

PPL ELECTRIC UTILITIES CORPORATION

Adjustment to Deferred Income Taxes
As of December 31, 2010
(Thousands of Dollars)

<u>Provision</u>	<u>Debit</u>	<u>Credit</u>	<u>Net</u>	<u>Adjustment</u>	<u>Adjusted</u>
ACRS & MACRS:					
Transmission Property	\$ 7,591	\$ 0	\$ 7,591	\$ 83	\$ 7,674
Distribution Property	15,846	0	15,846	(3,426)	12,420
General Property	3,662	(768)	2,894	(1,359)	1,535
Prior Year Tax Return Adjustments	0	0	0	0	0
Other 263A & Repair Allowance:					
Transmission Property	1,741	(160)	1,581	4	1,585
Distribution Property	17,335	(6,245)	11,090	(495)	10,595
General Property	770	(284)	486	167	653
Prior Year Tax Return Adjustments	0	0	0	0	0
Contributions in Aid Of Construction:					
Transmission Property	123	(1,737)	(1,614)	(7)	(1,621)
Distribution Property	4,689	(9,428)	(4,739)	309	(4,430)
Prior Year Tax Return Adjustments	0	0	0	0	0
Total					
Transmission Property	9,455	(1,897)	7,558	80	7,638
Distribution Property	37,870	(15,673)	22,197	(3,612)	18,585
General Property	4,432	(1,052)	3,380	(1,192)	2,188
Prior Year Tax Return Adjustments	0	0	0	0	0
Total	<u>\$51,757</u>	<u>\$(18,622)</u>	<u>\$33,135</u>	<u>\$ (4,724)</u>	<u>28,411</u>
Less: Deferred income taxes on T&D operations per books					<u>39,557</u>
Net decrease in deferred income taxes					<u>\$(11,146)</u>

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Adjustment to Provision For Deferred Income Taxes
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(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 and (2) Modified Accelerated Cost Recovery System (MACRS) of the Tax Reform Act of 1986.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
	Transmission Property	
1	Tax depreciation computed under ACRS and MACRS	\$36,440
2	Book Depreciation allocated to ACRS and MACRS property	<u>14,212</u>
3	Excess ACRS and MACRS tax depreciation	<u>22,228</u>
	Distribution Property	
4	Tax depreciation computed under ACRS and MACRS	110,609
5	Book Depreciation allocated to ACRS and MACRS property	<u>74,047</u>
6	Excess ACRS and MACRS tax depreciation	<u>36,562</u>
	General Property	
7	Tax depreciation computed under ACRS and MACRS	34,416
8	Book Depreciation allocated to ACRS and MACRS property	<u>29,983</u>
9	Excess ACRS and MACRS tax depreciation	<u>4,433</u>
10	Net excess ACRS and MACRS/(straight-line) tax depreciation	<u>\$63,223</u>
11	Tax Rate Provisions - 35% Reversals - Average Rate Assumption Method	
12	Net annual deferred tax debit / (credit)	<u>\$21,629</u>
	Less: Net provision on T&D operations per books	
13	Provision for deferred taxes - debit	27,099
14	Provision for deferred taxes - credit	<u>(768)</u>
15		<u>26,331</u>
16	Net decrease in deferred income tax provision	<u>\$ (4,702)</u>