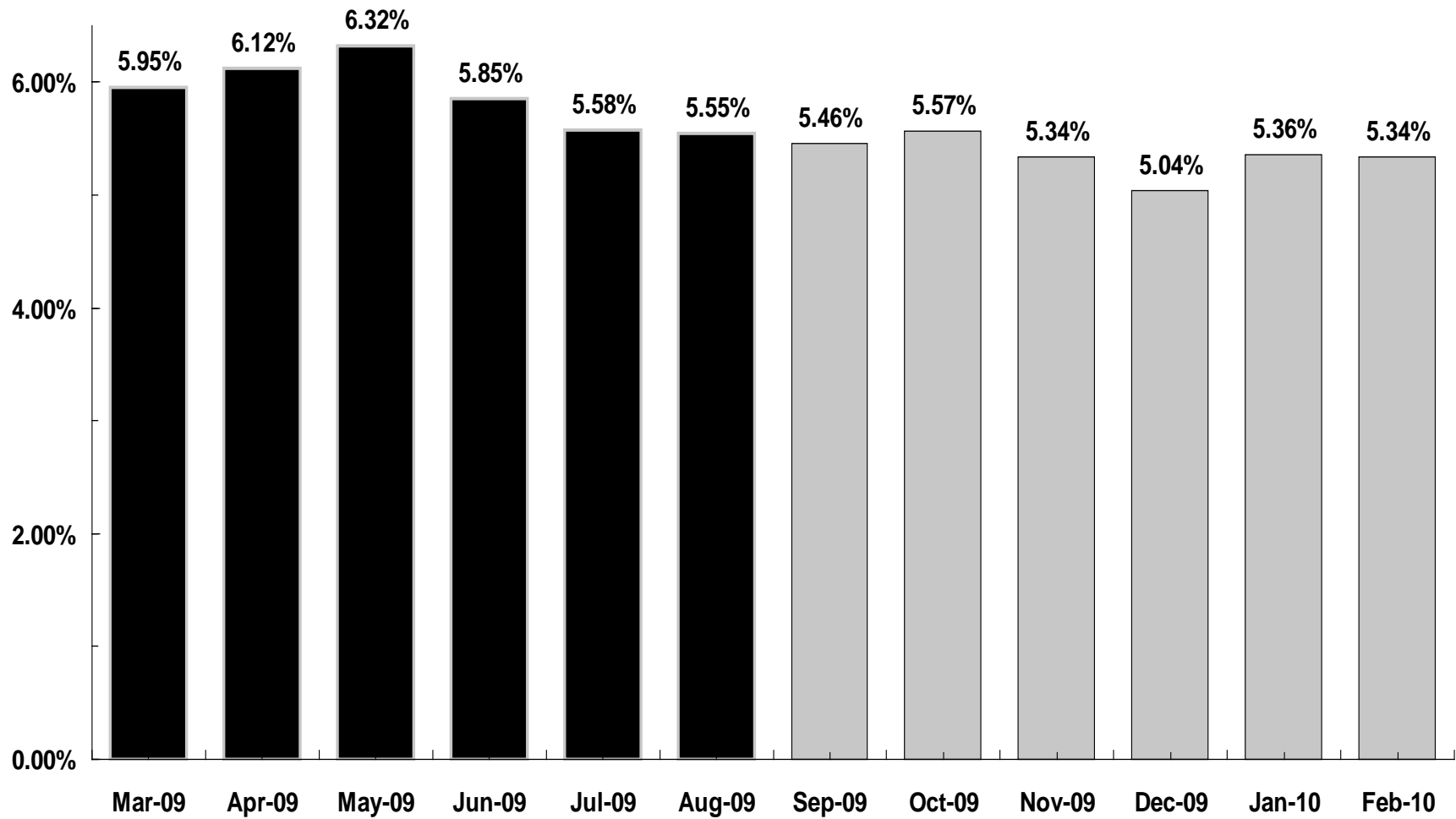
Notes: <sup>(1)</sup> Series without sinking fund requirements are outstanding in perpetuity. For those series, the effective cost rate is the nominal dividend rate divided by the net proceeds ratio.

<sup>(2)</sup> Includes \$40,639 premium, \$112,687 expense, and prorated portion of \$2,534,547 attributable to cost of Company refinanced issues carried forward.

Source of Information: Company provided data

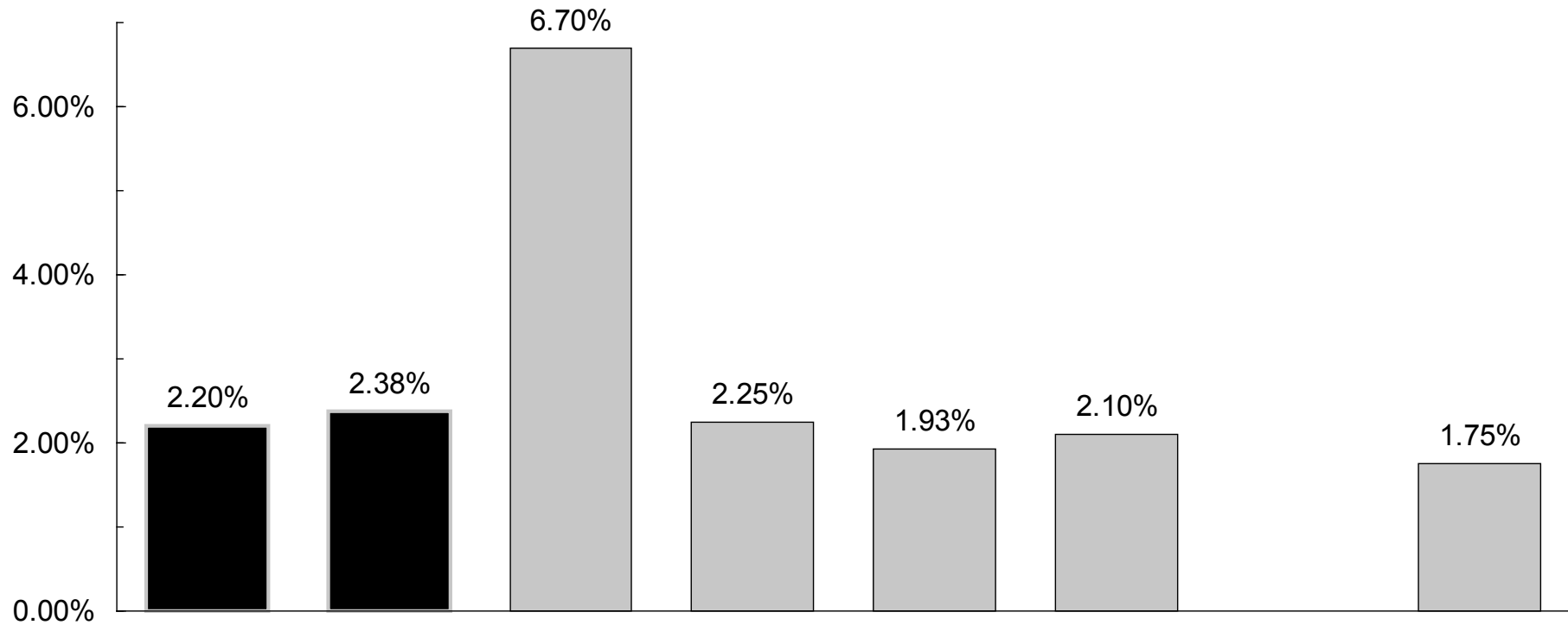
# Electric Group

## Monthly Dividend Yields



# Electric Group

## Historical Growth Rates



Value Line 5-yr EPS

Value Line 10-yr EPS

Value Line 5-yr DPS

Value Line 10-yr DPS

Value Line 5-yr BVPS

Value Line 10-yr BVPS

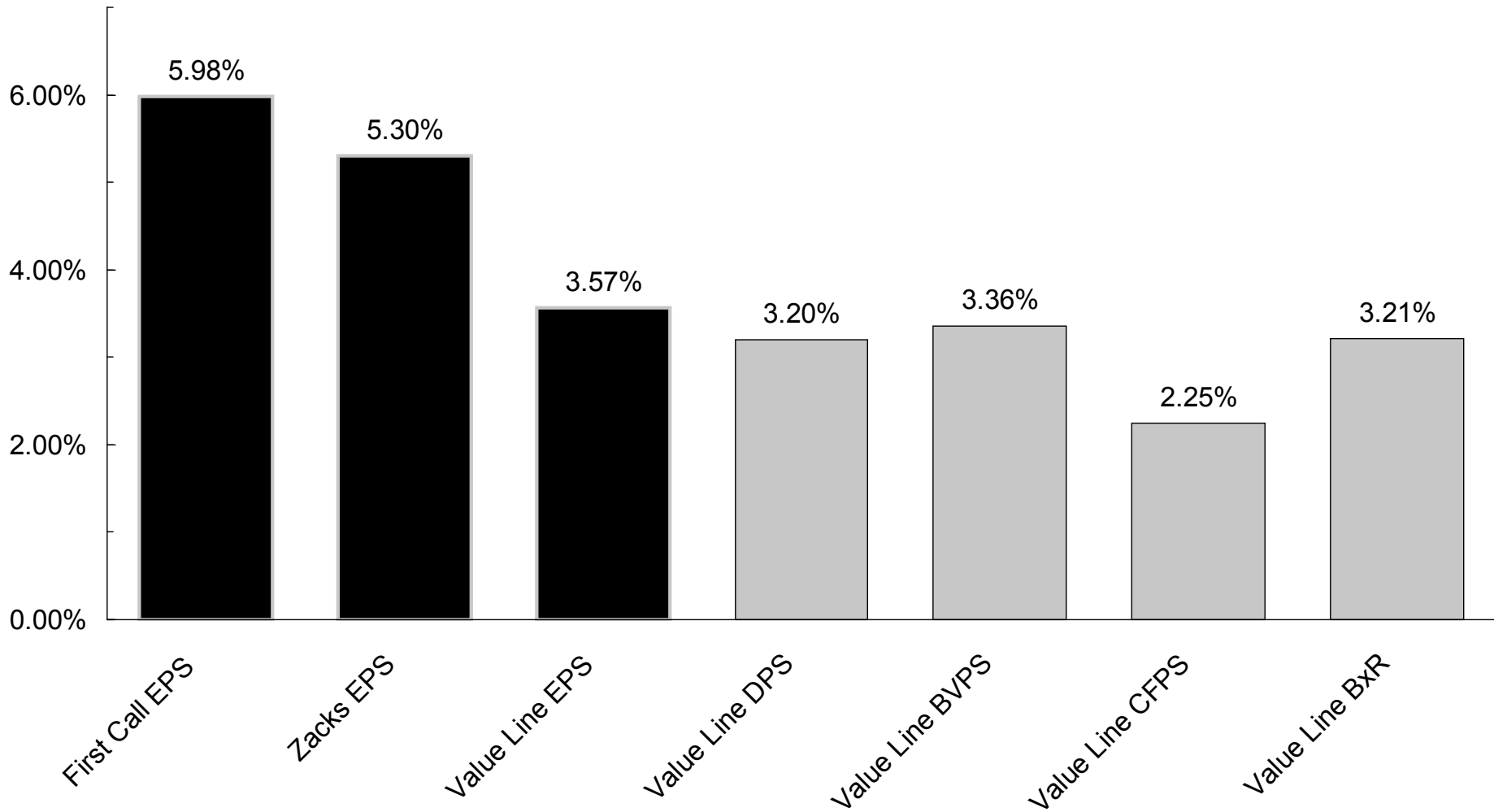
Value Line 5-yr CFPS

Value Line 10-yr CFPS

Earnings per Share=EPS      Book Values per Share=BVPS  
 Dividends per Share=DPS      Cash Flow per Share=CFPS  
 Percent Retained to Common Equity=BxR

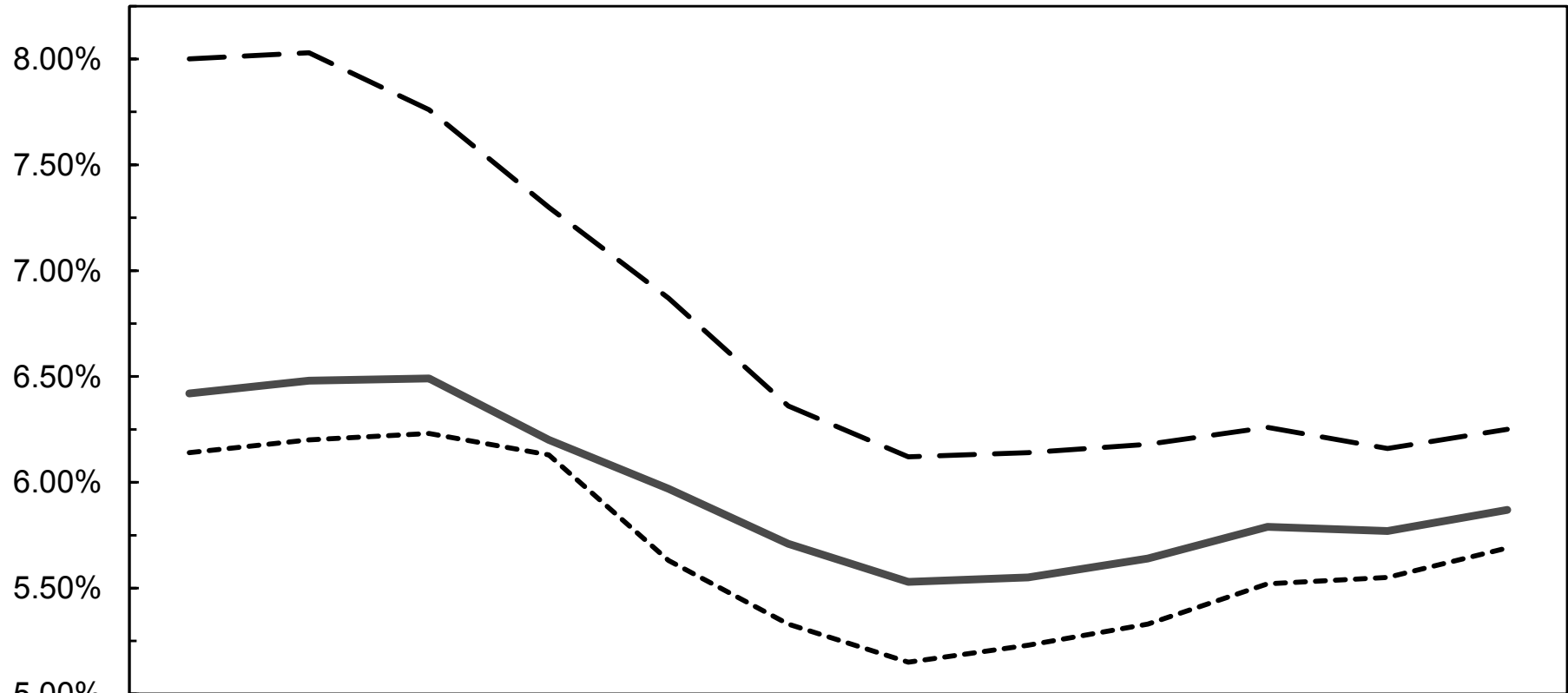
# Electric Group

## Five-Year Projected Growth Rates



Earnings per Share=EPS      Book Values per Share=BVPS  
 Dividends per Share=DPS      Cash Flow per Share=CFPS  
 Percent Retained to Common Equity=BxR

## Interest Rates for Investment Grade Public Utility Bonds



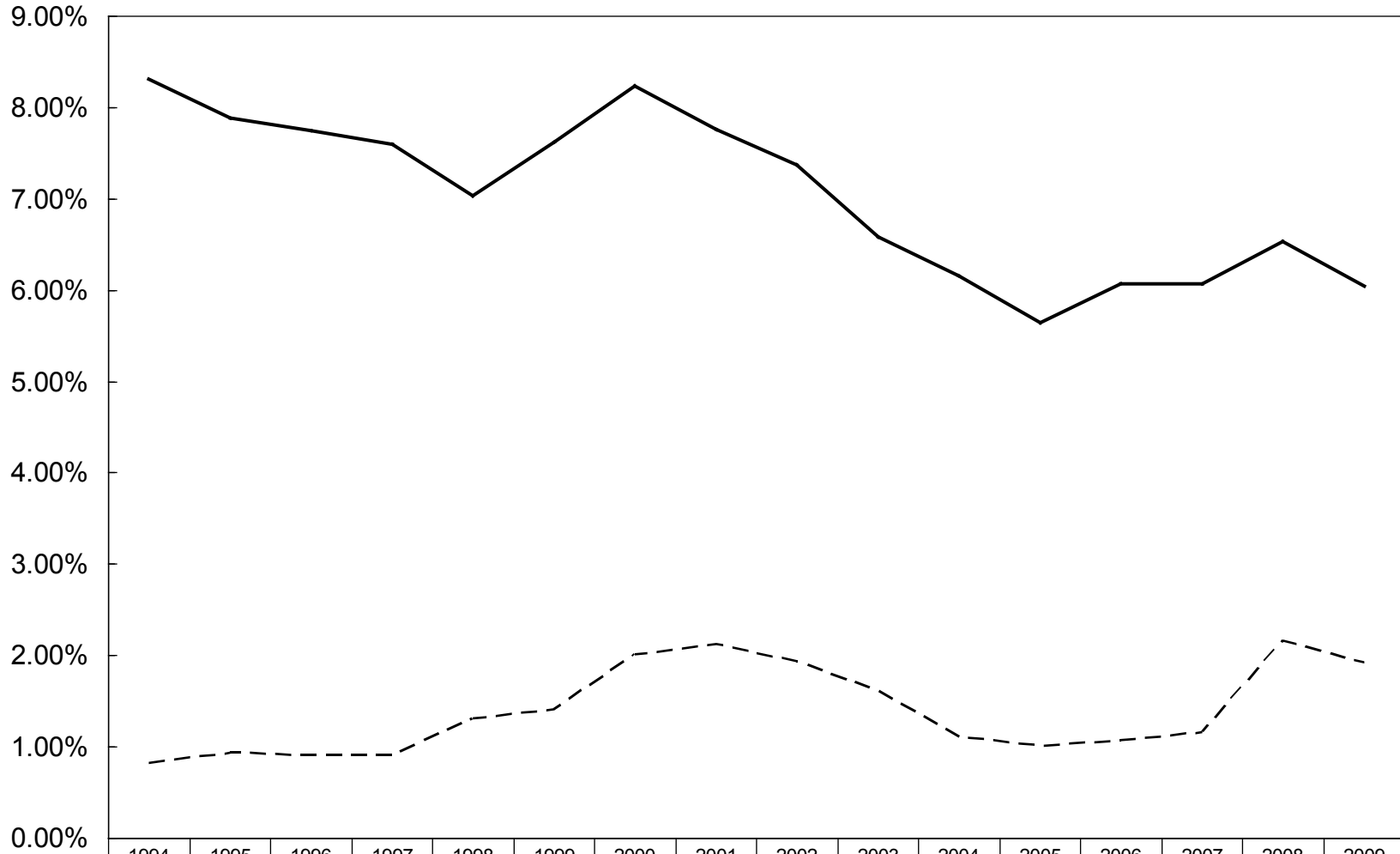
	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10
--- Aa	6.14%	6.20%	6.23%	6.13%	5.63%	5.33%	5.15%	5.23%	5.33%	5.52%	5.55%	5.69%
— A	6.42%	6.48%	6.49%	6.20%	5.97%	5.71%	5.53%	5.55%	5.64%	5.79%	5.77%	5.87%
-·-Baa	8.00%	8.03%	7.76%	7.30%	6.87%	6.36%	6.12%	6.14%	6.18%	6.26%	6.16%	6.25%

**Interest Rates for Investment Grade Public Utility Bonds  
Yearly for 2004-2008 and 2009  
and the Twelve Months Ended February 2010**

<u>Years</u>	<u>Aa Rated</u>	<u>A Rated</u>	<u>Baa Rated</u>	<u>Average</u>
2004	6.04%	6.16%	6.40%	6.20%
2005	5.44%	5.65%	5.93%	5.67%
2006	5.84%	6.07%	6.32%	6.08%
2007	5.94%	6.07%	6.33%	6.11%
2008	6.18%	6.53%	7.24%	6.65%
<b>Five-Year Average</b>	<u>5.89%</u>	<u>6.10%</u>	<u>6.44%</u>	<u>6.14%</u>
2008	5.75%	6.04%	7.06%	6.28%
<b><u>Months</u></b>				
Mar-09	6.14%	6.42%	8.00%	6.85%
Apr-09	6.20%	6.48%	8.03%	6.90%
May-09	6.23%	6.49%	7.76%	6.83%
Jun-09	6.13%	6.20%	7.30%	6.54%
Jul-09	5.63%	5.97%	6.87%	6.15%
Aug-09	5.33%	5.71%	6.36%	5.80%
Sep-09	5.15%	5.53%	6.12%	5.60%
Oct-09	5.23%	5.55%	6.14%	5.64%
Nov-09	5.33%	5.64%	6.18%	5.71%
Dec-09	5.52%	5.79%	6.26%	5.86%
Jan-10	5.55%	5.77%	6.16%	5.83%
Feb-10	5.69%	5.87%	6.25%	5.94%
<b>Twelve-Month Average</b>	<u>5.68%</u>	<u>5.95%</u>	<u>6.79%</u>	<u>6.14%</u>
<b>Six-Month Average</b>	<u>5.41%</u>	<u>5.69%</u>	<u>6.19%</u>	<u>5.76%</u>
<b>Three-Month Average</b>	<u>5.59%</u>	<u>5.81%</u>	<u>6.22%</u>	<u>5.88%</u>

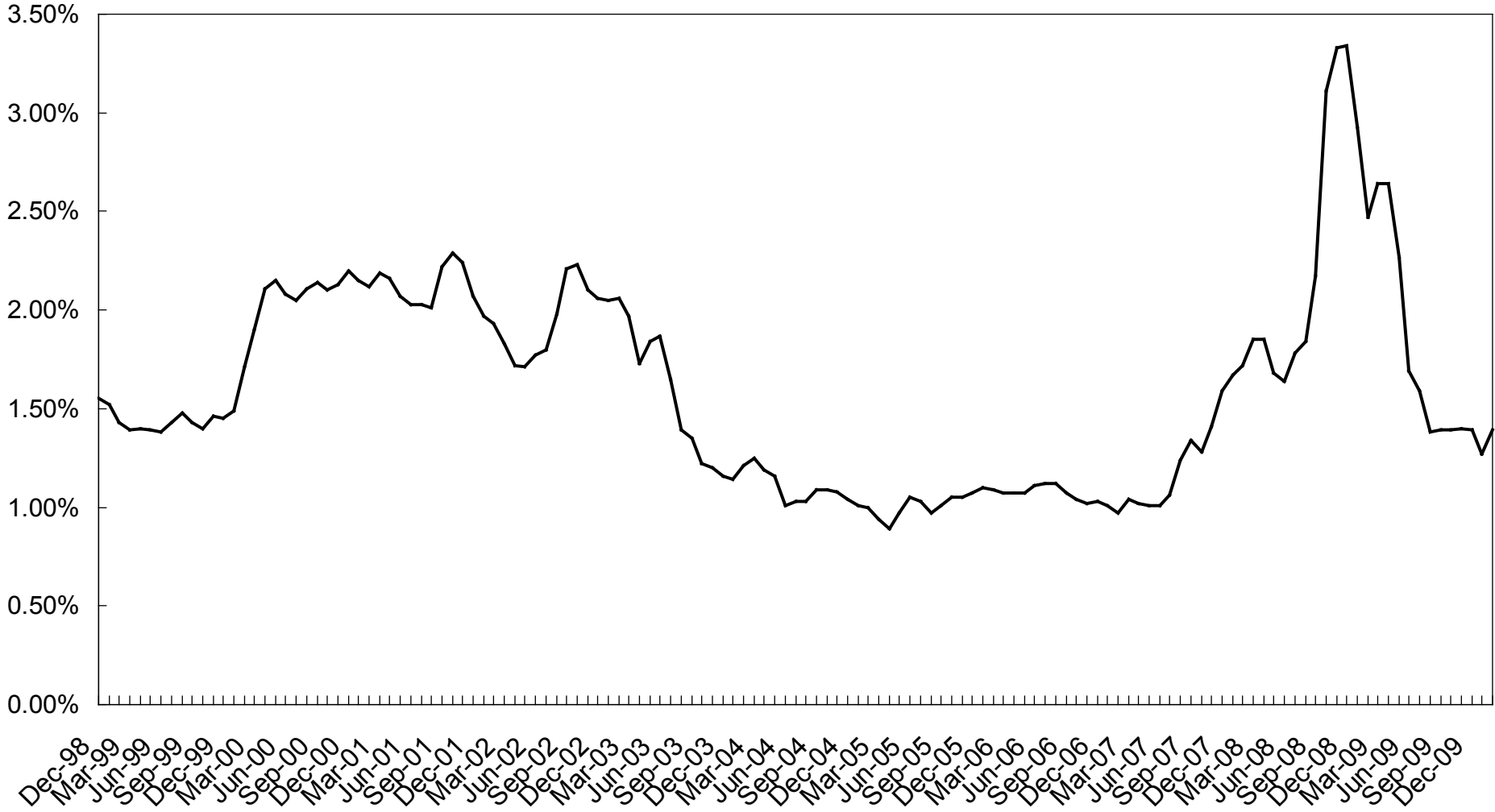
Source: Mergent Bond Record

# Yields on A-rated Public Utility Bonds and Spreads over 20-Year Treasuries



— A-rated Public Utility	8.31%	7.89%	7.75%	7.60%	7.04%	7.62%	8.24%	7.76%	7.37%	6.58%	6.16%	5.65%	6.07%	6.07%	6.53%	6.04%
- - - Spread vs. 20-year	0.82%	0.94%	0.92%	0.91%	1.32%	1.42%	2.01%	2.13%	1.94%	1.62%	1.12%	1.01%	1.08%	1.16%	2.17%	1.93%

# Interest Rate Spreads A-rated Public Utility Bonds over 20-Year Treasuries



**A rated Public Utility Bonds over 20-Year Treasuries**

Year	A-rated Public Utility	20-Year Treasuries		Year	A-rated Public Utility	20-Year Treasuries		Year	A-rated Public Utility	20-Year Treasuries	
		Yield	Spread			Yield	Spread			Yield	Spread
Dec-98	6.91%	5.36%	1.55%								
Jan-99	6.97%	5.45%	1.52%	Jan-03	7.07%	5.02%	2.05%	Jan-07	5.96%	4.95%	1.01%
Feb-99	7.09%	5.66%	1.43%	Feb-03	6.93%	4.87%	2.06%	Feb-07	5.90%	4.93%	0.97%
Mar-99	7.26%	5.87%	1.39%	Mar-03	6.79%	4.82%	1.97%	Mar-07	5.85%	4.81%	1.04%
Apr-99	7.22%	5.82%	1.40%	Apr-03	6.64%	4.91%	1.73%	Apr-07	5.97%	4.95%	1.02%
May-99	7.47%	6.08%	1.39%	May-03	6.36%	4.52%	1.84%	May-07	5.99%	4.98%	1.01%
Jun-99	7.74%	6.36%	1.38%	Jun-03	6.21%	4.34%	1.87%	Jun-07	6.30%	5.29%	1.01%
Jul-99	7.71%	6.28%	1.43%	Jul-03	6.57%	4.92%	1.65%	Jul-07	6.25%	5.19%	1.06%
Aug-99	7.91%	6.43%	1.48%	Aug-03	6.78%	5.39%	1.39%	Aug-07	6.24%	5.00%	1.24%
Sep-99	7.93%	6.50%	1.43%	Sep-03	6.56%	5.21%	1.35%	Sep-07	6.18%	4.84%	1.34%
Oct-99	8.06%	6.66%	1.40%	Oct-03	6.43%	5.21%	1.22%	Oct-07	6.11%	4.83%	1.28%
Nov-99	7.94%	6.48%	1.46%	Nov-03	6.37%	5.17%	1.20%	Nov-07	5.97%	4.56%	1.41%
Dec-99	8.14%	6.69%	1.45%	Dec-03	6.27%	5.11%	1.16%	Dec-07	6.16%	4.57%	1.59%
Jan-00	8.35%	6.86%	1.49%	Jan-04	6.15%	5.01%	1.14%	Jan-08	6.02%	4.35%	1.67%
Feb-00	8.25%	6.54%	1.71%	Feb-04	6.15%	4.94%	1.21%	Feb-08	6.21%	4.49%	1.72%
Mar-00	8.28%	6.38%	1.90%	Mar-04	5.97%	4.72%	1.25%	Mar-08	6.21%	4.36%	1.85%
Apr-00	8.29%	6.18%	2.11%	Apr-04	6.35%	5.16%	1.19%	Apr-08	6.29%	4.44%	1.85%
May-00	8.70%	6.55%	2.15%	May-04	6.62%	5.46%	1.16%	May-08	6.28%	4.60%	1.68%
Jun-00	8.36%	6.28%	2.08%	Jun-04	6.46%	5.45%	1.01%	Jun-08	6.38%	4.74%	1.64%
Jul-00	8.25%	6.20%	2.05%	Jul-04	6.27%	5.24%	1.03%	Jul-08	6.40%	4.62%	1.78%
Aug-00	8.13%	6.02%	2.11%	Aug-04	6.14%	5.07%	1.07%	Aug-08	6.37%	4.53%	1.84%
Sep-00	8.23%	6.09%	2.14%	Sep-04	5.98%	4.89%	1.09%	Sep-08	6.49%	4.32%	2.17%
Oct-00	8.14%	6.04%	2.10%	Oct-04	5.94%	4.85%	1.09%	Oct-08	7.56%	4.45%	3.11%
Nov-00	8.11%	5.98%	2.13%	Nov-04	5.97%	4.89%	1.08%	Nov-08	7.60%	4.27%	3.33%
Dec-00	7.84%	5.64%	2.20%	Dec-04	5.92%	4.88%	1.04%	Dec-08	6.52%	3.18%	3.34%
Jan-01	7.80%	5.65%	2.15%	Jan-05	5.78%	4.77%	1.01%	Jan-09	6.39%	3.46%	2.93%
Feb-01	7.74%	5.62%	2.12%	Feb-05	5.61%	4.61%	1.00%	Feb-09	6.30%	3.83%	2.47%
Mar-01	7.68%	5.49%	2.19%	Mar-05	5.83%	4.89%	0.94%	Mar-09	6.42%	3.78%	2.64%
Apr-01	7.94%	5.78%	2.16%	Apr-05	5.64%	4.75%	0.89%	Apr-09	6.48%	3.84%	2.64%
May-01	7.99%	5.92%	2.07%	May-05	5.53%	4.56%	0.97%	May-09	6.49%	4.22%	2.27%
Jun-01	7.85%	5.82%	2.03%	Jun-05	5.40%	4.35%	1.05%	Jun-09	6.20%	4.51%	1.69%
Jul-01	7.78%	5.75%	2.03%	Jul-05	5.51%	4.48%	1.03%	Jul-09	5.97%	4.38%	1.59%
Aug-01	7.59%	5.58%	2.01%	Aug-05	5.50%	4.53%	0.97%	Aug-09	5.71%	4.33%	1.38%
Sep-01	7.75%	5.53%	2.22%	Sep-05	5.52%	4.51%	1.01%	Sep-09	5.53%	4.14%	1.39%
Oct-01	7.63%	5.34%	2.29%	Oct-05	5.79%	4.74%	1.05%	Oct-09	5.55%	4.16%	1.39%
Nov-01	7.57%	5.33%	2.24%	Nov-05	5.88%	4.83%	1.05%	Nov-09	5.64%	4.24%	1.40%
Dec-01	7.83%	5.76%	2.07%	Dec-05	5.80%	4.73%	1.07%	Dec-09	5.79%	4.40%	1.39%
Jan-02	7.66%	5.69%	1.97%	Jan-06	5.75%	4.65%	1.10%	Jan-10	5.77%	4.50%	1.27%
Feb-02	7.54%	5.61%	1.93%	Feb-06	5.82%	4.73%	1.09%	Feb-10	5.87%	4.48%	1.39%
Mar-02	7.76%	5.93%	1.83%	Mar-06	5.98%	4.91%	1.07%				
Apr-02	7.57%	5.85%	1.72%	Apr-06	6.29%	5.22%	1.07%				
May-02	7.52%	5.81%	1.71%	May-06	6.42%	5.35%	1.07%	Average:			
Jun-02	7.42%	5.65%	1.77%	Jun-06	6.40%	5.29%	1.11%	12-months			1.70%
Jul-02	7.31%	5.51%	1.80%	Jul-06	6.37%	5.25%	1.12%	6-months			1.37%
Aug-02	7.17%	5.19%	1.98%	Aug-06	6.20%	5.08%	1.12%	3-months			1.35%
Sep-02	7.08%	4.87%	2.21%	Sep-06	6.00%	4.93%	1.07%				
Oct-02	7.23%	5.00%	2.23%	Oct-06	5.98%	4.94%	1.04%				
Nov-02	7.14%	5.04%	2.10%	Nov-06	5.80%	4.78%	1.02%				
Dec-02	7.07%	5.01%	2.06%	Dec-06	5.81%	4.78%	1.03%				

S&P Composite Index and S&P Public Utility Index  
Long-Term Corporate and Public Utility Bonds  
Yearly Total Returns  
1928-2007

Year	S & P Composite Index	S & P Public Utility Index	Long Term Corporate Bonds	Public Utility Bonds
1928	43.61%	57.47%	2.84%	3.08%
1929	-8.42%	11.02%	3.27%	2.34%
1930	-24.90%	-21.96%	7.98%	4.74%
1931	-43.34%	-35.90%	-1.85%	-11.11%
1932	-8.19%	-0.54%	10.82%	7.25%
1933	53.99%	-21.87%	10.38%	-3.82%
1934	-1.44%	-20.41%	13.84%	22.61%
1935	47.67%	76.63%	9.61%	16.03%
1936	33.92%	20.69%	6.74%	8.30%
1937	-35.03%	-37.04%	2.75%	-4.05%
1938	31.12%	22.45%	6.13%	8.11%
1939	-0.41%	11.26%	3.97%	6.76%
1940	-9.78%	-17.15%	3.39%	4.45%
1941	-11.59%	-31.57%	2.73%	2.15%
1942	20.34%	15.39%	2.60%	3.81%
1943	25.90%	46.07%	2.83%	7.04%
1944	19.75%	18.03%	4.73%	3.29%
1945	36.44%	53.33%	4.08%	5.92%
1946	-8.07%	1.26%	1.72%	2.98%
1947	5.71%	-13.16%	-2.34%	-2.19%
1948	5.50%	4.01%	4.14%	2.65%
1949	18.79%	31.39%	3.31%	7.16%
1950	31.71%	3.25%	2.12%	2.01%
1951	24.02%	18.63%	-2.69%	-2.77%
1952	18.37%	19.25%	3.52%	2.99%
1953	-0.99%	7.85%	3.41%	2.08%
1954	52.62%	24.72%	5.39%	7.57%
1955	31.56%	11.26%	0.48%	0.12%
1956	6.56%	5.06%	-6.81%	-6.25%
1957	-10.78%	6.36%	8.71%	3.58%
1958	43.36%	40.70%	-2.22%	0.18%
1959	11.96%	7.49%	-0.97%	-2.29%
1960	0.47%	20.26%	9.07%	9.01%
1961	26.89%	29.33%	4.82%	4.65%
1962	-8.73%	-2.44%	7.95%	6.55%
1963	22.80%	12.36%	2.19%	3.44%
1964	16.48%	15.91%	4.77%	4.94%
1965	12.45%	4.67%	-0.46%	0.50%
1966	-10.06%	-4.48%	0.20%	-3.45%
1967	23.98%	-0.63%	-4.95%	-3.63%
1968	11.06%	10.32%	2.57%	1.87%
1969	-8.50%	-15.42%	-8.09%	-6.66%
1970	4.01%	16.56%	18.37%	15.90%
1971	14.31%	2.41%	11.01%	11.59%
1972	18.98%	8.15%	7.26%	7.19%
1973	-14.66%	-18.07%	1.14%	2.42%
1974	-26.47%	-21.55%	-3.06%	-5.28%
1975	37.20%	44.49%	14.64%	15.50%
1976	23.84%	31.81%	18.65%	19.04%
1977	-7.18%	8.64%	1.71%	5.22%
1978	6.56%	-3.71%	-0.07%	-0.98%
1979	18.44%	13.58%	-4.18%	-2.75%
1980	32.42%	15.08%	-2.76%	-0.23%
1981	-4.91%	11.74%	-1.24%	4.27%
1982	21.41%	26.52%	42.56%	33.52%
1983	22.51%	20.01%	6.26%	10.33%
1984	6.27%	26.04%	16.86%	14.82%
1985	32.16%	33.05%	30.09%	26.48%
1986	18.47%	28.53%	19.85%	18.16%
1987	5.23%	-2.92%	-0.27%	3.02%
1988	16.81%	18.27%	10.70%	10.19%
1989	31.49%	47.80%	16.23%	15.61%
1990	-3.17%	-2.57%	6.78%	8.13%
1991	30.55%	14.61%	19.89%	19.25%
1992	7.67%	8.10%	9.39%	8.65%
1993	9.99%	14.41%	13.19%	10.59%
1994	1.31%	-7.94%	-5.76%	-4.72%
1995	37.43%	42.15%	27.20%	22.81%
1996	23.07%	3.14%	1.40%	3.04%
1997	33.36%	24.69%	12.95%	11.39%
1998	28.58%	14.82%	10.76%	9.44%
1999	21.04%	-8.85%	-7.45%	-1.69%
2000	-9.11%	59.70%	12.87%	9.45%
2001	-11.88%	-30.41%	10.65%	5.85%
2002	-22.10%	-30.04%	16.33%	1.63%
2003	28.70%	26.11%	5.27%	10.01%
2004	10.87%	24.22%	8.72%	6.03%
2005	4.91%	16.79%	5.87%	3.02%
2006	15.80%	20.95%	3.24%	3.94%
2007	5.49%	19.39%	2.60%	5.20%
Geometric Mean	10.04%	8.92%	5.81%	5.45%
Arithmetic Mean	11.95%	11.24%	6.13%	5.72%
Standard Deviation	20.02%	22.43%	8.52%	7.84%
Median	13.38%	12.05%	4.11%	4.55%

**Tabulation of Risk Rate Differentials for  
S&P Public Utility Index and Public Utility Bonds  
For the Years 1928-2007, 1952-2007, 1974-2007, and 1979-2007**

<b><u>Total Returns</u></b>	<u>Range</u>		<u>Midpoint</u>	<u>Point Estimate</u>	<u>Average of the Midpoint of Range and Point Estimate</u>
	<u>Geometric Mean</u>	<u>Median</u>		<u>Arithmetic Mean</u>	
<b><u>1928-2007</u></b>					
S&P Public Utility Index	8.92%	12.05%		11.24%	
Public Utility Bonds	<u>5.45%</u>	<u>4.55%</u>		<u>5.72%</u>	
Risk Differential	<u>3.47%</u>	<u>7.50%</u>	<u>5.49%</u>	<u>5.52%</u>	<u>5.51%</u>
<b><u>1952-2007</u></b>					
S&P Public Utility Index	11.14%	14.00%		12.65%	
Public Utility Bonds	<u>6.15%</u>	<u>5.07%</u>		<u>6.45%</u>	
Risk Differential	<u>4.99%</u>	<u>8.93%</u>	<u>6.96%</u>	<u>6.20%</u>	<u>6.58%</u>
<b><u>1974-2007</u></b>					
S&P Public Utility Index	12.98%	15.94%		14.90%	
Public Utility Bonds	<u>8.45%</u>	<u>8.39%</u>		<u>8.79%</u>	
Risk Differential	<u>4.53%</u>	<u>7.55%</u>	<u>6.04%</u>	<u>6.11%</u>	<u>6.08%</u>
<b><u>1979-2007</u></b>					
S&P Public Utility Index	13.62%	16.79%		15.41%	
Public Utility Bonds	<u>8.83%</u>	<u>8.65%</u>		<u>9.15%</u>	
Risk Differential	<u>4.79%</u>	<u>8.14%</u>	<u>6.47%</u>	<u>6.26%</u>	<u>6.37%</u>

**Value Line Betas**

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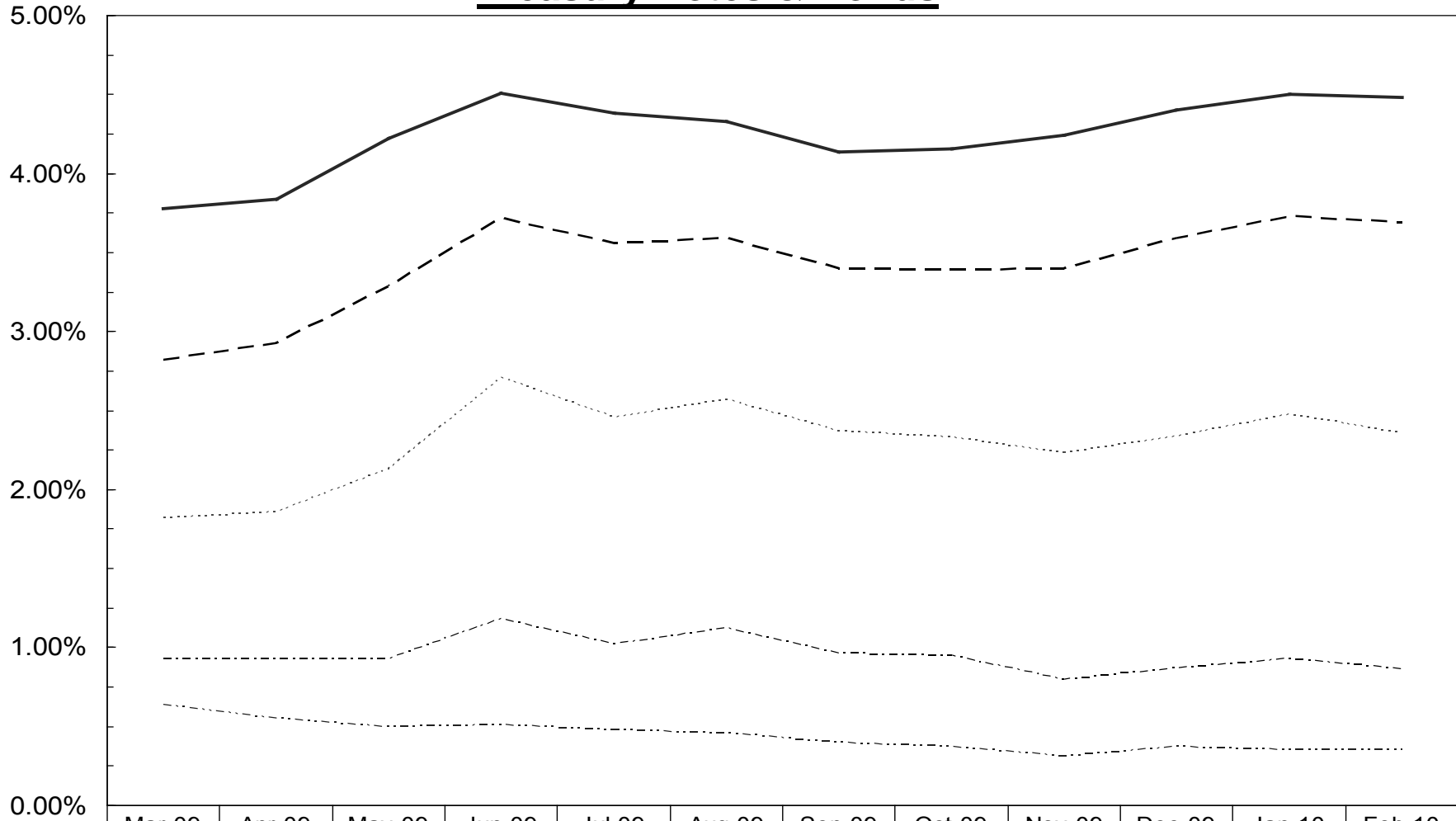
**Electric Group**

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CH Energy Group	0.65
Central Vermont P.S.	0.75
Consolidated Edison	0.65
Northeast Utilities	0.70
NSTAR	0.65
PEPCO Holdings	0.80
UIL Holdings	<u>0.70</u>
Average	<u><u>0.70</u></u>

Source of Information:  
Value Line Investment Survey  
February 26, 2010

## Yields on Treasury Notes & Bonds



	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10
1-Year	0.64%	0.55%	0.50%	0.51%	0.48%	0.46%	0.40%	0.37%	0.31%	0.37%	0.35%	0.35%
2-Year	0.93%	0.93%	0.93%	1.18%	1.02%	1.12%	0.96%	0.95%	0.80%	0.87%	0.93%	0.86%
5-Year	1.82%	1.86%	2.13%	2.71%	2.46%	2.57%	2.37%	2.33%	2.23%	2.34%	2.48%	2.36%
10-Year	2.82%	2.93%	3.29%	3.72%	3.56%	3.59%	3.40%	3.39%	3.40%	3.59%	3.73%	3.69%
20-Year	3.78%	3.84%	4.22%	4.51%	4.38%	4.33%	4.14%	4.16%	4.24%	4.40%	4.50%	4.48%

**Yields for Treasury Constant Maturities  
Yearly for 2004-2008 and 2009  
and the Twelve Months Ended January 2010**

<u>Years</u>	<u>1-Year</u>	<u>2-Year</u>	<u>3-Year</u>	<u>5-Year</u>	<u>7-Year</u>	<u>10-Year</u>	<u>20-Year</u>
2004	1.89%	2.38%	2.78%	3.43%	3.87%	4.27%	5.04%
2005	3.62%	3.85%	3.93%	4.05%	4.15%	4.29%	4.64%
2006	4.93%	4.82%	4.77%	4.75%	4.76%	4.79%	4.99%
2007	4.52%	4.36%	4.34%	4.43%	4.50%	4.63%	4.91%
2008	1.82%	2.00%	2.24%	2.80%	3.17%	3.67%	4.36%
<b>Five-Year Average</b>	<u>3.36%</u>	<u>3.48%</u>	<u>3.61%</u>	<u>3.89%</u>	<u>4.09%</u>	<u>4.33%</u>	<u>4.79%</u>
2009	0.47%	0.96%	1.43%	2.19%	2.81%	3.26%	4.11%
<b><u>Months</u></b>							
Mar-09	0.64%	0.93%	1.31%	1.82%	2.42%	2.82%	3.78%
Apr-09	0.55%	0.93%	1.32%	1.86%	2.47%	2.93%	3.84%
May-09	0.50%	0.93%	1.39%	2.13%	2.81%	3.29%	4.22%
Jun-09	0.51%	1.18%	1.76%	2.71%	3.37%	3.72%	4.51%
Jul-09	0.48%	1.02%	1.55%	2.46%	3.14%	3.56%	4.38%
Aug-09	0.46%	1.12%	1.65%	2.57%	3.21%	3.59%	4.33%
Sep-09	0.40%	0.96%	1.48%	2.37%	3.02%	3.40%	4.14%
Oct-09	0.37%	0.95%	1.46%	2.33%	2.96%	3.39%	4.16%
Nov-09	0.31%	0.80%	1.32%	2.23%	2.92%	3.40%	4.24%
Dec-09	0.37%	0.87%	1.38%	2.34%	3.07%	3.59%	4.40%
Jan-10	0.35%	0.93%	1.49%	2.48%	3.21%	3.73%	4.50%
Feb-10	0.35%	0.86%	1.40%	2.36%	3.12%	3.69%	4.48%
<b>Twelve-Month Average</b>	<u>0.44%</u>	<u>0.96%</u>	<u>1.46%</u>	<u>2.31%</u>	<u>2.98%</u>	<u>3.43%</u>	<u>4.25%</u>
<b>Six-Month Average</b>	<u>0.36%</u>	<u>0.90%</u>	<u>1.42%</u>	<u>2.35%</u>	<u>3.05%</u>	<u>3.53%</u>	<u>4.32%</u>
<b>Three-Month Average</b>	<u>0.36%</u>	<u>0.89%</u>	<u>1.42%</u>	<u>2.39%</u>	<u>3.13%</u>	<u>3.67%</u>	<u>4.46%</u>

Source: Federal Reserve statistical release H.15

**Measures of the Risk-Free Rate**

The forecast of Treasury yields  
per the consensus of nearly 50 economists  
reported in the Blue Chip Financial Forecasts dated March 1, 2010

<u>Year</u>	<u>Quarter</u>	<u>1-Year Treasury Bill</u>	<u>2-Year Treasury Note</u>	<u>5-Year Treasury Note</u>	<u>10-Year Treasury Note</u>	<u>30-Year Treasury Bond</u>
2010	First	0.4%	1.0%	2.5%	3.7%	4.6%
2010	Second	0.6%	1.2%	2.6%	3.8%	4.7%
2010	Third	0.8%	1.5%	2.8%	4.0%	4.8%
2010	Fourth	1.2%	1.8%	3.1%	4.2%	5.0%
2011	First	1.6%	2.2%	3.3%	4.3%	5.1%
2011	Second	2.0%	2.5%	3.5%	4.5%	5.2%

**February 26, 2010**

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The Median of Estimated  
**PRICE-EARNINGS RATIOS**  
of all stocks with earnings

**16.4**

<b>26 Weeks</b>	<b>Market Low</b>	<b>Market High</b>
<b>Ago</b>	<b>3-9-09</b>	<b>7-13-07</b>
<b>15.9</b>	<b>10.3</b>	<b>19.7</b>

The Median of Estimated  
**DIVIDEND YIELDS**  
(next 12 months) of all dividend  
paying stocks under review

**2.1%**

<b>26 Weeks</b>	<b>Market Low</b>	<b>Market High</b>
<b>Ago</b>	<b>3-9-09</b>	<b>7-13-07</b>
<b>2.3%</b>	<b>4.0%</b>	<b>1.6%</b>

The Estimated Median Price  
**APPRECIATION POTENTIAL**  
of all 1700 stocks in the hypothesized  
economic environment 3 to 5 years hence

**65%**

<b>26 Weeks</b>	<b>Market Low</b>	<b>Market High</b>
<b>Ago</b>	<b>3-9-09</b>	<b>7-13-07</b>
<b>70%</b>	<b>185%</b>	<b>35%</b>

**ANALYSES OF INDUSTRIES IN ALPHABETICAL ORDER WITH PAGE NUMBER**

Numeral in parenthesis after the industry is rank for probable performance (next 12 months).

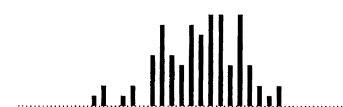
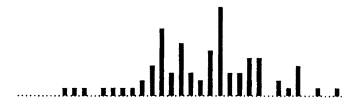
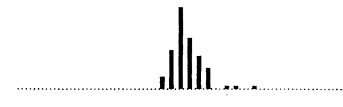
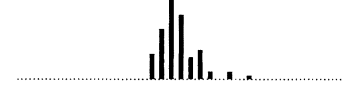
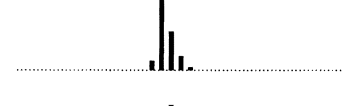

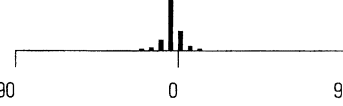
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Chemical (Diversified) (24) .....	2416	Hotel/Gaming (68) .....	2333	Petroleum (Integrated) (96) .....	397	Telecom. Equipment (57) .....	743
Chemical (Specialty) (47) .....	457	Household Products (16) .....	1182	Petroleum (Producing) (60) .....	2379	Telecom. Services (70) .....	708
Coal (17) .....	507	Human Resources (87) .....	1627	Pharmacy Services (3) .....	770	Thrift (71) .....	1501
Computers/Peripherals (22) .....	1400	Industrial Services (61) .....	320	Power (69) .....	1211	Tobacco (15) .....	1991
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\*Reviewed in this week's issue.

**In three parts: This is Part 1, the Summary & Index. Part 2 is Selection & Opinion. Part 3 is Ratings & Reports. Volume LXV, No. 27.**

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**Table 2-1: Basic Series: Summary Statistics of Annual Total Returns**

Series	Geometric Mean (%)	Arithmetic Mean (%)	Standard Deviation (%)	Distribution (%)
Large Company Stocks	9.6	11.7	20.6	
Small Company Stocks*	11.7	16.4	33.0	
Long-Term Corporate Bonds	5.9	6.2	8.4	
Long-Term Government Bonds	5.7	6.1	9.4	
Intermediate-Term Government Bonds	5.4	5.6	5.7	
U.S. Treasury Bills	3.7	3.8	3.1	
Inflation	3.0	3.1	4.2	

Data from 1926–2008. \* The 1933 Small Company Stocks Total Return was 142.9 percent.

**Table 10-1: Building Blocks for Expected Return Construction**

	Value (%)
<b>Yields (Riskless Rates)<sup>1</sup></b>	
Long-Term (20-year) U.S. Treasury Coupon Bond Yield	3.0
Intermediate-Term (5-year) U.S. Treasury Coupon Note Yield	1.3
Short-Term (30-day) U.S. Treasury Bill Yield	0.1
<b>Fixed Income Risk Premia<sup>1, †</sup></b>	
Expected default premium: <i>long-term corporate bond total returns minus long-term government bond total returns</i>	0.1
Expected long-term horizon premium: <i>long-term government bond income returns minus U.S. Treasury bill total returns*</i>	1.4
Expected intermediate-term horizon premium: <i>intermediate-term government bond income returns minus U.S. Treasury bill total returns*</i>	1.0
<b>Equity Risk Premia<sup>†</sup></b>	
Long-horizon expected equity risk premium: <i>large company stock total returns minus long-term government bond income returns</i>	6.5
Intermediate-horizon expected equity risk premium: <i>large company stock total returns minus intermediate-term government bond income returns</i>	6.9
Short-horizon expected equity risk premium: <i>large company stock total returns minus U.S. Treasury bill total returns*</i>	7.9
Small Stock Premium: <i>small company stock total return minus large company stock total return</i>	4.8

1. As of December 31, 2008. Maturities are approximate. Expected risk premia for fixed income and equities are based on the differences of historical arithmetic mean returns from 1926–2008.

†We would prefer to use the 1970–2008 time range for calculating fixed income premia to reflect that bond volatility has increased over time. However, abnormal returns in 2008 make using a short time frame for forward-looking expectations unrealistic.

\*For U.S. Treasury bills, the income return and total return are the same.

**Comparable Earnings Approach**

Using Non-Utility Companies with

Timeliness of 3 & 4; Safety Rank of 1, 2 & 3; Financial Strength of B, B+, B++ & A;

Price Stability of 80 to 100; Betas of .65 to .80; and Technical Rank of 1, 2 & 3

<u>Company</u>	<u>Industry</u>	<u>Timeliness Rank</u>	<u>Safety Rank</u>	<u>Financial Strength</u>	<u>Price Stability</u>	<u>Beta</u>	<u>Technical Rank</u>
Alliant Techsystems	DEFENSE	3	3	B+	95	0.80	3
Aon Corp.	FINSERV	3	2	A	95	0.70	3
Beckman Coulter	MEDSUPPL	3	2	A	90	0.75	3
Berkley (W.R.)	INSPRPTY	4	3	B+	90	0.75	3
BJ's Wholesale Club	RETAIL	3	2	A	80	0.70	3
Bristol-Myers Squibb	DRUG	3	1	A	95	0.75	3
Brown & Brown	FINSERV	4	2	A	95	0.70	3
CACI Int'l	SOFTWARE	3	3	B++	80	0.75	3
Capitol Fed. Fin'l	THRIFT	3	2	B++	95	0.65	3
Clorox Co.	HOUSEPRD	3	2	B++	100	0.65	3
Commerce Bancshs.	BANKMID	3	1	A	95	0.80	3
ConAgra Foods	FOODPROC	3	1	A	95	0.65	3
Costco Wholesale	RETAIL	3	1	A	95	0.75	3
CSG Systems Int'l	INDUSRV	3	3	B+	80	0.70	3
Erie Indemnity Co.	INSPRPTY	4	2	B++	100	0.70	3
Gallagher (Arthur J.)	FINSERV	4	1	A	95	0.75	3
Genzyme Corp.	DRUG	4	3	B+	85	0.65	3
Gilead Sciences	DRUG	3	2	A	90	0.65	3
Haemonetics Corp.	MEDSUPPL	3	2	B++	95	0.65	3
Hershey Co.	FOODPROC	3	2	B++	95	0.65	3
Hudson City Bancorp	THRIFT	3	3	B+	90	0.80	3
J&J Snack Foods	FOODPROC	3	2	B++	90	0.75	3
MAXIMUS Inc.	INDUSRV	3	2	B++	90	0.80	3
Merck & Co.	DRUG	3	2	A	80	0.80	3
Owens & Minor	MEDSUPPL	3	2	A	90	0.70	3
RLI Corp.	INSPRPTY	3	2	B++	90	0.80	3
Rollins Inc.	INDUSRV	3	2	A	90	0.80	3
Safeway Inc.	GROCERY	4	2	B++	95	0.70	3
Sherwin-Williams	CHEMSPEC	4	2	A	90	0.70	3
Silgan Holdings	PACKAGE	3	3	B+	90	0.80	3
Stericycle Inc.	ENVIRONM	3	3	B+	90	0.70	3
Teleflex Inc.	DIVERSIF	3	2	A	90	0.80	3
Waste Management	ENVIRONM	3	1	A	95	0.80	3
WD-40 Co.	HOUSEPRD	3	2	B++	85	0.75	3
Weis Markets	GROCERY	3	1	A	95	0.65	3
West Pharmac. Svcs.	MEDSUPPL	3	3	B+	80	0.80	3
Average		<u>3</u>	<u>2</u>	<u>B++</u>	<u>91</u>	<u>0.73</u>	<u>3</u>
Electric Group	Average	<u>3</u>	<u>2</u>	<u>B++</u>	<u>95</u>	<u>0.70</u>	<u>2</u>

Source of Information: Value Line Investment Survey for Windows, January 2010

**Comparable Earnings Approach**  
Five -Year Average Historical Earned Returns  
for Years 2004-2008 and  
Projected 3-5 Year Returns

Company	2004	2005	2006	2007	2008	Average	Projected 2012-14
Alliant Techsystems	22.4%	24.5%	31.9%	30.5%	42.9%	30.4%	16.5%
Aon Corp.	11.2%	12.1%	12.2%	10.9%	11.7%	11.6%	14.5%
Beckman Coulter	19.3%	15.8%	13.5%	14.2%	16.3%	15.8%	12.5%
Berkley (W.R.)	19.5%	20.7%	20.8%	20.6%	16.5%	19.6%	17.0%
BJ's Wholesale Club	12.2%	12.4%	10.0%	12.0%	13.4%	12.0%	10.0%
Bristol-Myers Squibb	23.4%	26.8%	13.6%	20.5%	25.7%	22.0%	19.0%
Brown & Brown	20.6%	19.7%	18.5%	17.4%	13.4%	17.9%	12.5%
CACI Int'l	12.8%	13.9%	11.4%	9.6%	9.1%	11.4%	10.5%
Capitol Fed. Fin'l	4.8%	7.5%	5.6%	3.7%	5.8%	5.5%	7.5%
Clorox Co.	35.5%	-	-	NMF	NMF	35.5%	79.0%
Commerce Bancshs.	15.4%	16.7%	15.2%	13.5%	12.0%	14.6%	10.5%
ConAgra Foods	16.4%	14.5%	12.8%	14.9%	9.7%	13.7%	15.5%
Costco Wholesale	11.6%	11.1%	12.1%	13.9%	14.0%	12.5%	13.0%
CSG Systems Int'l	16.7%	18.9%	19.7%	72.9%	37.9%	33.2%	46.5%
Erie Indemnity Co.	17.9%	18.1%	17.6%	20.6%	18.0%	18.4%	21.5%
Gallagher (Arthur J.)	24.8%	39.9%	15.9%	21.6%	15.1%	23.5%	24.0%
Genzyme Corp.	3.3%	8.6%	NMF	7.3%	5.8%	6.3%	13.0%
Gilead Sciences	24.0%	26.2%	64.0%	46.7%	48.4%	41.9%	33.5%
Haemonetics Corp.	11.2%	11.8%	10.5%	11.4%	11.9%	11.4%	13.0%
Hershey Co.	48.6%	55.6%	81.8%	81.3%	135.3%	80.5%	42.5%
Hudson City Bancorp	17.1%	5.3%	5.9%	6.4%	9.0%	8.7%	10.5%
J&J Snack Foods	10.8%	11.1%	11.2%	10.9%	8.8%	10.6%	12.5%
MAXIMUS Inc.	10.4%	8.9%	0.6%	4.9%	11.1%	7.2%	14.5%
Merck & Co.	33.6%	31.1%	31.4%	18.0%	41.6%	31.1%	22.5%
Owens & Minor	13.1%	13.0%	10.2%	11.8%	14.7%	12.6%	12.5%
RLI Corp.	10.3%	14.0%	14.5%	21.5%	15.3%	15.1%	11.0%
Rollins Inc.	26.1%	29.8%	27.3%	27.7%	30.2%	28.2%	26.5%
Safeway Inc.	13.0%	12.8%	13.7%	13.3%	14.2%	13.4%	14.0%
Sherwin-Williams	23.9%	26.8%	28.9%	34.5%	29.7%	28.8%	27.0%
Silgan Holdings	40.1%	34.6%	29.8%	25.3%	26.9%	31.3%	19.0%
Stericycle Inc.	15.8%	17.8%	17.4%	18.0%	22.8%	18.4%	16.0%
Teleflex Inc.	11.1%	13.1%	12.8%	11.5%	12.9%	12.3%	12.0%
Waste Management	13.7%	14.3%	16.0%	18.6%	18.4%	16.2%	17.0%
WD-40 Co.	22.8%	21.6%	18.2%	18.7%	1.7%	16.6%	17.5%
Weis Markets	10.0%	10.5%	8.9%	7.1%	7.1%	8.7%	9.0%
West Pharmac. Svcs.	13.6%	13.6%	15.7%	17.0%	16.8%	15.3%	14.0%
Average						19.8%	19.1%
Average (excluding values >20%)						13.0%	13.5%