

PPL ELECTRIC UTILITIES CORPORATION
Computation of Income Taxes - Electric
Year Ended December 31, 2009
(Thousands of Dollars)

Line No.	Description	Total Amount Per Books	Less:	T&D Operations Per Books	Pro forma Adjustments	T&D
			Automatic Recovery Clauses/Riders			Pro forma at Present Rates
1	Operating Revenues	\$ 3,429,101	\$ (2,557,058)	\$ 872,043	\$ 4,619	\$ 876,662
	Operating Expenses					
2	Operation and maintenance	2,466,006	(2,100,592)	365,414	1,800	367,214
3	Depreciation and amortization	128,251	0	128,251	4,598	132,849
4	Regulatory Debits and Credits	314,289	(314,289)	0	0	0
5	Taxes Other than Income	190,704	(146,148)	44,556	9,290	53,846
6	Income Taxes - Federal	72,253	(103,636)	(31,383)	67,163	35,780
7	Income Taxes - State	25,064	(32,864)	(7,800)	22,390	14,590
8	Deferred Income Taxes	(14,855)	138,148	123,293	(76,031)	47,262
9	Investment Tax Credit - Amortization	(1,858)	0	(1,858)	0	(1,858)
10	Gains and Losses on Property Dispositions	(1)	0	(1)	0	(1)
11	Total Operating Expense	<u>3,179,853</u>	<u>(2,559,381)</u>	<u>620,472</u>	<u>29,210</u>	<u>649,682</u>
12	Operating Income	249,248	2,323	251,571	(24,591)	226,980
13	Less: Interest Expense	111,031	0	111,031	(30,618)	80,413
14	Net Operating Income	<u>138,217</u>	<u>2,323</u>	<u>140,540</u>	<u>6,027</u>	<u>146,567</u>
	Income Tax Adjustments					
15	Federal Income Tax	72,253	(103,636)	(31,383)	67,163	35,780
16	State Income Tax	25,064	(32,864)	(7,800)	22,390	14,590
17	Deferred Income Taxes	(14,855)	138,148	123,293	(76,031)	47,262
18	Investment tax credit amortization	(1,858)	0	(1,858)	0	(1,858)
19	Book Depreciation	128,251	0	128,251	4,598	132,849
20	Tax Depreciation	(214,611)	0	(214,611)	0	(214,611)
21	Severance Pay	(175)	0	(175)	0	(175)
22	Post - retirement/employment benefits	(344)	0	(344)	0	(344)
23	Business Meals Not Deductible	360	0	360	0	360
24	Pension and supplemental retirements	2,015	0	2,015	0	2,015
25	Environmental Clean-up	(162)	0	(162)	0	(162)
26	Reacquired debt costs	(6,786)	0	(6,786)	0	(6,786)
27	Bad debts & Property damage	1,181	0	1,181	0	1,181
28	Removal costs - Transmission	(2,627)	0	(2,627)	0	(2,627)
29	Removal costs - Distribution	(12,824)	0	(12,824)	0	(12,824)
30	Vacation Pay	251	0	251	0	251
31	Clearing Accounts	244	0	244	0	244
32	ESOP dividend paid in cash	(5,231)	0	(5,231)	0	(5,231)
33	Contributions in aid of construction - Trans.	5,015	0	5,015	0	5,015
34	Contributions in aid of construction - Dist.	20,275	0	20,275	0	20,275
35	Adjust Gross receipts Tax- Cash basis	520	0	520	0	520
36	Consumer Education	(593)	0	(593)	0	(593)
37	Obsolete Inventory	924	0	924	0	924
38	Tax Gains/(Losses) on Plant Dispositions-Trans.	(580)	0	(580)	0	(580)
39	Tax Gains/(Losses) on Plant Dispositions-Dist.	(3,310)	0	(3,310)	0	(3,310)
40	Tax Gains/(Losses) on Plant Dispositions-Gen.	1,601	0	1,601	0	1,601
41	Deferred Compensation - Officers	89	0	89	0	89
42	Book Contingencies	(2,733)	0	(2,733)	2,733	0
43	Rate Case Expense	833	0	833	0	833
44	Over/Under Collection of TSC and Interest	39,529	(39,529)	0	0	0
45	Ice Storm Deferral	1,611	0	1,611	0	1,611
46	Other 263A & Repair Allowance - Trans.	(4,195)	0	(4,195)	0	(4,195)
47	Other 263A & Repair Allowance - General	685	0	685	0	685
48	Other 263A & Repair Allowance - Dist.	(45,886)	0	(45,886)	0	(45,886)
49	RAR Adjustments	(602)	0	(602)	0	(602)
50	Rate Refund	(2,487)	0	(2,487)	0	(2,487)
51	Workers Compensation	(120)	0	(120)	0	(120)
52	Miscellaneous Deferred Book Expenses	(500)	0	(500)	0	(500)
53	Prepaid Expenses	(183)	0	(183)	0	(183)
54	Default Service Plan	(1,379)	1,379	0	0	0
55	Conservation Program	(2,620)	2,620	0	0	0
56	Smart Meter Technology	(46)	46	0	0	0
57	FERC Over/Under Collection and Interest-Trans.	(4,964)	0	(4,964)	0	(4,964)
58	Book Depreciation Capitalized	4,046	0	4,046	0	4,046
59	Adjust Other Taxes	491	0	491	(491)	0
60	Other Deferred Credits	10,042	0	10,042	0	10,042
61	Competitive Transition Charge	297,455	(297,455)	0	0	0
62	Income Tax Adjustments	<u>283,064</u>	<u>(331,291)</u>	<u>(48,227)</u>	<u>20,362</u>	<u>(27,865)</u>
63	Taxable Net Income Before Special Deductions	<u>\$ 421,281</u>	<u>\$ (328,968)</u>	<u>\$ 92,313</u>	<u>\$ 26,389</u>	<u>\$ 118,702</u>

PPL ELECTRIC UTILITIES CORPORATION
Computation of Income Taxes - Electric
Year Ended December 31, 2009
(Thousands of Dollars)

Line No.	Description	Total Amount Per Books	Automatic Recovery Clauses/Riders	T&D Operations Per Books	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	\$ 421,281	\$ (328,968)	\$ 92,313	\$ 26,389	\$ 118,702
PA Special Deductions						
2	Tax Preference Income	(86)	0	(86)	0	(86)
3	Dividends Paid Credit	(380)	0	(380)	0	(380)
4	Bonus Depreciation Adjustment	39,298	0	39,298	0	39,298
5	State Intercompany Tax Gain	(2,225)	0	(2,225)	0	(2,225)
6	State NOL Carryforward	(7,859)	0	(7,859)	0	(7,859)
7	PA Taxable Income	<u>450,029</u>	<u>(328,968)</u>	<u>121,061</u>	<u>26,389</u>	<u>147,450</u>
8	PA Tax @ 9.99%	44,958	(32,864)	12,095	2,636	14,730
9	PA Tax Credits	(140)	0	(140)	0	(140)
10	Accrual for Potential Deficiency	(8,519)	0	(8,519)	8,519	0
11	Prior Period Tax Return Adjustments	(11,235)	0	(11,235)	11,235	0
12	Total PA Income Tax	<u>\$ 25,064</u>	<u>\$ (32,864)</u>	<u>\$ (7,799)</u>	<u>\$ 22,390</u>	<u>\$ 14,590</u>
<u>Federal Income Tax Calculation</u>						
13	Taxable Net Income Before Special Deductions	\$ 421,281	\$ (328,968)	\$ 92,313	\$ 26,389	\$ 118,702
Federal Special Deductions						
14	PA Income Tax Less Tax Credits	(44,818)	32,864	(11,955)	(2,636)	(14,590)
15	Dividends Paid Credit	(380)	0	(380)	0	(380)
16	State Income Tax Adjustment for Prior Year	1	0	1	0	1
17	Federal Taxable Income	<u>376,084</u>	<u>(296,104)</u>	<u>79,979</u>	<u>23,753</u>	<u>103,733</u>
18	Federal Tax @ 35%	131,630	(103,636)	27,994	8,314	36,307
19	Federal Tax Credits	(20)	0	(20)	0	(20)
20	Accrual for Potential Deficiency	(512)	0	(512)	512	0
21	Prior Period Tax Return Adjustments	(58,845)	0	(58,845)	58,845	0
22	Consolidated Income Tax Adjustment (D-11, page 4)	0	0	0	(508)	(508)
23	Total Federal Income Tax	<u>\$ 72,253</u>	<u>\$ (103,636)</u>	<u>\$ (31,383)</u>	<u>\$ 67,163</u>	<u>\$ 35,779</u>

PPL ELECTRIC UTILITIES CORPORATION
Adjustment to Interest Deduction for Income Tax Purposes
Year Ended December 31, 2009
(Thousands of Dollars)

This adjustment provides for the annualized interest on claimed measures of value at December 31, 2009.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Measures of value at December 31, 2009 (C-1)	\$ 2,736,605
2	Long-term debt ratio (B-9)	44.32%
3	Embedded cost of long-term debt (B-9)	6.63%
4	Annualized interest (line 1 x line 2 x line 3)	80,413
5	Less: Interest expense on T&D operations (D-11, page 1)	<u>111,031</u>
6	Net decrease in interest deduction (line 4 - line 5)	<u><u>\$ (30,618)</u></u>

PPL Electric Utilities Corporation
Consolidated Income Tax Adjustment
Year Ended December 31, 2009
(Thousands of Dollars)

<u>Line No.</u>	<u>2007</u> (1)	<u>2008</u> (2)	<u>2009</u> (3)	<u>Three Year Average</u> (4)=((1)+(2)+(3))/3
Non-Regulated Company				
Taxable Losses				
1	\$ 0	\$ (3)	\$ 0	\$ (1)
2	(315)	(15)	(47)	(126)
3	(9)	0	0	(3)
4	0	(295)	0	(98)
5	(18,427)	0	0	(6,142)
6	0	0	(140,066)	(46,689)
7	(43,374)	(19,734)	-	(21,036)
8	(205)	(457)	(137)	(266)
9	<u>\$ (62,330)</u>	<u>\$ (20,504)</u>	<u>\$ (140,250)</u>	<u>\$ (74,361)</u> (a)
10	\$ 1,295,233	\$ 909,030	\$ 597,964	934,076 (b)
Taxable Income - PA Utilities				
11	\$ 41,590	\$ 64,902	\$ 102,705	\$ 69,732
12	<u>\$ 41,590</u>	<u>\$ 64,902</u>	<u>\$ 102,705</u>	<u>\$ 69,732</u> (c)
13	3.2110%	7.1397%	17.1758%	9.1755% (d)
% Taxable Income Pa. Utilities to Total Taxable Income Companies (d)=(c)/(b)				
14				Adjustment for Consolidated Tax Savings Applicable to PA Utilities (e)=(a)*(d) \$ (6,823) (e)
15				Adjustment to Federal Income Taxes (e) * 35% \$ (2,388) (f)
16				% T&D Taxable Income to Total Taxable Income (D-11, page 2, Line 17) 21.2663% (g)
17				T&D pro forma adjustment to Federal Income Taxes (f)*(g) <u>\$ (508)</u> (h)
Note 1:				
18	\$ 0	\$ (328,069)	\$ (170,746)	\$ (166,272)
Adjustment for Non-recurring Items:				
19	\$ 0	\$ 20,299	\$ 45,392	\$ 21,897
20	0	12,380	0	4,127
21	0	12,774	(14,712)	(646)
22	0	289,359	0	96,453
23	<u>\$ 0</u>	<u>\$ 334,812</u>	<u>\$ 30,680</u>	<u>\$ 121,831</u>
24	<u>\$ 0</u>	<u>\$ 6,743</u>	<u>\$ (140,066)</u>	<u>\$ (44,441)</u>
Note 2:				
25	\$ 38,437	\$ (57,137)	\$ 346,717	\$ 109,339
Adjustment for Non-regulated LLC's disregarded for income tax purposes:				
26	\$ (3)	\$ (3)	\$ 0	\$ (2)
27	(577)	(69,694)	(1,031)	(23,767)
Adjustment for Non-recurring items:				
28	\$ 0	\$ 68,299	\$ 54,474	\$ 40,924
29	2,426	116,999		39,808
30	1,307	6,438	(297,455)	(96,570)
31	<u>\$ 3,153</u>	<u>\$ 122,039</u>	<u>\$ (244,012)</u>	<u>\$ (39,607)</u>
32	<u>\$ 41,590</u>	<u>\$ 64,902</u>	<u>\$ 102,705</u>	<u>\$ 69,732</u>

PPL ELECTRIC UTILITIES CORPORATION

**Operating Revenue and Applicable Tax
Related to Proposed Rate Increase
Year Ended December 31, 2009
(Thousands of Dollars)**

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Additional operating revenue from proposed rate increase	\$ 45,070
	Less:	
2	Provision for uncollectible accounts expense (line 1 x 0.84%) Note 1	379
3	PA gross receipts tax (line 1 x 59 mills)	2,659
4	PA Capital stock tax (D-11, page 6, line 19)	<u>97</u>
5	Taxable income for PA Corporate net income tax	41,935
6	PA corporate net income tax (line 5 x 9.99%)	<u>4,189</u>
7	Taxable income for Federal income tax	37,746
8	Federal income tax (line 7 x 35%)	<u>13,211</u>
9	Operating income	<u><u>\$ 24,535</u></u>

Note 1: Excludes the provision for uncollectible accounts expense associated with the OnTrack program.

PPL ELECTRIC UTILITIES CORPORATION

**Capital Stock Tax at Proposed Rates
Year Ended December 31, 2009
(Thousands of Dollars)**

Line No.	Description	Amount
1	PA Capital Stock Tax=50%((5 Year Average Net Income/0.095)+(75%(Net Worth))	
	Net Income	
2	2005	\$ 92,437
3	2006	85,102
4	2007	52,414
5	2008	87,403
6	2009 (Note 1)	<u>128,420</u>
7	Total	<u>\$ 445,776</u>
8	Average	<u>\$ 89,155</u>
9	Net worth at December 31, 2009 (Note 2)	<u>\$ 1,565,377</u>
10	PA Capital stock value = 0.5(((\$89,155/0.095) + (0.75 x \$1,565,377)) =	\$ 1,056,254
11	Statutory Exemption	<u>150</u>
12	Value of Capital Stock less Statutory Exemption	1,056,104
13	Apportionment Percentage	<u>0.958008</u>
14	PA Capital Stock Taxable Value	<u>\$1,011,756</u>
15	PA Capital Stock Tax at 2.89 mills	\$ 2,924
16	Less: PA Education tax credit	<u>(259)</u>
17	Pa Capital Stock Tax at Proposed Rates	\$ 2,665
18	Less: PA Capital Stock Tax at Present Rates (D-10, page 1, line 1)	<u>2,568</u>
19	Additional PA Capital Stock Tax due to Proposed Rate Increase	<u>\$ 97</u>
	Note 1:	
20	Net Income at Present Rates (D-10, page 2, line 6)	\$ 103,885
21	Net Income from Proposed Rate Increase (D-11, page 5, line 9)	<u>24,535</u>
22	Total 2009 Net Income	<u>\$ 128,420</u>
	Note 2:	
23	Net Worth at Present Rates (D-10, page 2, line 9)	\$ 1,540,842
24	Net Worth from Proposed Rate Increase (D-11, page 5, line 9)	<u>24,535</u>
25	Total 2009 Net Worth	<u>\$ 1,565,377</u>