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PPL ELECTRIC UTILITIES CORPORATION

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Rebuttal Testimony

of

Paul R. Moul, Managing Consultant
P. Moul & Associates

Concerning
Rate of Return

DOCKETED
AUG 25 2004

PPL Electric Utilities Corporation

Rebuttal Testimony of Paul R. Moul
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1

I. Introduction

2 Q. **Please state your name, occupation and business address.**

3 A. My name is Paul R. Moul and I am Managing Consultant of the firm P. Moul &
4 Associates. My business address is 251 Hopkins Road, Haddonfield, NJ 08033-3062.

5 Q. **Mr. Moul, have you previously submitted direct testimony in this proceeding?**

6 A. Yes. My direct testimony was submitted with the Company's case-in-chief on March
7 29, 2004.

8 Q. **What is the purpose of your rebuttal testimony?**

9 A. PPL Electric Utilities Corporation ("PPLEU" or the "Company") has requested that I
10 comment on and rebut the testimony presented by Mr. Matthew I. Kahal, a witness
11 appearing on behalf of the Office of Advocate ("OCA"), Mr. Kenneth L. Kincel, a
12 witness appearing on behalf of the Department of Defense ("DOD"), and Mr. Kevan L.
13 Deardorff, a witness appearing on behalf of the Office of Trial ("OTS").

14

II. Overview

15 Q. **Please provide an overview of the positions of the opposing parties in this case.**

16 A. As a preliminary matter, Mr. Deardorff and Mr. Kincel have accepted the Company's
17 proposed capital structure ratios and embedded costs of senior capital. Mr. Kahal has
18 also adopted some the components of the rate of return, but he has erroneously rejected
19 the Company's future test year common equity projection. Aside from this single
20 capital structure issue, the cost of equity is the only major item of dispute. In resolving
21 the cost of equity in this case, it is important that the Commission address the
22 following issues: (i) whether the cost of equity proposed by these witnesses, if
23 adopted, adequately reflects capital costs during the rate effective period, (ii) the

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1 determination of a reasonable Discounted Cash Flow (DCF) cost rate, (iii) whether an
2 adjustment to the DCF is warranted because it understates the cost of equity under
3 current market conditions, (iv) the extent to which other methods of determining the
4 cost of equity provide a reasonable measure of the appropriate rate of return on
5 common equity, and (v) whether adjustments are necessary to the cost of equity as
6 measured with proxy group data when applied to the Company's common equity ratio.
7 It is disappointing to observe that none of the witnesses have recognized any increment
8 for management efficiency for PPLEU as detailed in the direct testimony of Mr.
9 Sipics. Further, these witnesses have ignored the initiatives taken by the Company to
10 secure its POLR obligation and have refused to recognize that investors view the risk
11 of electric distribution companies as equivalent to other utility groups. As discussed in
12 the rebuttal testimony of Ms. J. M. Cannell, investors generally expect that the allowed
13 return on equity will be in the range to 10% to 12%. Investors will be especially
14 disappointed if Mr. Kahal's recommendation is accepted, and they will be shocked if
15 Mr. Deardorff's recommendation were accepted. This could lead to a further
16 deterioration of the business position of PPLEU and reduced credit quality because the
17 quality and supportiveness of utility regulation is an important element of credit
18 analysis.

19 **Q. Please identify some of the factors that contribute to the understatement of cost of**
20 **equity proposed by these witnesses.**

21 A. The factors that contribute to the inadequate recommendations of the rate of return on
22 common equity include the environment of low interest rates in recent years, and
23 undue emphasis on the DCF model of the cost of equity -- Mr. Deardorff gives sole

2.

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1 weight to the DCF results and Mr. Kahal gives primary weight to the DCF results. As
2 to the latter point, the Commission has recognized that the DCF results understate the
3 cost of equity when market prices exceed book value. This point was acknowledged
4 by Mr. Kincel, and was recognized as part of his cost of equity analysis. Since the
5 constant growth assumption of the DCF is unlikely to be correct under current
6 circumstances, substantial weight must be given to other methods for determining the
7 cost of equity. It is also somewhat perplexing that Messrs. Kahal and Deardorff gave
8 little weight to projected dividend growth rates, especially with the change in taxation
9 of dividends. This is in contrast to DOD witness Mr. Kincel who develops a 10.25%
10 DCF cost rate using dividend growth, and then uses that result as the low end of his
11 proposed range of the cost of equity, with the high end of his range consisting of an
12 11.0% cost of equity determined using the CAPM. If the DCF cost rates for OCA
13 witness Mr. Kahal and OTS witness Mr. Deardorff employed projected dividend
14 growth rates, their DCF returns would be 10.29% and 9.72%/9.73%, respectively,
15 computed without regard to the adjustment necessary to make those returns applicable
16 to a book value capitalization.

17 **Q. Why, in your view, is the rate of return on common equity proposed by Messrs.**
18 **Kahal and Deardorff too low?**

19 A. Among other reasons, the 9.50% and 8.75% rates of return on common equity being
20 proposed by Messrs. Kahal and Deardorff do not adequately recognize higher capital
21 cost rates that are expected by investors during the rate effective period.

22 **Q. What are the implications of emphasizing recent data taken from a period of**
23 **relatively low interest rates?**

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1 A. It appears obvious that if interest rates rise from their current levels, the cost of equity
2 determined from recent data will understate future capital costs. Although it is always
3 possible that interest rates could move lower, this possibility is out-weighed by the
4 prospect of higher future interest rates. That is to say, there is more potential for
5 higher rather than lower interest rates when the beginning point in the process contains
6 relatively low interest rates.

7 The low interest rates in 2003-'04 were, in part, the product of the Federal
8 Open Market Committee ("FOMC") policy, which is now in transition. Indeed, on
9 June 30, 2004, the FOMC increased the Fed Funds rate, which is widely interpreted as
10 the beginning of a series of rate increases. This was the first increase in the Fed Funds
11 rate since May 16, 2000 and followed thirteen decreases over that period. As noted in
12 The Wall Street Journal semiannual survey of more than 50 leading economists (see
13 issue dated July 2, 2004), higher interest rates are forecast by the middle of 2005,
14 which is reflective of a business environment of steady growth and rising corporate
15 profits. Indeed, those forecasts show an increase in the yield on 10-year Treasury
16 Notes from 4.56% at mid-year 2004 to 5.42% by June 2005 -- this represents an 86
17 basis points increase in interest rates by the midpoint of the rate year (i.e., the first
18 twelve month period after rates become effective).

19 **Q. Is there other evidence of higher interest rates for the future?**

20 A. Yes. The Blue Chip Financial Forecasts ("Blue Chip") is published monthly and
21 contains consensus forecasts of a variety of interest rates compiled from a panel of
22 banking, brokerage, and investment advisory services. I have provided below the Blue

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1 Chip yields on Aaa rated and Baa rated corporate bonds and the yield on 10-year and
 2 20-year Treasury obligations. These forecasts from the July 1, 2004 Blue Chip are:

Quarter	Aaa-rated Corporate	Baa-rated Corporate	10-year Treasury	20-Year Treasury
3rd Qtr. 2004	6.2%	7.0%	4.9%	5.6%
4th Qtr. 2004	6.4	7.2	5.1	5.8
1st Qtr. 2005	6.6	7.4	5.3	6.0
2nd Qtr. 2005	6.8	7.5	5.5	6.1
3rd Qtr. 2005	6.9	7.7	5.6	6.2
4th Qtr. 2005	7.0	7.8	5.8	6.3

12 **Q. Are there forecasts of interest rates that extend beyond those shown above?**

13 A. Yes. Twice yearly, Blue Chip provides a long-term forecast of interest rates. In its
 14 June 1, 2004 publication, the consensus forecasts of interest rates were forecast to be:

Year	Aaa-rated Corporate	Baa-rated Corporate	10-year Treasury	Long-term Treasury
2005	6.9%	7.7%	5.6%	6.1%
2006	7.3	8.0	5.9	6.5
2007	7.5	8.2	6.1	6.6
2008	7.6	8.3	6.2	6.7
2009	7.6	8.3	6.2	6.7
2005-09 (avg)	7.4	8.1	6.0	6.5
2010-14 (avg)	7.5	8.2	6.1	6.6

25 These forecasts show that interest rates will likely increase from current levels. Mr.
 26 Kahal's proposed 9.50% rate of return on common equity and a more onerous 8.75%
 27 rate of return on common equity proposal by Mr. Deardorff are inadequate to
 28 accommodate this increase in capital costs.

29 **Q. Can you demonstrate how the rate of return on common equity proposed by the**
 30 **witnesses representing the OCA and OTS are unusual in public utility**
 31 **ratesetting?**

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1 A. A further demonstration of the inadequacy of the 9.50% or 8.75% rate of return on
2 common equity proposed by Messrs. Kahal and Deardorff is shown by reference to the
3 rates of return being provided to energy utilities in other rate case proceedings. The
4 PUR Utility Regulatory News ("URN") issue dated December 26, 2003 provides the
5 results of the annual survey of regulatory authorized rates of return on common equity.
6 The distribution of the returns were:

	<u>Number</u>	<u>Percent</u>	
7			
8	Less than 10%	5	12%
9	10% to 10.9%	13	30%
10	11% to 11.9%	19	44%
11	Higher than 12%	6	14%

12 The average authorized rate of return on common equity was 11.02%, the median
13 return was 11.00%, and the midpoint return was 11.13%, taken from the overall range
14 of 9.50% to 12.75%¹. These data show that equity return allowances below 10% were
15 uncommon for energy utilities in 2003, when projections of future interest rates were
16 lower than they are now. Since forecasts of future interest rates are a generally higher
17 now than they were in 2003, a determination of the cost of common equity that is
18 below 10% in this proceeding would be clearly out of the range of reasonableness and
19 likely would be regarded negatively by the market.

¹ The 2003 survey published in PUR Utility Regulatory News contained an apparent error where one return was erroneously reported as an equity return, when it was actually an overall rate of return. The tabulation shown above removes this apparent error. PUR Utility Regulatory News, December 26, 2003 (Letter #3649), at 2-5.

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1 already grown by \$34 million (\$36 million - \$2 million) in the first six months of
2 2004. During the second half of 2004, PPLEU anticipates paying the majority of its
3 2004 dividends to its parent company, which is expected to result in 2004 retained
4 earnings being slightly higher than the future test year projections as filed. Overall, the
5 Company's future test year projection of retained earnings is reasonable and should be
6 accepted.

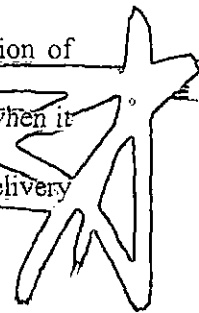
7 Cost of Common Equity

8 **Q. Returning to the issue of the cost of equity, Mr. Kahal's claims that the 9.5%**
9 **equity return that he proposes in this case is consistent with 11.5% equity return**
10 **granted by the Commission in the Company's last rate case. Please respond.**

11 A. As a preliminary matter, I acknowledge that interest rates have declined since the time
12 of the Company's last rate case. In 1995, the yield on A-rated public utility bonds was
13 in the 8% to 9% range, or an 8.5% midpoint. Today, the yield on A-rated public utility
14 bonds is approximately 6.25%. However, as I explained previously, interest rates are
15 projected to rise and a reasonable estimate of the yield on Aaa-rated corporate bonds in
16 2005 is in the range of 6.6% to 7.0%. The Commission's prior rate allowance in 1995
17 would have been influenced by many factors including market and regulatory
18 conditions and investor perceptions at that time and the likelihood that the risk
19 premium over the cost of debt can vary over time. It is overly simplistic to think that
20 the Commission can just update the prior cost of equity by the change in interest rates.

21 ~~For example, at the time of the Company's last rate case, the business position of~~
22 ~~PP&L was "average" (using a somewhat different scale than is used currently) when it~~
23 ~~was an integrated electric utility. Today, PPLEU, which is solely an electric delivery~~

not electric
or any of
all co



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1 utility, has business profile for "4," which places it near the midpoint of the entire
2 spectrum covering profiles "1" to "10," and as I will explain later is at the high end of
3 the range of risk for electric delivery utilities.

4 **Q. How do the recommendations by Messrs. Kahal and Deardorff compare to other**
5 **cost of equity allowances provided by the Commission?**

6 A. It is quite apparent that the cost of equity proposals by Mr. Kahal (i.e., 9.5%) and by
7 Mr. Deardorff (i.e., 8.75%) are substantially too low given the Commission's equity
8 return allowance of 10.6% in January 2004 for Pennsylvania-American Water
9 Company ("PAWC"). Likewise, the Commission determined that Aqua Pennsylvania,
10 Inc. ("API") was entitled to a 10.6% cost of equity according to the motion dealing
11 with that issue adopted at the Commission's public meeting on July 23, 2004. As
12 illustrated later in my response to Mr. Deardorff, prospective interest rates were about
13 0.5% lower and 0.3% lower, respectively, during the periods in which these cases were
14 litigated as compared to today. Yet, Mr. Deardorff and Mr. Kahal propose
15 substantially lower cost rates than those adopted by the Commission in these cases.

16 **Q. Do these rate case decisions for water utilities have any relevance to PPLEU,**
17 **which provides electric delivery service?**

18 A. Yes. Utilities engaged in delivery service, regardless of whether they provide potable
19 water, electricity, or natural gas share many risk traits. This is shown by comparing
20 the business profiles assigned during the credit rating analysis process by Standard &
21 Poor's Corporation ("S&P"). As noted in my direct testimony, the business profile
22 risk scale of "1" to "10" indicates increasing business risk as the numerical values
23 increase. Using the new S&P assignments announced on June 2, 2004, ninety-eight

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1 percent (98%) of all water, electric and natural gas delivery utilities have business
 2 profiles within the range of "1" to "4." On a comparative basis, the distribution of
 3 those business profiles, as taken from the list provided on Exhibit PRM-2, is:

	Business Profiles			
	1	2	3	4
Electric	23%	17%	37%	23%
Water	8%	50%	25%	17%
Natural Gas	16%	47%	25%	6%
Combination E&G	-	-	80%	20%
All Regulated Delivery	16%	33%	33%	15%

PPL EU

5 These comparisons reveal two facts. First, there is little difference among utility
 6 delivery companies, as a whole, whether they are engaged in the provision of potable
 7 water, electricity, or natural gas. Second, PPLEU now has a "4" business profile,
 8 which places the Company in the top quartile, or highest risk category of electric
 9 delivery companies. It is also revealing that all but one of the electric delivery
 10 companies in Pennsylvania have been assigned a "4" business profile. So while the
 11 business risk does not differ appreciably among utility-types, PPLEU and other electric
 12 delivery companies in Pennsylvania are near the top of the business risk spectrum.

13 **Q. Do the bond ratings of these utilities reveal a similar pattern?**

14 A. Generally, the credit quality is somewhat stronger for the water and natural gas utilities
 15 than for the electric delivery utilities. Here, the comparisons, taken from the list
 16 provided on Exhibit PRM-2, are:

	Corporate Credit Rating		
	AA	A	BBB
19 Electric	0%	40%	50%
20 Water	8%	92%	0%
21 Natural Gas	6%	56%	31%
22 Combination	-	60%	40%
23 All Regulated Delivery	4%	56%	34%

*What are the ratings for the S+P
 PPLEU -
 AQUA -
 PANC -*

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1 This comparison shows that the credit quality of the electric delivery utilities is below
2 that of its other delivery utilities. Essentially, the bond rating reflects an assessment of
3 both business risk (i.e., those revealed the profiles discussed above) and financial risk.
4 The overall conclusion is that the electric delivery companies have generally
5 somewhat higher credit risk.

6 **Q. How does this risk assessment impact the rate of return determination for**
7 **PPLEU in this case?**

8 A. There are three elements that the Commission should incorporate in its final rate of
9 return determination for PPLEU. First, the rate of return granted to an electric delivery
10 utility should not be less than that established for other utilities -- including the cost of
11 equity determined for water utilities. Second, PPLEU presently has a negative
12 outlook. S&P has stated:

13 "The negative outlook reflects the still weak credits metrics and the
14 uncertainty surrounding the outcome of the rate case, filed with the
15 PUC in March 2004. Although the company expects new PUC
16 rates to bolster its performance after 2004, if the new rates do not
17 result in an improvement in credit ratios, the ratings on PPLEU
18 will be lowered." ←

19
20 Third, the generally low "4" business profile scores for electric delivery utilities in
21 Pennsylvania shows that supportive regulation will be a key to maintaining the
22 financial integrity of the electric delivery business in the Commonwealth.

23 **Q. Turning to some of the specific comments regarding the cost of equity, the**
24 **opposing witnesses in this case have criticized your analysis that relied upon**
25 **market evidence for natural gas utilities. Please respond.**

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1 A. There are many parallels between the delivery of natural gas and electricity. However,
2 in some important aspects of the business, electric delivery utilities in Pennsylvania are
3 at a distinct disadvantage to the natural gas utilities. For example, natural gas
4 distribution utilities have the advantage of reconciled recovery mechanism for the cost
5 of natural gas delivered by the utility, natural gas has a fairly well developed
6 competitive market, and, for many natural gas utilities operating outside Pennsylvania,
7 they have a weather normalization feature in their tariffs. These features are missing
8 from electric delivery utilities in Pennsylvania and make electric delivery utilities more
9 risky.

10 **Q. With these advantages for the natural gas utilities, can you explain why the DCF**
11 **calculations for Gas Group indicate a higher cost of equity than for the Electric**
12 **Group that you considered?**

13 A. The question is not why the DCF results for the Gas Group are higher than the Electric
14 Group, but rather why the DCF results for the Electric Group are lower. In my
15 opinion, the results of the DCF for the Gas Group are far more reliable than those of
16 the Electric Group. As I explained in my direct testimony, the DCF results for the
17 Electric Group are suspect due to all of the uncertainties surrounding the structure and
18 future regulation of electric delivery utilities. Keep in mind that electric delivery
19 utilities are relatively new compared to gas delivery utilities. As such, the newness of
20 the electric delivery business and uncertain regulatory treatment means that the growth
21 rates for the Electric Group are more tenuous than for the Gas Group.

22 **Q. Please comment on the growth prospects for the Gas Group in light of Mr.**
23 **Kahal's observations along these lines.**

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1 A. As a response to Mr. Kahal's observation, the DCF growth rate that I used for the Gas
2 Group was within the array of analysts' growth forecasts, and not a simple average as
3 computed by Mr. Kahal. Even if I used the simple average of the growth rates that Mr.
4 Kahal computed (which I did not), the DCF cost rate for the Gas Group would provide
5 a return of 10.71% (4.18% + 5.74% + 0.79%) including the necessary adjustment
6 when defining this cost rate in terms of the book value capital structure.

7 **Q. Value Line has described its view of the investment fundamentals for the electric**
8 **utility business. Please describe this statement.**

9 A. As revealed in the June 4, 2004 issue of Value Line:

10 Eastern electric utility stocks, as a group, currently reside
11 at the bottom of the *Value Line* ranking system. These issues
12 have suffered in recent months, given rising inflationary
13 pressures and the increasing likelihood that the Federal Reserve
14 will soon begin to ramp up borrowing rates. Expanding fuel and
15 purchase power costs, outlays to ensure reliability, and employee
16 benefit expenses are pressuring net margins at many distribution
17 companies, particularly those still operating under electricity
18 price caps. A number of nonregulated merchant subsidiaries
19 continue to deal with capacity rich markets.

20
21 We advise utility investors to stick to equities offering a
22 yield and dividend growth at, or above, the industry averages.
23 Too, investors should focus on companies that have low-cost
24 generation, access to competitive markets, and stable finances.

25
26 These fundamentals bear directly on the rate of return on common equity for PPLEU.

27 **Q. Mr. Kahal makes a variety of contentions that coverage and cash flow under his**
28 **9.5% recommendation will meet certain credit quality benchmarks. Please**
29 **comment.**

30 A. There are a variety of problems with Mr. Kahal's analysis. First, he assumes 9.5% will
31 be earned by the Company, and this is an unlikely scenario given the significant capital

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1 expenditures for the future and rising interest rates. The rejection of the Company's
 2 DSIC proposal by the opposing parties also would hinder its ability to achieve the
 3 allowed return. Second, Mr. Kahal's analysis does not reflect the updated PPLEU
 4 business position of "4" under the S&P release on June 2, 2004.

5 Even assuming that the Company could actually achieve the rate of return
 6 proposed by the OCA, the credit quality matrix is revealed below and is supported by
 7 details provided in Exhibit PRM-3 that was prepared by the Company. The
 8 benchmarks that the Company employs in gauging its credit quality measures are
 9 provided on Exhibit PRM-4. The benchmarks shown on Exhibit PRM-4 were taken
 10 from the matrices published by S&P, with modification to signify notches within a
 11 rating for plus (+) and minus (-). Also, the June 2, 2004 matrices published by S&P
 12 cover the categories of Funds from operations/Total debt, Funds from operations
 13 interest coverage, and Total debt/Total capital. The remaining two categories were
 14 taken from benchmarks criteria that were formerly published by S&P.

S&P Ratings Criteria Applied to Projections with OCA's Proposal

<u>PPL Electric</u>	<u>Business Profile "4"</u>			
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Funds from operations / Total debt %	BBB	BBB	BBB	BBB
Funds from operations interest coverage (x)	A	A	A-	A-
Pretax interest coverage (X)	A	A	A-	BBB+
Total debt / Total capital (%)	A	A	A	A
Net cash flow / Capital expenditures (%)	BBB	BBB	BBB	BBB

15
 16 From the tabulation shown above, the OCA's proposal is only marginally supportive
 17 of the Company's current A- bond rating and will not provide the Company with any

Why should it?

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1 cushion to deal with any adverse contingencies that may preclude the Company from
2 actually achieving these benchmarks. Remember, the Company currently has a
3 negative outlook from S&P for its bond rating. Moreover, the OCA's proposal
4 provides the Company with an inadequate opportunity to achieve the higher A credit
5 quality rating.

6 **Q. Turning next to Mr. Kahal's proxy group, does it provide an improvement on**
7 **your Electric Group?**

8 A. No. Mr. Kahal proposes to eliminate two companies from my Electric Group and add
9 another company. Removing the two electric companies operating in Vermont and
10 adding another electric company operating in Connecticut, provides no improvement
11 in the composition of the proxy group. The deletions and addition of companies to my
12 group does not comply with the objectively determined selection criteria set forth in
13 my direct testimony. Mr. Kahal acknowledges that Connecticut company has an
14 unusually low growth rate. Moreover, the Connecticut electric utility that Mr. Kahal
15 proposes to include does not have earnings that are adequate cover its actual dividend
16 and is not projected to do so for 2004, 2005 and for the period 2007-09 according to
17 Value Line. Due to inadequate earnings, Value Line is advising investors to avoid this
18 stock, in spite of its high yield. He also seems to acknowledge that the two Vermont
19 companies tend to increase the growth rate. As such, there is no need to alter my
20 Electric Group unless the objective is to lower the growth rate.

21 **Q. In his direct testimony, Mr. Kahal provides retention growth estimates as one**
22 **measure of the DCF growth rate. Will you comment?**

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1 A. This special form of the DCF merely adjusts the assumed return on book common
2 equity by the difference between the dividend yield on book value and the dividend
3 yield on market value. Retention growth along with external financing growth is
4 another means of describing book value per share growth. A key component of
5 retention growth is the assumed return on book common equity. Specifically, Mr.
6 Kahal's proxy group is forecast to earn a 10.4% return on book equity according to
7 Value Line. This is further evidence that investors expect an equity allowance in the
8 10% to 12% range, since investors expect these companies to actually earn 10.4%.
9 Mr. Kahal does not explain how his proxy group will earn a 10.4% return on equity, if
10 the cost of equity is set by the commissions that regulate these companies at just
11 9.50%.

12 **Q. With regard to the growth component of the DCF formula, do you believe that a**
13 **3.5% to 4.5% growth rate recommended by Mr. Kahal is reasonable for his**
14 **proxy group?**

15 A. The industry specific and macroeconomic factors discussed in my direct testimony
16 show that growth rates for electric utilities are cyclically depressed at this time.
17 Moreover, the additional Value Line growth measures shown on page 4 of Schedule
18 MIK-4 are not the actual values published by Value Line. Investors would likely
19 consider first the growth rates actually published by Value Line, rather than engaging
20 in independent calculations of growth. To be consistent with the reporting of Value
21 Line earnings per share growth shown on page 3 of Schedule MIK-4, the actual values
22 would be as follows:

thus overstating growth from 2002-4 to 2007-9

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	<u>Company</u>	Additional Value Line Growth Measures		<u>Retained Earnings</u>
		<u>2007-2009</u>		
		<u>Dividends</u>	<u>Book Value</u>	
5	C.H. Energy		1.0%	2.0%
6	Consolidated Edison	1.0%	2.5%	1.5%
7	Duquesne Light	-4.0%	5.0%	5.5%
8	Energy East	4.0%	3.0%	2.5%
9	Northeast Utilities	8.5%	4.5%	6.0%
10	NSTAR	2.5%	4.0%	4.5%
11	PEPCO	16.0%	1.5%	5.0%
12	UIL		-1.0%	
13	Central Vermont	3.5%	4.0%	4.5%
14	Green Mountain	<u>12.5%</u>	<u>3.5%</u>	<u>5.0%</u>
15	Average	5.5%	2.8%	4.1%

16 **Q. If forecast dividend share growth were incorporated into Mr. Kahal's DCF cost**
 17 **rate, what would be the result?**

18 A. As supported by the reasoning advocated by DOD witness Mr. Kincel, the DCF cost
 19 rate would become:

$$D/P \quad (1 + .5g) + g = k$$

$$4.66\% \quad (1.0275) + 5.5\% = 10.29\%$$

22 This DCF result is without the leverage adjustment that the Commission has recently
 23 utilized in its rate of return determinations. If that adjustment were included the DCF
 24 cost rate would be increased to 10.73% (10.29% + 0.44%).

25 **Q. Mr. Kahal criticized the leverage adjustment that you propose to account for the**
 26 **divergence of market capitalization and book value capitalization. Please**
 27 **comment.**

28 A. It must be recognized that, in order to make the DCF results relevant in the ratesetting
 29 context, the market-derived cost rate cannot be used without modification. The
 30 importance of the leverage modification to the DCF results was fully supported in my

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1 direct testimony, wherein it was shown that the market value of the equity in the
2 Electric Group's and Gas Group's capitalization was much higher than its book value.
3 To make the market-derived DCF results applicable in the ratesetting context, it is
4 necessary to account for the higher financial risk that arises from the lower common
5 equity ratio measured by book value capitalization as compared to the higher common
6 equity ratio measured by market capitalization. Because book value capital structures
7 are used instead, my adjustment procedure is required.

8 **Q. Mr. Kahal claims that regardless of whether your leverage adjustment is**
9 **necessary, it has been incorrectly calculated. Please respond.**

10 A. My adjustment is accurately calculated. It employs the FAS 107 data that each
11 company must report in the financial statements filed with the SEC. Generally, these
12 data exclude short-term debt, and Mr. Kahal offers absolutely no proof the market
13 versus book value differences is "perhaps to 2 percentage points." Even if short-term
14 debt were to be included in the calculation, it would affect both the market
15 capitalization and the book value capitalization. Hence, Mr. Kahal has not proven his
16 point. Recall, the adjustment must be made with the same set of companies, i.e., the
17 market capitalization for Electric Group. Although the book value of PPLEU's capital
18 structure ratios are between the market capitalization and book value capitalization of
19 the Electric Group, the Company's relatively high business risk for an electric delivery
20 utility (as shown by its "4" business profile) mandates a relatively stronger equity ratio
21 to offset its higher business risk.

22 **Q. Mr. Kahal also argues that the adjustment is counterintuitive because the higher**
23 **the stock price then the higher is the adjustment. Please respond.**

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1 A. As a preliminary matter, the application of my leverage adjustment does not encourage
2 higher market prices because the adjustment is calculated based on a specific market
3 price. The adjustment is necessary because the DCF produces the investor required
4 return on the current market price not the return on the book value capitalization. The
5 leverage adjustment adds stability to the DCF cost rate. If the market capitalization
6 increases relative to its book value, the leverage adjustment increases while the simple
7 yield (D/P) plus growth (g) result declines. There is nothing counterintuitive about the
8 adjustment. The reverse is also true, i.e., when the market capitalization declines, the
9 leverage adjustment also declines as the simple yield (D/P) plus growth (g) result
10 increases. That is to say, the DCF cost rate shown by the simple yield plus growth
11 declines when market price goes up, but higher market prices can be attributed to a
12 variety of factors that relate to market sentiment, which is unassociated with a
13 company's underlying fundamentals. As explained elsewhere, this indicates that
14 models other than just DCF should be used to measure the cost of equity.

15 **Q. Mr. Kahal has used a market premium that is derived from a total market return**
16 **of 11% to 12%. Will you comment?**

17 A. It is important when using the CAPM that the total market return (combination of the
18 risk free rate of return and the market risk premium) reflect reasonable expectations for
19 the future. The total market return for 2003 was 28.70% for the S&P Composite
20 Index. While the year-to-date returns for the S&P Composite Index have been just
21 7.00% on an annualized basis for 2004, a simple DCF return for the S&P Composite
22 Index would provide a 12.55% (1.70% (1.0538) + 10.76%) return based upon the
23 earnings forecast contained in the data provided by Mr. Kahal. Moreover, the July 23,

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1 2004 Value Line forecast provides a 12.37% total market return.² This shows that an
2 11% to 12% total market return is too low for use in the CAPM and the range should
3 be 12% and higher. Therefore, Mr. Kahal has understated the cost of equity in his
4 CAPM analysis.

5 **Q. Do you agree with the betas that Mr. Kahal used in his CAPM calculation?**

6 A. Only in part. While I agree that the Value Line betas can be used as a starting point,
7 they must be unlevered and relevered for the same reasons indicated above regarding
8 the leverage difference between the market and book value capitalization.

9 **Q. Does the trend toward higher interest rates help explain the understatement of**
10 **the CAPM cost rate proposed by Mr. Kahal?**

11 A. Yes. By using a current interest rate of 5.0% to 5.5% as compared to a prospective
12 interest rate of 6.0% during the rate effective period, Mr. Kahal has understated the
13 CAPM cost rate. Mr. Kahal claims that he prefers to rely on current known interest
14 rates. However, it is critical to reflect investors' expectations of higher interest rates in
15 the future under current circumstances. Mr. Kahal compounded this omission by also
16 rejecting the size adjustment through his focus on the parent company, PPL
17 Corporation. We are setting the cost of common equity allowance for PPLEU not PPL
18 Corporation. PPLEU is clearly smaller than companies used in the CAPM market
19 return and as recognized by Mr. Kahal would be no better than a mid cap company on
20 a stand alone basis. Relying on the size of PPL Corporation to reject the CAPM size
21 adjustment, when considered in conjunction with Mr. Kahal's refusal to reflect higher

² The estimated median appreciation potential is forecast to be 50% for 3 to 5 years hence. The annual capital gains yield at the midpoint of the forecast period is 10.67% (i.e., $1.50^{25} - 1$). With a median dividend yield of

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1 prospective interest rates, indicates that Mr. Kahal is attempting to adjust his CAPM
2 analysis downward to support his inadequate DCF result. To recalculate, Mr. Kahal's
3 CAPM with forecast interest rates and the size adjustment, the return would be:

4 $RF + \beta (Rm-Rf) + size = k$
5 $6.0\% + .69 (12.25\% - 6\%) + 0.82\% = 11.13\%$

6 Again, I note that the betas should be adjusted for the book value capitalization rather
7 than the market value capital that is used above. If the betas are adjusted the CAPM
8 result is as follows:

9 $RF + \beta (Rm-Rf) + size = k$
10 $6.0\% + .73 (12.25\% - 6\%) + 0.82\% = 11.38\%$

11 **Q. Please comment further on Mr. Kahal's observation that the size of PPL
12 Corporation negates the need for a size adjustment to the CAPM.**

13 **A.** Mr. Kahal's attempt to disregard the size adjustment further demonstrates that he
14 refuses to recognize the risks of PPLEU. Indeed, my size adjustment to the CAPM is
15 not related to PPL Corporation because it is based on the market capitalization of the
16 Electric Group and the Gas Group. Mr. Kahal's reference to PPL Corporation merely
17 shows that he is attempting to ignore the Company's risk characteristics, as displayed
18 by the proxy groups.

19 **Q. Please respond to Mr. Kahal's testimony concerning your Risk Premium
20 approach that utilizes historical returns as one method to determine the
21 prospective risk premium.**

1.7%, the total market return is 12.37% (1.7% + 10.67%).

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1 A. Mr. Kahal indicates that there is no evidence that after-the-fact historical returns are
2 employed today by investors. Mr. Kahal, however, offers no evidence that investors
3 are not influenced by historical returns. Indeed, the widespread use of these data in the
4 financial community indicates that these data do have an influence on investors. The
5 Ibbotson data that reports historical returns has been cited on 312 occasions in The
6 Wall Street Journal and Barron's since 1996. Importantly, the use of historical data
7 provides an objective basis to observe trends and relationships between variables. Past
8 performance, after all, provides the only data that can be statistically analyzed with any
9 degree of precision. I seriously doubt that investors would not apprise themselves of
10 historical performance prior to undertaking an investment.

11 **Q. Mr. Kahal raises the issue of market returns versus book returns in his critique of**
12 **your Comparable Earnings approach. Please comment.**

13 A. The introduction of the market versus book returns, as part of his critique of my
14 Comparable Earnings method, provides belated recognition of the factors I discussed
15 above regarding the DCF and CAPM.

16 Mr. Kahal argues that investors' ultimate interest is a company's market return-
17 - the return rate achieved on the market price paid. Mr. Kahal seems to imply that
18 returns less than those shown by the Comparable Earnings method will be realized by
19 investors because they are returns on book value and not market prices. However, this
20 admission goes to the core of the infirmity of unadjusted DCF and CAPM results when
21 applied to book value. Since these analyses produced return rates on market
22 capitalization, they must be adjusted to determine the investor expected return rate on
23 book value.

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IV. Response to OTS witness Deardorff

Q. What is your overall assessment of the cost of equity proposed by OTS witness Mr. Deardorff?

A. In my experience, an 8.75% rate of return on common equity proposal is unprecedented in a rate case before this Commission for an electric utility. It is wholly inadequate especially during a period of rising interest rates.

In 2003, Mr. Deardorff submitted rate of return testimony where he advocated an equity return in the range of 9.25% to 10.00% for PAWC, when the forecast yields on Aaa-rated corporate bonds were 5.5% to 6.4% over the near-term. In 2004, he advocated a 9.50% to 10.00% rate of return on common equity for API when forecast the yields on Aaa-rated corporate bonds were 5.7% to 6.6% over the near-term. In this case, Mr. Deardorff proposes an 8.75% to 9.00% rate of return on common equity when the forecast yields on Aaa-rated corporate bonds are 6.0% to 6.9% over the near-term. The relative changes in his position were:

	<u>ROE Proposal</u>	<u>Change</u>	<u>Aaa-Corporate Bond yield</u>	<u>Change</u>
PAWC	10.00%		5.5%	
API	9.50%	- 0.50%	5.7%	+0.2%
PPLEU	8.75%	- 0.75%	6.0%	+0.3%

It just makes no sense that when interest rates are rising Mr. Deardorff is proposing a lower rate of return on common equity. Essentially, he has reduced his risk premium from 4.5% (10.00% - 5.5%) in the PAWC case, to 3.8% (9.50% - 5.7%) in the API case, to 2.75% (8.75% - 6.0%) in the PPLEU case. There is no justification for these

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1 actions. It is also useful to compare the relative business profiles and credit quality for
 2 PPLEU to PAWC and API. Those comparisons are:

	<u>S&P Business Profile</u>	<u>S&P CCR</u>
3 PAWC ³	2	A
4 API	2	A+
5 PPLEU	4	A-

} what is the range

9 **Q. Mr. Deardorff has selected the low point in his range of returns in the case for**
 10 **PPLEU. Is this reasonable?**

11 A. No. Mr. Deardorff claims to select the low point in his range for PPLEU to reflect
 12 differences in financial risk. He also selected the low point in his range in the case of
 13 API and he selected the top of his range in PAWC, in each instance due to financial
 14 risk differences.

15 His selection of the low point in his range for PPLEU is in marked contrast to
 16 the other cost of equity experts in this case. Indeed, Mr. Kahal recommended the
 17 upper end of his 8.5% to 9.5% range for PPLEU. Mr. Kincel recommended a 10.75%
 18 equity return, which is in the top half of his range of 10.25% to 11.00%. In contrast to
 19 Mr. Deardorff's position, Mr. Kahal and Mr. Kincel have recognized additional factors
 20 which strongly support an equity return for PPLEU which is substantially above the
 21 low point of the range advocated by Mr. Deardorff.

22 **Q. What credit quality profile would be provided, as an opportunity, with OTS'**
 23 **proposed rate relief?**

24 A. Again, the proposals by the parties in this case provide merely an opportunity to

³ The business profile and credit rating is for American Water Capital Corp. the financing vehicle used by

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1 experience a particular level of return and credit quality. In addition, with the
 2 opposition to the DSIC by the OTS, such opportunity will be even more difficult to
 3 achieve. Based upon the entire matrix of leverage, pre-tax coverage, and cash flow
 4 benchmarks and the Company's recalibrated "4" business profile, it is incorrect to
 5 conclude that Mr. Deardorff's recommendation will maintain the Company's A- bond
 6 rating. The following table provides a summary of this assessment based upon the
 7 forecasts provided in Exhibit PRM-5, which were prepared by the Company.

S&P Ratings Criteria Applied to Projections

<u>PPL Electric</u>	<u>Business Profile "4"</u>				
	2004	2005	2006	2007	2008
Funds from operations / Total debt %	BBB-	BBB	BBB	BBB	BBB
Funds from operations interest coverage (x)	BBB	A-	A-	BBB+	BBB+
Pretax interest coverage (X)	BB	BBB+	BBB+	BBB	BBB
Total debt / Total capital (%)	A	A	A	A	A
Net cash flow / Capital expenditures (%)	A-	BBB	BBB	BBB	BBB

19 Clearly, Mr. Deardorff's proposed cost of equity for PPLEU will encourage a
 20 downgrade of the Company's bond rating. Further, I note that Mr. Deardorff's
 21 proposal would provide an inadequate profile at the current business position of "4."
 22 If the Commission were to drastically reduce the return allowance as proposed by Mr.
 23 Deardorff, PPLEU's business profile could worsen subjecting it to even higher
 24 standards to achieve a particular bond rating.

25 **Q. Would the use of cost of equity methods other than DCF, as applied to the electric**
 26 **barometer group reveal that Mr. Deardorff's proposed rate of return on common**
 27 **equity is much too low?**

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1 A. His recommendation is too low due to sole reliance on DCF, which the Commission
2 recognizes understates cost of common equity, without adjustment. If Mr. Deardorff
3 had employed other methods/models of the cost of equity and/or used proxy groups of
4 non-electric companies, he would have discovered that his recommendation is too low.

5 **Q. Mr. Deardorff challenges the ex-dividend adjustment in the calculation of your**
6 **dividend yields. Please respond.**

7 A. Mr. Deardorff challenges my consideration of the timing of the dividend payments
8 relative to the ex-dividend date. He claims there is no academic support for the
9 adjustment and that there are no financial publications that provide ex-dividend
10 adjusted yields.

11 As to Mr. Deardorff's first point, there has been extensive academic research
12 on the impact of the ex-dividend on stock prices. I am aware of at least five academic
13 studies that indicate that stock prices react to the ex-dividend factor⁴. As to Mr.

⁴ Avner Kalay, "The Ex-Dividend Day Behavior of Stock Prices: A Re-examination of the Clientele Effect," *Journal of Finance*, 37 (September 1982), 1059-70; Keneth M. Eades, Patrick J. Hess, and E. Han Kim, "On Interpreting Security Returns During the Ex-Dividend Period," *Journal of Financial Economics*, 13 (March 1984), 3-34; Patrick J. Hess, "The Ex-Dividend Day Behavior of Stock Returns: Further Evidence on Tax Effects," *Journal of Finance*, 37 (May 1982), 445-56; James M. Poterba and Lawrence H. Summers, "New Evidence That Taxes Affect the Valuation of Dividends," *Journal of Finance*, 39 (December 1984), 1397-1416; Michael Barclay, "Tax Effects with No Taxes? Further Evidence on the Ex-Dividend Day Behavior of Common Stock Prices," working paper, Stanford University (September 1984); and Costas P. Kaplanis, "Options, Taxes, and Ex-Dividend Day Behavior," *Journal of Finance*, 41 (June 1986), 411-24.

See Kalay, "The Ex-Dividend Day Behavior of Stock Prices"; Jerry Green, "Taxation and the Ex-Dividend Day Behavior of Common Stock Prices" working paper. National Bureau of Economic Research, Cambridge, Mass (1980); and Hess, "The Ex-Dividend Day Behavior of Stock Returns." Black and Scholes, "The Effects of Dividend Yield and Dividend Policy on Common Stock Prices and Returns."

Miller and Scholes, "Dividends and Taxes." See Marshall Blume, "Stock Returns and Dividend Yields: Some More Evidence." *Review of Economics and Statistics*, 62 (November 1980), 567-77.

Edwin J. Elton and Martin J. Gruber, "Marginal Stockholder Tax Rates and the Clientele Effect," *Review of Economics and Statistics*, 52 (February 1970), 68-74.

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1 Deardorff's second point, the ex-dividend dates are routinely reported in the financial
2 press, and they are widely available on the internet. Moreover, the Barron's source
3 that Mr. Deardorff has used for his stock prices, as well as The Wall Street Journal,
4 identifies when stocks trade ex-dividend (i.e. the purchaser of the stock will not be
5 entitled to receive the next dividend). In addition, the SEC explained:

6 "With a significant dividend, the price of a stock may move up by
7 the dollar amount of the dividend as the ex-dividend date
8 approaches and then fall by that amount after the ex-dividend date.
9 A stock that has gone ex-dividend is marked with an "x" in
10 newspapers on that day."
11

12 The Wall Street Journal signifies the lack of a pricing change attributed to the ex-
13 dividend by the "x" notation in its stock listings although the actual price declines by
14 the amount of the dividend on that day. Mr. Kincel has also correctly employed the
15 ex-dividend into his computation of the dividend yield.

16 **Q. Please respond to Mr. Deardorff's growth rate analysis?**

17 A. The data that he used to develop his growth rate contains an error⁵ and is based on
18 Value Line reports that are out-of-date. Using the June 4, 2004 Value Line reports, the
19 Value Line growth rates are:
20

⁵ Mr. Deardorff misplaced the decimal for the Value Line dividend growth for PEPCO, resulting in a corrected average of 6.83% for the Nine Company Average and 7.83% for the Six Company Average.

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Value Line Expected Growth Rates
for the Barometer Group of Electric Companies

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<u>Company</u>	<u>Dividend Growth</u>	<u>Earnings Growth</u>
CH Energy Group		0.5%
Central Vermont PS	3.5%	7.5%
Consolidated Edison	1.0%	-1.5%
Duquesne Light Holdings	-4.0%	11.0%
Energy East Corp.	4.0%	1.0%
Green Mountain Power	12.5%	3.5%
Northeast Utilities	8.5%	10.0%
NSTAR	2.5%	3.0%
Pepeco Holdings	16.0%	3.5%
Nine Company Average	4.9%	4.3%
Six Company Average	4.7%	4.5%
PPL Corporation	7.0%	5.5%

15 **Q. Will you provide the resulting DCF return using the Value Line dividend growth**
16 **rates?**

17 **A. With the Value Line dividend growth rates shown above, Mr. Deardorff's DCF return**
18 **would be as follows:**

	<u>Average Dividend Yield</u>	+	<u>Growth Rate</u>	=	<u>Return</u>
Six Company Group	5.02%		4.70%		9.72%
Nine Company Group	4.83%		4.90%		9.73%
PPL Corporation	4.05%		7.00%		11.05%

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1 These DCF results are calculated without the necessary adjustment that relate the
2 returns to the book value capitalization and would be increased by 0.44% for that
3 adjustment related to the six and nine company groups, i.e., 10.16% (9.72% + 0.44%)
4 and 10.17% (9.73% + 0.44%), respectively.

5 **Q. Please respond to Mr. Deardorff's criticism of your leverage adjustment.**

6 A. Mr. Deardorff's critique of my adjustment mischaracterizes it as an adjustment for
7 market/book ("MB") ratios. This adjustment contains no factor that would express the
8 DCF return for any particular market-to-book ratio. Perhaps, it is worthwhile to recap
9 the procedure used in making my adjustment. This is a three step process, the first and
10 third steps having multiple parts. In step one, the DCF cost of equity is calculated
11 using the market price of stock and the capital structure ratios are computed from the
12 market capitalization of both the debt and equity of a firm. In step two, a completely
13 unlevered cost of equity is calculated, as if the firm were 100% equity financed. In the
14 third step, a relevered cost of equity is calculated with the capital structure determined
15 from the book value capitalization. There is absolutely no reference to MB ratios in
16 the process of adjusting the DCF return for application to the book value capitalization.

17 In further response to Mr. Deardorff's specific points, first it is a misperception
18 that market prices in excess of book value are symptomatic of earnings that exceed a
19 firm's cost of capital. Mr. Deardorff fails to realize that stock prices above book value
20 are common for utility stocks, and indeed for all of the major market indexes.
21 According to the Barron's issue of May 24, 2004 (the one relied upon by Mr.
22 Deardorff), utility stocks were trading at a multiple of 1.87 times book value, the S&P
23 500 index was trading at 3.37 times book value, the S&P Industrial index was at 3.99

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1 times book value, and the Dow Jones Industrial index was trading at 4.36 times book
2 value. It is difficult to accept that the vast majority of all firms with publicly traded
3 stocks are generating returns far in excess of their cost of capital. Certainly, in our
4 free-market economy, competition should constrain such "excesses" if they indeed
5 existed.

6 **Q. But does not your leverage adjustment encourage higher MB ratios?**

7 A. No. Mr. Deardorff also claims that my leverage adjustment will encourage even
8 higher MB ratios. *The magnitude of the leverage adjustment is affected by all of the*
9 *factors listed above. During a period of rising MB ratios, the sum of the simple yield*
10 *(D/P) plus growth (g) will decline. That is to say, the DCF cost rate shown by the*
11 *simple yield plus growth declines when the market price goes up but a higher market*
12 *price could be attributed to a variety of factors that relate to market sentiment, which is*
13 *unassociated with a company's underlying fundamentals.*

14 In this regard, it is important to recognize that the leverage adjustment is
15 affected by changes in various factors, including changes in market capitalization and
16 book capitalization, the components of yield and growth, and the overall level of
17 capital costs as revealed by the cost of debt and preferred stock.

18 **Q. What about Mr. Deardorff's assertion that your adjustment is not consistent with**
19 **standard finance theory?**

20 A. That claim is baseless. My adjustment is entirely consistent with financial theory.
21 Among other factors, the adjustment takes into consideration the proportions of debt
22 and equity in the market capitalization of a firm. The calculations that I performed to
23 identify the adjustments are not performed with different firms with varying risk

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1 levels, as would be inferred from Mr. Deardorff's quote from my direct testimony.
2 Rather, I utilized the same set of companies to calculate the adjustment starting first
3 with the market value of debt and equity and ending with the book value of debt and
4 equity for the same companies. Again, Mr. Deardorff's observations are misplaced
5 because he perceives the adjustment to be a function of MB ratios, when it is not.

6 **Q. Mr. Deardorff also references your testimony in a 20-year old case involving Blue**
7 **Mountain Consolidated Water Company. Is there any merit to this criticism?**

8 A. No. In its decision on remand, the Commission noted that over a period of years it is
9 relatively easy to discern the trends in market-to-book ratios which, when compared to
10 performance in other financial ratios, can give an indication of the proper return the
11 Commission must award to assure reasonable access by public utilities to the major
12 capital markets. The trends in market-to-book ratios during that period were
13 substantially different from today. At the time that case was litigated, market-to-book
14 ratios for the broad market generally fluctuated around a relatively narrow band where
15 market prices were approximately equal to book value. That is to say, the Dow Jones
16 Industrial Average market to book ratios for quite a number of years in the late 1970s
17 were about equal to book value. And, there was no large change during that period in
18 those market-to-book ratios for the broad market.

19 **Q. How have stock prices performed over the last 20 years?**

20 A. Prices have moved markedly higher than book value. So, while the market-to-book
21 ratio of the DJI was around book value in the late 1970s, today the DJI is 436% of
22 book value. The capital markets today are markedly different than those that existed at
23 the time of the Blue Mountain case. I should also note that, the Commission has never

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1 attempted to control market prices, nor could it. Moreover, the Blue Mountain case
2 relied heavily on earnings/prices ratios to set the return on equity. There are virtually
3 no similarities between Blue Mountain and this case.

4 **Q. Please respond to Mr. Deardorff's comments regarding your Risk Premium and**
5 **CAPM approach.**

6 A. Mr. Deardorff makes the unfounded assertion that, although the Risk Premium and
7 CAPM methods are relevant to investment decision making, they may be ignored in
8 the public utility ratesetting process. In fact, it is precisely because investors consider
9 the results of other methods that they too should be used in addition to the DCF in the
10 development of the cost of equity in this proceeding. Mr. Deardorff's assertion that
11 the Risk Premium method does not measure the current cost of equity as directly as the
12 DCF is similarly without foundation. First, the Risk Premium approach uses current
13 and forecast interest rate data, which represents the major component of the cost of
14 equity expressed in terms of this model. Second, I do not claim that there is a
15 "constant" risk premium, nor do my calculations imply that there is one.

16 Historical data must be used cautiously because the analyst must be cognizant
17 of fundamental changes that have occurred. Historical data, when used for analytical
18 purposes, must be sufficiently broad to account for trends and cyclical variations. To
19 the extent that the future is expected to diverge from the past, adjustments can be made
20 to the results of the historical analysis to accommodate perceived changes in risks
21 which may occur in the future. Any analyst, including myself, must formulate
22 judgments about the future based upon knowledge gleaned from past performance.
23 Past performance, after all, provides the only data that can be statistically analyzed

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1 with any degree of precision. Judgments can then be made to accommodate
2 expectations about the future that may diverge from the past. As explained in my
3 direct, the use of expected market returns produces greater risk premiums than historic
4 returns. An investor would consider both in determining an expected return. Finally,
5 Mr. Deardorff's reference to the Fama/French model merely requires consideration of
6 additional factors to explain stock returns. Fama/French identified the factors
7 associated with the size of a firm and its book-to-market ratio as elements to be
8 considered. Mr. Deardorff apparently chose to ignore these elements in his analysis.

V. Summary

9
10 **Q. Please summarize your Rebuttal Testimony.**

11 A. The central issue concerning the cost of equity in this case relates to whether the final
12 determination will reflect capital market fundamentals that are likely to exist during
13 the rate effective period and will provide returns expected by investors. With forecasts
14 of higher interest rates, the cost of equity proposals by the OCA and OTS are far too
15 low relative to investors' expectations, even in today's markets. It is clear that
16 investors' expectations of allowed returns for electric delivery utilities are in the range
17 of 10% to 12%. Of the proposals by all parties, only the Company's proposed 11.50%
18 cost of equity and the DOD's proposed 10.75% cost of equity fall within this range. In
19 order to adequately reflect the risk of an electric delivery utility in Pennsylvania,
20 PPLEU's specific risks, and the Company's management efficiency, a return of
21 11.50% is appropriate in this case.

22 **Q. Does this conclude your direct testimony?**

23 A. Yes.

S&P Composite Credit Rating and Business Profile

Number of Companies	CCR					Profile						
	AA	A	BBB	BB	B	1	2	3	4	5	6	
Water	Baton Rouge Water Works Co	Aqua Pennsylvania Elizabethtown Water Co California Water Service Co Connecticut Water Serv. Inc. Aqueduct Water Co. of CT American Water Capital Corp Middlesex Water Co The York Water Co. Southern California Water Co United Water New Jersey United Water works				Baton Rouge Water Works Co	Aqua Pennsylvania Elizabethtown Water Co Connecticut Water Serv. Inc. Aqueduct Water Co. of CT American Water Capital Corp The York Water Co	California Water Service Co Middlesex Water Co. Southern California Water Co	United Water New Jersey United Water works			
Gas	Nor Gas Co Washington Gas Light Co	New Jersey Natural Gas Co. KeySpan Energy Delivery NY Duesler Gas Co Southern California Gas Co Northwest Natural Gas Co. NSTAR Gas Co. Piedmont Natural Gas Co., Inc. Laclede Gas Co Boston Gas Co. Colorado Gas Co Allegany Gas Corp Atlanta Gas Light Co Public Service Co. of NC, Inc. Wisconsin Gas Co. North Shore Gas Co Peoples Gas Light & Coke Co. ONEOK Inc. Indiana Gas Co. Inc.	Conoco Natural Gas Corp. South Jersey Gas Co Connecticut Natural Gas Corp Southern California Gas Co Yankee Gas Services Co NUI Utilities Inc. Bay State Gas Co Southwest Gas Corp. Southern Union Co TXU Gas Co	NUI Utilities Inc. SEMCO Energy Inc.		New Jersey Natural Gas Co. KeySpan Energy Delivery NY Southern California Gas Co. Northwest Natural Gas Co. Indiana Gas Co. Inc.	Nor Gas Co Washington Gas Light Co NSTAR Gas Co Piedmont Natural Gas Co., Inc. Boston Gas Co. Colorado Gas Co Alabama Gas Corp Atlanta Gas Light Co Public Service Co. of NC, Inc. Wisconsin Gas Co. North Shore Gas Co Peoples Gas Light & Coke Co Cascade Natural Gas Corp South Jersey Gas Co Bay State Gas Co	Duesler Gas Co Laclede Gas Co Connecticut Natural Gas Corp Southern Connecticut Gas Co Yankee Gas Services Co Southwest Gas Corp Southern Union Co TXU Gas Co	UGI Utilities Inc. NUI Utilities Inc.	SEMCO Energy Inc.	ONEOK Inc.	
Electric		KeySpan Energy Delivery Long Island Boston Edison Co. Commonwealth Electric Co Cambridge Electric Light Co Massachusetts Electric Co Narragansett Electric Co Consolidated Edison Co. of NY Orange and Rockland Utilities Inc. Rockland Electric Co. PPL Electric Utilities Corp. Commonwealth Electric Co Central Illinois Public Service Co	Western Massachusetts Elec. Co Central Maine Power Co Atlantic City Electric Co Potomac Electric Power Co Delmarva Power & Light Co. Connecticut Light & Power Co. AEP Texas Central Co AEP Texas North Co Columbus Southern Power Co Ohio Power Co Centerpoint Energy Houston Elec. Duquesne Light Co Jersey Central Power & Light Co Metropolitan Edison Co Pennsylvania Electric Co	Texas-New Mexico Power Co	Potomac Edison Co West Penn Power Co	KeySpan Energy Delivery Long Island Boston Edison Co Commonwealth Electric Co Cambridge Electric Light Co Massachusetts Electric Co Narragansett Electric Co Western Massachusetts Elec. Co	Consolidated Edison Co. of NY Orange and Rockland Utilities Inc. Rockland Electric Co AEP Texas Central Co AEP Texas North Co	Central Illinois Public Service Co Central Maine Power Co Atlantic City Electric Co Potomac Electric Power Co Delmarva Power & Light Co. Connecticut Light & Power Co. Columbus Southern Power Co Ohio Power Co. Centerpoint Energy Houston Elec. Potomac Edison Co West Penn Power Co	PPL Electric Utilities Corp Commonwealth Edison Co. Duquesne Light Co. Jersey Central Power & Light Co. Metropolitan Edison Co. Pennsylvania Electric Co Texas-New Mexico Power Co			
Combination		Niagara Mohawk Power Corp. Central Hudson Gas & Elec. Co PEPCO Energy Co	Baltimore Gas & Electric Co. Public Service Electric & Gas Co					Niagara Mohawk Power Corp. Central Hudson Gas & Elec. Co. Baltimore Gas & Electric Co. Public Service Electric & Gas Co	PEPCO Energy Co			

S&P Ratings Criteria Applied to Projections

PPL Electric

Business Profile "4"

	2005	2006	2007	2008
Funds from operations / Total debt %				
Funds from operations - unadjusted	515	545	555	569
Adjustments				
Less ITC Amortization	(261)	(284)	(295)	(313)
Less: Working capital changes	-	-	-	-
Less Capital lease amortization				
Funds from operations - Adjusted	254	261	260	256
Total debt				
LT debt (excluding Securitization)	1,376	1,431	1,431	1,442
ST debt including Intercompany Leases	33	12	57	71
	0	0	0	0
	1,409	1,442	1,488	1,513
	18.0%	18.1%	17.5%	16.9%
	BBB	BBB	BBB	BBB
Funds from operations interest coverage (x)				
Funds from operations (adjusted)	254	261	260	256
Interest	163	143	132	112
Securitization Interest - Pre-Tax	(75)	(56)	(35)	(13)
Lease - Interest included as rent	0	0	0	0
	342	349	357	355
Interest				
Interest	163	143	132	112
Securitization Interest - Pre-Tax	(75)	(56)	(35)	(13)
Lease - Interest included as rent	0	0	0	0
Total Interest (Excluding Securitization)	88	87	97	99
	3.89	3.99	3.69	3.60
	A	A	A-	A-
Pretax interest coverage (X)				
Income before income taxes	238	240	228	215
Interest	163	143	132	112
Securitization Interest - Pre-Tax	(75)	(56)	(35)	(13)
Lease - Interest included as rent	0	0	0	0
AFUDC equity	0	0	0	0
	326	327	324	313
Total interest (incl. capital lease less secure.)	88	87	97	99
	3.72	3.74	3.36	3.18
	A	A	A-	BBB+
Total debt / Total capital (%)				
Total debt (incl cap leases)	1,409	1,442	1,488	1,513
TOPRs	0	0	0	0
Total debt (incl cap leases)	1,409	1,442	1,488	1,513
Total capital				
Total debt (Excluding Securitization Bonds)	1,409	1,442	1,488	1,513
Common equity	1,285	1,333	1,378	1,422
Minority Interest	0	0	0	0
Preferred stock (Excluding TOPRs)	51	51	51	51
Total Capitalization	2,744	2,826	2,917	2,985
Adjustment to reduce MI / Pref to 10%	0	0	0	0
Total adjusted deb	1,409	1,442	1,488	1,513
	51.3%	51.0%	51.0%	50.7%
	A	A	A	A
Net cash flow / Capital expenditures (%)				
Net cash flows	254	261	260	256
Less: dividends	(91)	(92)	(87)	(82)
	163	169	173	174
Capital expenditures				
Global Investments	183	203	217	209
	0	0	0	0
	183	203	217	209
	89%	84%	80%	83%
	BBB	BBB	BBB	BBB

S&P Financial Medians - Electric Utilities
Using 4 Ranking per June 02, 2004 S&P Utility Perspective

FFO/Total debt %		FFO interest cov (x)		Debt/Total capital (%)		Pretax interest cov.		Net cash flow/ Capital expenditures (%)	
0.00%	B-	0.00	B-	38.00%	AA+	<i>0.00</i>	B-	<i>0.00%</i>	B-
2.67%	B	0.50	B	22.50%	AA	0.43	B	27.98%	B
6.22%	B+	1.17	B+	45.00%	AA-	1.01	B+	35.98%	B+
8.00%	BB-	1.50	BB-	32.33%	A+	1.30	BB-	35.99%	BB-
9.33%	BB	1.83	BB	49.67%	A	1.60	BB	45.59%	BB
11.11%	BB+	2.28	BB+	52.00%	A-	2.00	BB+	55.20%	BB+
12.00%	BBB-	2.50	BBB-	53.78%	BBB+	2.20	BBB-	60.00%	BBB-
14.67%	BBB	2.83	BBB	58.67%	BBB	2.57	BBB	75.00%	BBB
18.22%	BBB+	3.28	BBB+	62.00%	BBB-	3.06	BBB+	90.00%	BBB+
20.00%	A-	3.50	A-	61.78%	BB+	3.30	A-	100.00%	A-
22.67%	A	3.73	A	66.00%	BB	3.53	A	110.00%	A
26.22%	A+	4.04	A+	68.00%	BB-	3.84	A+	119.99%	A+
28.00%	AA-	4.20	AA-	68.17%	B+	4.00	AA-	120.00%	AA-
31.50%	AA	4.60	AA	71.00%	B	4.30	AA	125.00%	AA
35.00%	AA+	5.00	AA+	72.50%	B-	4.60	AA+	130.00%	AA+

Key to matrix values:

Bold = S&P published benchmarks

Non-formatted = calculated values to provide notches for plus (+) and minus (-) designations

Italics = benchmarks previously published by S&P

S&P Ratings Criteria Applied to Projections

Exhibit:PRM-5.xls

PPL Electric

Business Profile "4"

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Funds from operations / Total debt %					
Funds from operations - unadjusted	460	489	519	529	543
Adjustments					
Less: ITC Amortization	(259)	(261)	(284)	(295)	(313)
Less: Working capital changes	-	-	-	-	-
Less: Capital lease amortization	-	-	-	-	-
Funds from operations - Adjusted	201	228	235	234	230
Total debt					
LT debt (excluding Securitization)	1,385	1,376	1,431	1,431	1,442
ST debt including Intercompany	2	42	30	84	108
Leases	0	0	0	0	0
Total debt	1,387	1,418	1,460	1,515	1,549
	14.5%	16.1%	16.1%	15.4%	14.8%
	BBB-	BBB	BBB	BBB	BBB
Funds from operations interest coverage (x)					
Funds from operations (adjusted)	201	228	235	234	230
Interest	183	163	144	133	114
Securitization Interest - Pre-Tax	(93)	(75)	(56)	(35)	(13)
Lease - Interest included as rent	0	0	0	0	0
Total Interest	291	316	324	332	330
Interest coverage	3.22	3.60	3.67	3.38	3.28
	BBB	A-	A-	BBB+	BBB+
Pretax interest coverage (X)					
Income before income taxes	72	195	195	183	169
Interest	183	163	144	133	114
Securitization interest - Pre-Tax	(93)	(75)	(56)	(35)	(13)
Lease - Interest included as rent	0	0	0	0	0
AFUDC equity	0	0	0	0	0
Total interest (incl. capital lease less secure.)	162	283	284	281	270
Pretax interest coverage	1.79	3.21	3.21	2.86	2.68
	BB	BBB+	BBB+	BBB	BBB
Total debt / Total capital (%)					
Total debt (incl cap leases)	1,387	1,418	1,460	1,515	1,549
TOPRs	0	0	0	0	0
Total debt (incl cap leases)	1,387	1,418	1,460	1,515	1,549
Total capital					
Total debt (Excluding Securitization Bonds)	1,387	1,418	1,460	1,515	1,549
Common equity	1,237	1,276	1,315	1,351	1,385
Minority Interest	0	0	0	0	0
Preferred stock (Excluding TOPRs)	51	51	51	51	51
Total Capitalization	2,674	2,744	2,826	2,917	2,985
Adjustment to reduce MI / Pref to 10%	0	0	0	0	0
Total adjusted deb	1,387	1,418	1,460	1,515	1,549
	51.9%	51.7%	51.7%	51.9%	51.9%
	A	A	A	A	A
Net cash flow / Capital expenditures (%)					
Net cash flows	201	228	235	234	230
Less: dividends	(31)	(75)	(75)	(70)	(65)
Net cash flow	170	154	160	164	165
Capital expenditures	166	183	203	217	209
Global Investments	0	0	0	0	0
Total capital expenditures	166	183	203	217	209
	103%	84%	79%	75%	79%
	A-	BBB	BBB	BBB	BBB

DOCUMENT

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Docket No. R-00049255

RECEIVED

AUG 24 2004

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

PPL Electric Utilities Corporation

DOCKETED
AUG 25 2004

Statement No. 10-R

Rebuttal Testimony of Julie M. Cannell

1 Q. **Please state your name and business affiliation.**

2 A. My name is Julie M. Cannell. I am president of J.M. Cannell, Inc.

3

4 Q. **Did you previously submit direct testimony in this proceeding?**

5 A. Yes. My direct testimony (Statement No. 10) was submitted with the filing
6 by PPL Electric Utilities Corporation (PPL Electric or the Company) on
7 March 29, 2004.

8

9 Q. **What is the purpose of your rebuttal testimony?**

10 A. I will respond to the return on equity recommendations of the Office of
11 Trial Staff (OTS) and Office of Consumer Advocate (OCA). As well, I will
12 address comments of OCA witness Matthew I. Kahal regarding my direct
13 testimony. In particular, I will address Mr. Kahal's opinions both about the
14 risk present in a stand-alone distribution company and the focus of
15 investors.

16

17

REBUTTAL SUMMARY

18 Q. **Please summarize the key points of your rebuttal testimony.**

19 A. The respective 8.75% and 9.5% ROE recommendations of OTS and OCA
20 do not meet the expectations of investors. Analysts' responses to the
21 proposals are that they represent a worst-case outcome for the Company,
22 which is consistent with their view that an equity return in the range of 10-
23 12% is reasonable. Further, it is likely that investors expect the final ROE

1 award to be at the high end of that range given the fact that interest rates
2 are rising. Investors, who incorporate interest rates in their forecast of
3 growth rates, require a higher ROE on their investments during periods of
4 accelerating interest rates. Should investors' expectations fail to be met in
5 the case of PPL Electric's potential for growth in earnings and dividends, it
6 is probable that they would reevaluate their opinion of Pennsylvania
7 regulation, which ultimately would increase the cost of capital to the
8 Company and ultimately the cost of service to ratepayers. PPL Electric's
9 risk profile as a stand-alone distribution company cannot accurately be
10 compared to the risks it faced as part of an integrated utility. Thus, the
11 company's risks today cannot be said to be diminished, as suggested by
12 OCA witness Matthew Kahal in reaching his proposed 9.5% ROE.

14 RETURN ON EQUITY

15 **Q. Please begin by commenting on whether the ROE recommendations**
16 **of OTS and OCA are consistent with investor expectations.**

17 **A.** OTS Witness Kevan Deardorff proposed an 8.75% ROE and OCA
18 Witness Michael Kahal, proposed an 9.5% equity return. Neither is
19 consistent with investors' expectations of an appropriate ROE, as
20 confirmed in reports issued by a number of analysts, who review the
21 proposals as a worst case outcome:

22 "PA regulatory staff (adversarial unit) & major intervenor proposed
23 rate increases more supportive than expected, implying incremental
24 EPS of \$0.43-\$0.53—right around our estimate. We see this as a

1 worst case scenario, and we think PPL could ultimately receive a
2 better deal in Dec. final decision or through settlement."

3 Morgan Stanley June 30, 2004 report: "Raising Price Target,
4 Ests. On Regulatory Catalysts."
5
6

7 **Q. Have investor expectations changed since your direct testimony was**
8 **filed?**

9
10 **A.** No, I do not believe so. While the report cited above did not state specific
11 ROE assumptions, I have no reason to believe the expectations
12 expressed earlier in the year for a 10-12% ROE, with a bias toward the
13 upper end of that range, have been lowered. In fact, I think there could be
14 added support now for a higher ROE in light of the Federal Reserve's
15 June 29 action to increase interest rates for the first time in a number of
16 years and the Fed's warning that further increases could be forthcoming
17 with any additional signs of mounting inflation.
18

19 **Q. What impact would a disappointing ROE decision likely have on**
20 **investor perceptions?**

21 **A.** I believe an equity return decision that investors consider to be subpar
22 would have a very deleterious impact on their perceptions regarding the
23 Company's earnings and dividend prospects as well as the quality of
24 Pennsylvania regulation. The current regulatory proceeding is clearly
25 critically important for the Company's financial well being. Further,
26 investors are watching this case carefully because it represents the first
27 post-rate cap case in Pennsylvania and, indeed, one of the first such
28 cases in the nation. An outcome deemed as being inadequate in meeting

1 investors' requirements for risk compensation most likely would result in a
2 change in their current positive perceptions of the quality of Pennsylvania
3 regulation. *A negative regulatory perception requires a higher*
4 compensation for risk associated with utilities governed by that regulatory
5 jurisdiction.

6
7 **Q. You mentioned that interest rates recently began to rise. Do**
8 **investors incorporate a consideration of interest rates in their**
9 **forecasts of earnings and dividends?**

10 **A.** Yes, they do. During times of low interest rates, the ROE investors
11 require is generally less than during times of rising rates. Thus, the
12 current climate of accelerating interest rates suggests that, all other things
13 *being equal, an ROE award should be at a higher level than it might have*
14 *been when rates were lower. Additionally, the fact that rates are rising*
15 *suggests that an additional risk is introduced. If PPL Electric is granted an*
16 *ROE materially below the requested level of 11.50% at a time of rising*
17 *interest rates, the Company's present dramatic under-earning position*
18 *would not be adequately resolved. With unnecessarily weak financials,*
19 *the need to access the capital markets could become greater as the risk of*
20 *credit downgrades becomes even more pronounced, which in turn would*
21 *result in a vicious negative cycle. Further, an inadequate return would*
22 *force PPL Electric to return prematurely to the Commission with the need*
23 *for another rate increase.*

1

2 **Q. Are there any additional comments you would like to offer on return**
3 **on equity?**

4 **A.** Yes. Investors do not judge their investment returns on the book value of
5 a company. Rather, returns are premised on the market value, i.e. stock
6 price. Book value is an historical valuation of a company, while the market
7 value incorporates investors' perceptions and assessments about the
8 worth of a company currently.

9

10

RESPONSE TO OCA WITNESS MATTHEW KAHAL

11 **Q. Please turn now to Mr. Matthew Kahal's testimony. What is his**
12 **position regarding PPL Electric's risk level?**

13 **A.** Mr. Kahal believes that there has been a significant decline in the
14 Company's risk level.

15

16 **Q. Do you agree with his position?**

17 **A.** No. As stated in my pre-filed direct testimony, I believe that PPL Electric
18 faces various risks today. Those risks stem from a number of factors, and
19 their magnitude cannot be directly compared, and thus not relatively
20 gauged, to what the Company's risk level was when it was an integrated
21 utility company.

22

1 **Q. What specific risks does Mr. Kahal believe not to be applicable to the**
2 **Company?**

3 **A.** He considers risks related to RTOs and transmission policies, provider of
4 last resort obligations, lack of diversification, and bypass threat not
5 applicable to PPL Electric.
6

7 **Q. What does he say about RTO and transmission uncertainty?**

8 **A.** Mr. Kahal notes that PPL Electric is a member of the PJM Interconnection,
9 which he characterizes as being "widely regarded by both the industry and
10 its regulators as the most successful RTO in the United States." He then
11 opines that the current rate proceeding "addresses distribution service,
12 and we are not addressing the cost of capital for the Company's
13 transmission investment."
14

15 **Q. Please comment on Mr. Kahal's observations about RTO and**
16 **transmission uncertainty.**

17 **A.** I agree that the PJM Interconnection has functioned successfully for a
18 number of years and that this success has led other regions of the country
19 to adopt portions of its framework in the process of constructing their own
20 deregulated marketplaces. However, PJM is in the process of expanding
21 and merging with the Midwest ISO (MISO). This expansion has raised
22 concerns over the uncertainty the new configuration raises. These
23 *concerns have centered around, but are not limited to, reliability issues;*

1 specifically, will the "seams" between PJM and MISO be smooth, or could
2 transmission disruptions occur? Should the new entity experience
3 reliability problems, PPL Electric could well be impacted. As to Mr.
4 Kahal's noting that "this case addresses distribution service, and we are
5 not addressing the cost of capital for the Company's transmission
6 investment," I agree; the case does, and we are not. One of the issues
7 the proceeding is addressing, however, is the cost of equity of PPL
8 Electric, and that requires an assessment of risk factors that should be
9 factored into the equity return. I reiterate my opinion that, the Company,
10 as a stand-alone distribution utility, faces uncertainties regarding RTOs
11 and transmission policies. Those uncertainties may not be unique to PPL
12 Electric, but they remain uncertainties that impact it nonetheless.

13
14 **Q. What are Mr. Kahal's observations about "single line of business" or**
15 **asset concentration?**

16 A. He believes that PPL Electric does not have asset concentration "because
17 no single asset accounts for a large percentage of its total investment.
18 With respect to the asset concentration problem, PPLEU is much less
19 risky than the former vertically-integrated PP&L."

20
21 **Q. Do you agree with Mr. Kahal's opinion?**

22 A. No. In PPL Electric's situation, all the Company's assets are related to the
23 distribution business. In my estimation, that fully qualifies as asset

1 concentration. If problems arise so that, for whatever reason, those
2 distribution assets are unable to perform their prescribed function, the
3 Company is completely exposed. As to his assertion that the Company's
4 present risk is less compared to the former vertically integrated PP&L, my
5 setting forth risk factors related to PPL Electric today neither compared
6 nor intended to compare the present risks with what existed in the prior
7 corporate configuration. The issue is the stand-alone distribution
8 company that exists today, not what formerly existed.

9
10 **Q. Mr. Kahal expressed an opinion regarding PPL Electric's economic**
11 **exposure. Do you agree with him?**

12 **A.** No. His view is that a local market downturn would also translate into a
13 regional market downturn. Further, he opined that wholesale market sales
14 would not prop up earnings in a downturn scenario, because short-term
15 sales margins (in a fully integrated paradigm) would be returned to
16 ratepayers. I believe Mr. Kahal missed my point, which is that the
17 opportunity to participate in the wholesale market doesn't necessarily
18 provide greater net revenue *stability*; rather, it provides at least another
19 avenue for revenues to offset less demand in the service territory. My
20 assumption is not that the wholesale market would remain unchanged in
21 an economic downturn. Instead, the market has the potential to offer a
22 chance for incremental revenues. In contrast, if a customer is lost on the

1 retail system during an economic downturn, it is unlikely that there would
2 be an opportunity to offset even a portion of that loss in revenues.

3
4 **Q. What are Mr. Kahal's views about bypass posing a threat to the
5 Company?**

6 **A.** He does not believe a threat has existed or will exist.

7
8 **Q. Do you agree?**

9 **A.** No, because the Company has already experienced such a danger. A
10 recent example is in the Borough of Olyphant, where the Borough is
11 proposing to begin providing retail electric service to customers located in
12 an industrial park currently served by PPL Electric. If the Borough
13 is successful in these efforts, PPL Electric could lose a number of these
14 industrial customers. Another example is in Lycoming County where the
15 local landfill authority is proposing to build a new generating facility to
16 serve an adjacent federal prison facility. Finally, PPL Electric customers
17 have installed onsite generation, suggesting this factor was a risk in the
18 past and will continue to be a risk in the future.

19
20 **Q. Mr. Kahal offered commentary about PPL Electric's provider of last
21 resort (POLR) arrangement. Please share his views and your opinion
22 of them.**

1 A. Mr. Kahal claimed that my testimony “fails to recognize PPLEU’s current
2 low-risk arrangements for POLR service.” That is incorrect. While I did
3 not specifically comment on the plan, I fully agree that PPL Electric’s
4 current POLR arrangement is constructive and that the Company has
5 acted appropriately to limit its risk. But it is not completely risk-free.
6 Consider the fact that the Company made a \$90 million payment to PPL
7 EnergyPlus in exchange for the guarantee of supply through 2008. PPL
8 Electric has agreed not to seek recovery of the \$90 million payment from
9 customers. Nevertheless, investors recognize that there are risks of
10 providing POLR service during and after the expiration of generation rate
11 caps. The fact that PPL Electric acted to limit such risk does not eliminate
12 the risk or indicate that it is not appropriately reflected in the cost of equity.
13

14 **Q. What else did Mr. Kahal have to say about POLR?**

15 A. He went on to opine that it was “possible but not very likely” that POLR
16 obligations could be a significant risk after 2009. Additionally, he said
17 other distribution utilities have “implemented procurement plans for POLR
18 supply without incurring significant risk exposure” and that POLR risk, if it
19 exists, “should be reflected in the POLR rates, not the distribution rates.” I
20 do not agree with those assertions. It is pure speculation on Mr. Kahal’s
21 part that POLR obligations are not very likely to be a risk beyond 2009.
22 Investors will soon begin to incorporate the post-2009 period into their
23 long-term projections. With no certainty of what the Company’s

1 obligations will be at that time, they will require a higher premium as
2 compensation for that potential risk.

3

4 **Q. Did Mr. Kahal offer additional observations about POLR with which**
5 **you disagree?**

6 **A.** Yes. Mr. Kahal's blanket statement that the POLR situation in other states
7 is unproblematic is incorrect. An example of a current challenging
8 situation exists in the state of Michigan regarding Detroit Edison. Under
9 Michigan's "Retail Choice" law, that company has experienced a rapid loss
10 of a significant proportion of its commercial and light industrial customers,
11 all of whom can return to POLR service at a time of their own choosing
12 without penalty or mark-up. This unrestricted right of return constitutes a
13 valuable option in the hands of the departing customers, the cost of which
14 is borne by the remaining customers of Detroit Edison and by the
15 shareholders. The optionality is created by the volatile market conditions
16 and the "free" right of customers to play that market by departing from and
17 returning to POLR. Further, the issue of POLR supply procurement is
18 more complex than Mr. Kahal suggests. The nation has generally enjoyed
19 an over-supply situation for a period of years; ample supply translates into
20 lower prices for market power. But as the supply situation begins to
21 tighten, which it assuredly will do in some regional pockets, or if delivery
22 options are threatened due to changes in RTOs or other transmission
23 issues, costs will rise. In addition to supply-induced price increases, many

1 of the power markets in this country have experienced sharp price
2 increases this year as a result of natural gas price increases. This is
3 because natural gas generation is the marginal generation source in much
4 of the country, much of the time, including PJM. Unless there is a
5 guaranteed supply and guaranteed cost recovery for providing that supply
6 in a POLR plan, the stand-alone distribution company is at risk. The
7 potential exists for PPL Electric to be exposed to such risk in the future.
8

9 **Q. What further opinions regarding POLR did Mr. Kahal offer?**

10 **A.** Mr. Kahal contends that POLR-related risks should be reflected in POLR
11 rates, not distribution rates. I believe he misses a point. The issue he
12 was addressing at that point in his testimony was the risks facing a stand-
13 alone distribution company. Investors demand compensation for taking
14 risks associated with an investment, and their compensation is in the form
15 of an ROE that permits a company reasonable opportunity to grow
16 earnings and dividends. If POLR costs are not recovered, those
17 opportunities will be reduced. The current and post-2009 period presents
18 POLR risks to PPL Electric, which, from the perspective of investors, is a
19 risk in this distribution case.
20

21 **Q. Did Mr. Kahal's testimony offer additional opinions on which you**
22 **would like to comment?**

1 **A.** Yes. Mr. Kahal claims I suggested that the Commission should focus on
2 the Company's stock price. I made no such suggestion, and would not.
3 Stock prices are not something that can be directly controlled. Rather,
4 they serve as a *reflection* of investors' value perceptions about a
5 company. Investors typically assign a stock target price. That target
6 represents their appraisal of the full valuation of the stock, and thus a price
7 at which they might wish to sell. Target prices, of course, can be adjusted
8 with a change in a company's fundamental circumstances or to reflect
9 changing market conditions. A key factor that investors would consider in
10 assigning a target price is the quality of Pennsylvania regulation.

11

12 **Q.** **Does this complete your rebuttal testimony?**

13 **A.** Yes.

PPL ELECTRIC UTILITIES CORPORATION

Exhibit Future 1 (Revised)

**Summary of Measures of Value &
Rate of Return**

Witness: Various

Docket No. R-00049255

DOCUMENT

RECEIVED

AUG 24 2004

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

DOCKETED
AUG 25 2004

PPL ELECTRIC UTILITIES CORPORATION

**Exhibit Future 1
Docket No. R-00049255
Summary of Measures of Value and Rates of Return
Year Ended December 31, 2004**

This book contains a series of schedules (see Table of Contents) which are grouped as follows:

- A - Statement of Reasons
- B - Financial Statements, Cost of Capital and Capital Structure
- C - Measures of Value
- D - Operating Income and Adjustments

PPL ELECTRIC UTILITIES CORPORATION

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(R) Revised July 27, 2004

PPL ELECTRIC UTILITIES CORPORATION

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PPL ELECTRIC UTILITIES CORPORATION

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(R) Revised July 27, 2004

PPL ELECTRIC UTILITIES CORPORATION

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(R) Revised July 27, 2004

PPL ELECTRIC UTILITIES CORPORATION

**Statement of Reasons
for the Proposed Increase
Docket No. R-00049255**

PPL Electric Utilities Corporation
Statement of Reasons
for the Proposed Increase
Docket No. R-00049255

1. Introduction

In this filing, PPL Electric Utilities Corporation ("PPL Electric" or the "Company") requests approval of an overall annual net increase in distribution revenues of approximately \$164.4 million, based on a future test year ending December 31, 2004. In addition, the Company also is informing the Public Utility Commission ("PUC" or the "Commission") and its customers of an estimated \$57.2 million increase in transmission service charges, which will be automatically passed through to customers, beginning January 1, 2005, pursuant to PPL Electric's existing Commission-approved tariff.

The combination of the distribution rate increase request and the pass through of transmission service charges will produce an overall increase in rates of approximately 8.1%. This increase was allocated to customer classes based on the results of a class cost of service study with the condition that no rate schedule would experience an average increase of more than 10% in total rates.

The filing includes several innovative rate design proposals, explained below, to better reflect the cost of providing service as an electric distribution company. The filing also proposes to expand PPL Electric's existing customer assistance, environmental and economic development programs.

The proposed increase is the minimum required for the Company to attract capital on reasonable terms, provide safe and reliable service to its customers

and to fully fund expanded social programs. In addition, however, it is important that this filing be reviewed in a broader context. This is the first post-rate cap distribution rate increase to be filed in Pennsylvania. As such, this filing is the logical next step in Pennsylvania's restructuring of the electric utility industry – a process that has served as a model for the rest of the country. Through its review of this filing, the Commission has the opportunity to demonstrate its continued leadership in implementing a restructuring process that ensures distribution companies can continue to provide reliable service at a reasonable cost.

Review of this filing also should reflect PPL Electric's important role in the communities it serves. PPL Electric provides thousands of jobs in its service territory and, through state and local partnerships, has helped create over 5,800 new jobs in 2001 and 2002 alone. The Company also provides a broad variety of programs to help low-income customers pay their electric bills and to improve the quality of life in its service territory.

Finally, review of this filing also should include consideration of the Company's management effectiveness. Through a series of initiatives, PPL Electric has continued to provide safe and reliable service, while a customer using the same amount of electricity pays approximately the same amount for electricity in 2004 as he or she did in 1986. At the same time, the Company has met all of its capital needs, implemented important new technology and has won a number of internationally recognized awards for outstanding quality of service. These accomplishments should be fully reflected in the Commission's consideration of this case.

2. Electric Utility Industry

In December 1996, the General Assembly passed, and the Governor signed into law, the Electricity Generation Customer Choice and Competition Act ("Competition Act"). 66 Pa. C.S. § 2801, *et seq.* In August 1998, the Commission approved the settlement of PPL Electric's restructuring case filed under the Competition Act. *Application of Pennsylvania Power & Light Company for Approval of its Restructuring Plan Under Section 2806 of the Public Utility Code, et al.*, Docket No. R-00973954. These events had significant implications for the electric utility industry in Pennsylvania and PPL Electric's business within that industry.

First, the Competition Act deregulated the generation of electricity. In response, PPL Electric's predecessor company – a traditional vertically integrated utility – was restructured into separate business entities. With the Commission's approval, PPL Electric's predecessor company transferred all of its generation facilities to an unregulated affiliate. PPL Electric remains a fully regulated company, but now provides only distribution, transmission and provider of last resort ("POLR") services in its certificated territory.

The second important consequence of the Competition Act and the 1998 settlement of PPL Electric's restructuring case was the establishment of rate caps. In PPL Electric's case, the sum of its transmission and distribution rates is capped through December 31, 2004, and its generation rates are capped through December 31, 2009. The last retail base rate case filed by PPL Electric's predecessor company was decided by the Commission in September of 1995.

Pennsylvania Public Utility Commission v. Pennsylvania Power & Light Co., Docket No. R-00943271. Because PPL Electric's rates had not increased during the four years prior to the establishment of the rate caps, this distribution rate increase will be the Company's first in nearly a decade.

Finally, this case will be all the more important to the residents of the Commonwealth as it is the first distribution-only base rate increase request filed by a major Pennsylvania Electric Distribution Company ("EDC") since the electric utility industry was restructured in 1996. The Commission's action in this case will send an important message to the electric utility industry in Pennsylvania and throughout the country, and will provide the Commission with an opportunity to reaffirm its commitment to a viable competitive market and reliable distribution service.

3. PPL Electric

For more than 80 years, PPL Electric and its predecessor companies have been delivering electricity to retail customers in eastern and central Pennsylvania. Today, PPL Electric provides electric delivery service to approximately 1.3 million homes and businesses in 29 counties of Pennsylvania. The Company provides jobs to approximately 3,000 employees in eastern and central Pennsylvania.

Moreover, PPL Electric and its employees are an important part of the communities it serves. Through partnerships with state, regional and local economic development agencies, PPL Electric helped to attract 5,820 new jobs to the region in 2001 and 2002. To continue and enhance these efforts, PPL Electric is proposing in

this filing a Community Betterment Initiative ("CBI"). The CBI would be linked with the Rendell administration's Comprehensive Economic Stimulus Programs. The Company is proposing to fund the CBI at \$2 million annually, with a combination of ratepayer and shareowner contributions for an initial period of three years (2005-07). PPL Electric also is helping to improve educational opportunities in its service area. The Company sponsors energy and environmental education programs for children, training programs for teachers, and workforce development initiatives that prepare area residents to enter the job market. In addition, PPL Electric's employees volunteered approximately 75,000 hours to community activities in 2003.

PPL Electric offers a variety of special programs that help low-income customers pay a portion of their electric bills and reduce their electricity use. For example, over the past 20 years, PPL Electric's Operation HELP has raised more than \$13 million – through donations from the Company, its employees and customers – to provide emergency financial assistance to help over 50,000 low-income families pay heating bills. The Company offers OnTrack, a customer assistance program under which the Company will enter into agreements with eligible customers to pay off the customers' overdue balances and manage the customers' energy use. PPL Electric also offers the Winter Relief Assistance Program ("WRAP"), which provides free weatherization services (e.g., energy audit and weatherization measures) to approximately 2,800 customers annually. In this filing, PPL Electric is proposing to increase overall funding for OnTrack and WRAP by \$4.0 million, or approximately 23%.

PPL Electric actively strives to help protect the environment throughout its service territory in central-eastern Pennsylvania. The Company is committed to meeting or exceeding all applicable environmental laws and regulations, with a further commitment to continual improvement in its performance. In this regard, as a result of the 1998 settlement of its restructuring proceeding, PPL Electric established the Sustainable Energy Fund ("SEF"). The SEF is funded by a charge of 0.01¢/kwh to all customers which produces an annual budget of approximately \$3.4 million. Funding levels increase about 2% per year as a result of retail sales growth. In this filing, PPL Electric is proposing to continue funding SEF, at the current level through customer rates, beyond the current expiration date of December 31, 2004. In addition, the Company recently introduced two new Demand Side Response ("DSR") programs. The Residential Summer Off-peak Program allows residential customers to shift on-peak usage to off-peak periods during the summer months of June through September. The Demand Side Initiative for Industrial and Commercial Customers allows those customers to adjust load requirements based on real-time market prices of energy. In this filing, PPL Electric proposes to continue both of these programs.

4. PPL Electric's Management Effectiveness

As discussed above, the sum of PPL Electric's retail transmission and distribution rates is capped through December 31, 2004. However, the costs of providing high quality reliable service to customers have continued to grow. The Company owns a substantial number of facilities required to deliver electricity and must make significant capital investments in this infrastructure every year.

Specifically, PPL Electric owns 889,000 poles, 36,500 miles of power lines (including 6,700 miles of underground lines) and over 335 substations/switching stations. The Company must maintain, repair and replace those facilities as needed, and anticipates it will be required to invest approximately \$900 million in capital improvements over the next five years. Approximately 96% of this five-year capital budget is non-discretionary, with more than half of the spending required to accommodate growth, including both new customer connections and additional system capacity.

PPL Electric's operating expenses also are substantial and also continue to increase. In an average year, PPL Electric connects or transfers service for 33,500 customers, at an average cost of approximately \$2,300 for each new connection. The Company answers 1.8 million telephone calls, replaces 20,000 street lights and trims trees along more than 4,100 miles of power lines. Finally, PPL Electric processes approximately 16 million bills annually. The cost of labor, poles, wires, tools, vehicles and equipment required to maintain this level of service has increased throughout the rate cap period and will continue to increase in the foreseeable future.

To address the earnings implications of increasing capital and expense needs in a rate cap environment, PPL Electric has pursued an aggressive program of cost-effective operations. First, the Company has reduced its staffing levels while maintaining high quality service. When the electric utility industry was restructured in 1999, PPL Electric had approximately 3,800 employees; it now has approximately 3,000. The elimination of these positions, however, has not had an impact on the

operations that directly affect customers. In fact, today the Company has the same number of front-line forces performing lineman and electrical work as it had in 1990.

Second, PPL Electric has utilized new technology to manage its costs. One example is the Work Management System ("WMS"), which is a program to manage workflow more effectively from the time jobs are identified until they are completed. WMS forecasts scheduling needs, identifies employee skills to match assignments and automatically creates scheduled work assignments in advance. Another example of new technology utilized by the Company is the Automated Meter Reading ("AMR") system. In 2002, PPL Electric began a three-year process to replace all of the electric meters on its system with AMR meters. This project, which is nearing completion, required replacement of approximately 1.3 million meters. The AMR meters will help PPL Electric reduce costs associated with manual meter reading processes and provide more detailed information to customers, which will be important as Pennsylvania's competitive electric market develops.

Third, PPL Electric also reviewed, and where appropriate modified, business processes to manage costs. The Company implemented a maintenance priority system to rank and eliminate lower priority work. It also is taking advantage of improved data availability and analytical techniques to increase the utilization of the existing infrastructure and defer discretionary equipment upgrades. Finally, the Company installed a new customer information system that, among other things, allows PPL Electric to bill customers who choose an alternative generation supplier. This new and more robust information system provides additional functionality and

reliability for the Company to handle potentially hundreds of thousands of customer transactions every year.

The results of these management initiatives have been impressive. PPL Electric has been able to maintain its high quality of service throughout a period of rate stability extending almost two decades. Because PPL Electric's last retail base rate case became effective in 1995, its retail distribution rates have remained at 1995 levels since that time. The only source of revenue growth during that period has been a modest growth in retail sales – approximately 2% per year.

Actually, PPL Electric's rates have remained essentially unchanged since 1986 because the effect of the 1995 base rate increase was offset by prior decreases in energy costs. A residential customer using 900 kwh per month paid \$77.30 in 1986, and pays \$77.47 today. A small business customer using 1,000 kwh per month with a demand of 3 kw pays just 1.8% more than in 1986. Large business and industrial customers pay less for electric service than they did 1986.

Moreover, PPL Electric's rates compare favorably with other electric utilities. For example, a PPL Electric residential customer using 900 kwh of electricity per month pays 11.6% less than the Pennsylvania average, 24% less than the Mid-Atlantic average, and 6.3% less than the national average for electric service.

Most importantly, PPL Electric was able to manage its costs through the rate cap period without adversely affecting the quality of service to its customers. PPL Electric's customers consistently rank the Company as one of the best electric utilities in the country for quality and service. Moreover, over the past six years, PPL Electric has won numerous industry awards for quality of service and customer

satisfaction. For example, in 2000, 2001, 2003 and 2004, PPL Electric ranked first among 15 utilities in the East in the J.D. Power and Associates midsize business customer satisfaction study. In 1999, 2001, 2002 and 2003, PPL Electric ranked first among 15 utilities in the East in J.D. Power and Associates residential customer satisfaction study. Finally, in 2001, 2002 and 2003, PPL Electric ranked highest among combined gas-electric utilities nationwide in the American Customer Satisfaction Index.

5. PPL Electric's Financial Condition

Although PPL Electric has been highly effective in the management of its business and its costs over the past 20 years, there are limits on what this strategy can accomplish. The Company now is approaching those limits. In its last retail base rate proceeding at Docket No. R-00943271, PPL Electric was authorized to earn a return on equity of 11.5%. In calendar year 2003, the Company actually earned a return on equity of less than 2%, and expects its return on equity in 2004 to be even lower. Such returns are clearly inadequate by any standard and constitute one of the principal reasons PPL Electric now is requesting an increase in its retail distribution rates.

6. PPL Electric's Filing

PPL Electric's proposed distribution rate increase was shaped by three major considerations. First, the electric utility industry and PPL Electric's business have fundamentally changed over the past decade. This filing is the first base rate

increase the Company has filed with the Commission on a distribution-only basis and the first such increase to be filed by a major EDC since restructuring. Second, a rate increase of this nature should reflect, to the extent possible, customer opinions and preferences. In the course of preparing this filing, PPL Electric sought input from its customers through surveys, interviews and focus groups. Several of the proposals included in the filing reflect the results of that process. Third, ratemaking proposals *designed to accommodate a restructured industry or customer input must be* tempered by the principle of gradualism. The characteristics of a distribution-only business have certain ratemaking implications, and the filing recognizes those implications without creating inappropriately severe rate dislocations.

In this filing, PPL Electric is requesting an overall annual net distribution revenue increase of approximately \$164.4 million, based on a future test year ending December 31, 2004, and a proposed return on equity of 11.5%. In addition, PPL Electric is *notifying the Commission that transmission service charges reflected in* retail rates are expected to increase by approximately \$57.2 million, effective January 1, 2005. The Company must pay these transmission service charges to PJM under PJM's Open Access Transmission Tariff, which is subject to the jurisdiction of the Federal Energy Regulatory Commission. The Company's existing Commission-approved tariff permits the automatic pass through of transmission service charges, but under the 1998 settlement of PPL Electric's restructuring case, the Company agreed to a *cap on the sum of its distribution and transmission rates*. When that rate cap expires at the end of 2004, the full amount of these transmission service charges will be automatically passed through to retail customers.

The combination of the distribution rate increase request and the pass through of all transmission service charges, will produce an increase in overall rates (distribution, transmission, generation and transition charges) of about 8.1%. On average, residential rates are proposed to increase by about 9.67%. PPL Electric is proposing that the new distribution rates and the transmission service charge pass through both become effective for service rendered on and after January 1, 2005, when the cap on the sum of its transmission and distribution rates expires.

PPL Electric's filing includes a number of innovative proposals. First, the Company is proposing to move its rate design toward a flat monthly fee for electric delivery services, rather than continue to charge rates based on consumption. As a distribution company, most of PPL Electric's costs are fixed and do not vary significantly with consumption. In this regard, the Company is proposing an increase in the Rate Schedule RS customer charge to \$12.20 (which incorporates an initial commodity block of 200 kwh). In addition, most large industrial customers would no longer pay any commodity charges for their electricity delivery services under PPL Electric's proposal.

Second, PPL Electric is proposing to implement a Distribution System Improvement Charge ("DSIC"). The DSIC would enable PPL Electric to recover the fixed costs associated with non-revenue producing distribution system improvement and relocation projects between base rate proceedings. The capital costs eligible for inclusion in the DSIC are limited to projects that are designed to enhance system security, reliability, integrity, safety and long-term viability. The Company's proposal is similar to automatic adjustment mechanisms currently utilized by many

Pennsylvania water utilities. If approved by the Commission, the DSIC would enable the Company to make capital improvements necessary to maintain reliable service while delaying the need for future distribution rate increase requests.

Third, the Company is proposing to implement a Transmission Service Charge ("TSC") to pass through transmission service charges that PPL Electric must pay to PJM. As discussed above, PPL Electric's current tariff permits the pass through of these charges. The Company is proposing a mechanism based on a formula with the charges revised and reconciled on an annual basis. The Company's proposal is similar to the former Energy Cost Rate. PPL Electric's proposal would create a clear and understandable mechanism for implementing the pass through authority currently reflected in its retail tariff.

Fourth, PPL Electric is proposing to increase funding for a number of community betterment, customer assistance and environmental programs. As discussed above, PPL Electric is proposing a Community Betterment Initiative with initial funding from ratepayers and shareowners of \$2 million annually. The Company also is proposing a 23% increase in funding for two programs designed to assist low-income customers. Annual funding for On-Track, the Company's customer assistance program, is increased by \$3 million and annual funding for its WRAP program is increased by \$1 million. Finally, PPL Electric is proposing to extend customer funding for the Sustainable Energy Fund at 0.01¢/kwh or approximately \$3.4 million per year.

7. Conclusion

This filing should be viewed as the next logical step in the restructuring of the electric utility industry in Pennsylvania. The first step was implementation of PPL Electric's restructuring settlement, with deregulation of generation, recovery of stranded costs, creation of a POLR obligation and imposition of rate caps. The second step is the end of the transmission and distribution rate cap. As a regulated EDC, the Company must obtain Commission approval to increase its distribution rates. Such requests are a normal part of doing business for a regulated utility. Rate increase filings were temporarily suspended by the transmission and distribution rate cap but, with the expiration of that rate cap, rate increase requests once again are part of every EDC's business, including PPL Electric.

In this filing, PPL Electric has proposed a distribution rate increase appropriate for the restructured electric utility industry now in place in Pennsylvania. It reflects PPL Electric's status as a distribution-only electric utility and is based on financial and operating data for that single business line. The requested distribution rate increase will move PPL Electric's wholly inadequate return on equity from less than 2% to a modest 11.5%. This proposed return on equity is particularly appropriate in view of PPL Electric's management effectiveness during almost two decades of retail rate stability and award-winning customer service. For all of these reasons, PPL Electric's proposed distribution rate increase is just and reasonable and should be approved by the Commission.

PPL ELECTRIC UTILITIES CORPORATION

Assets and Other Debits
Balance Sheet at December 31, 2004
(Thousands of Dollars)

<u>Acct. No.</u>	<u>Title of Account</u>	<u>Amount</u>
	Utility Plant	
101	Plant in service	\$ 4,125,450
105	Plant held for future use	20,674
106	Completed construction not classified	298,752
107	Construction work in progress	30,709
	Gross utility plant	4,475,585
108	Accumulated provision for depreciation	(1,714,096)
111	Accumulated provision for amortization	(2,383)
	Net utility plant	2,759,106
	Other Property and Investments	
121	Nonutility property	5,160
122	Accumulated provision for depreciation of nonutility property	(439)
	Net nonutility property	4,721
123	Investment in subsidiary companies	12,463
124	Other investments	3,960
128	Other special funds	0
	Total Other Property and Investments	21,144
	Current and Accrued Assets	
131	Cash	1,199
132	Interest special deposits	0
134	Other special deposits	0
135	Working funds	0
136	Temporary cash investments	36,581
	Notes and accounts receivable	
141	Notes receivable	0
142	Customer accounts receivable	202,440
143	Other accounts receivable	64,659
144	Accumulated provision for uncollectible accounts-credit	(24,065)
	Total notes and accounts receivable	243,034
145	Notes receivable from associated companies	0
146	Accounts receivable from associated companies	26,925
	Materials and supplies	
154	Plant materials and operating supplies	24,599
163	Stores expense undistributed	5,024
	Total materials and supplies	29,623

PPL ELECTRIC UTILITIES CORPORATION

Assets and Other Debits (Continued)
Balance Sheet at December 31, 2004
(Thousands of Dollars)

<u>Acct. No.</u>	<u>Title of Account</u>	<u>Amount</u>
	Current and Accrued Assets (continued)	
165	Prepayments	\$ 16,220
	Other current and accrued assets	
171	Interest and dividends receivable	134
172	Rents receivable	7,331
173	Accrued utility revenues	120,880
174	Miscellaneous current and accrued assets	23,002
190	Accumulated deferred income taxes (current)	49,250
	Total other current and accrued assets	<u>200,597</u>
	Total Current and Accrued Assets	<u>554,179</u>
	 Deferred Debits	
181	Unamortized debt expense	11,947
182.3	Other regulatory assets	616,222
183	Preliminary survey and investigation charges	0
184	Clearing accounts	(594)
185	Temporary facilities	16
186	Miscellaneous deferred debits	36,947
189	Unamortized loss on reacquired debt	27,291
190	Accumulated deferred income taxes (noncurrent)	
	Contributions in aid of construction	70,787
	Pensions	35,426
	SFAS 109	16,135
	Other	24,749
	Total accumulated deferred income taxes (noncurrent)	<u>147,097</u>
	Total Deferred Debits	<u>838,926</u>
	 Total Assets and Other Debits	 <u>\$ 4,173,355</u>

PPL ELECTRIC UTILITIES CORPORATION

Liabilities and Other Credits
Balance Sheet at December 31, 2004
(Thousands of Dollars)

<u>Acct.</u> <u>No.</u>	<u>Title of Account</u>	<u>Amount</u>
	Proprietary Capital	
201	Common stock issued	\$ 1,476,048
204	Preferred stock issued	50,519
207	Premium on capital stock	41
211	Miscellaneous paid-in capital - unrealized holding gains and (losses)	360,258
214	Capital stock expense	(6,773)
215.1	Appropriated retained earnings - amortization reserve - Federal	0
216	Unappropriated retained earnings	318,800
216.1	Unappropriated undistributed subsidiary earnings	(37)
217	Reacquired capital stock	(912,215)
219	Other comprehensive income	473
	Total Proprietary Capital	<u>1,287,114</u>
	Long-Term Debt	
221	Bonds	1,380,365
224	Other long-term debt	9,475
226	Unamortized discount on long-term debt-debit	(4,811)
		<u>1,385,029</u>
	Less amount due within one year	
221	Bonds	(60,000)
	Total Long-Term Debt	<u>1,325,029</u>
	Other Noncurrent Liabilities	
227	Obligations under capital leases (noncurrent)	<u>0</u>
	Current and Accrued Liabilities	
224	Long-term debt due within one year-other	60,000
231	Notes payable	2,001
232	Accounts payable	48,181
234	Accounts payable to associated companies	131,672
235	Customer deposits	16,039
236	Taxes accrued	99,062
237	Interest accrued	34,833
238	Dividends declared	611
240	Matured interest	0
241	Tax collections payable	3,992
242	Miscellaneous current and accrued liabilities	73,524
243	Obligations under capital-leases - current	0
283	Accumulated deferred income taxes-other (current)	4,740
	Total Current and Accrued Liabilities	<u>474,655</u>

PPL ELECTRIC UTILITIES CORPORATION

Liabilities and Other Credits (Continued)
Balance Sheet at December 31, 2004
(Thousands of Dollars)

<u>Acct.</u> <u>No.</u>	<u>Title of Account</u>	<u>Amount</u>
	Deferred Credits	
228.3	Accumulated provision for pensions and benefits	\$ 0
252	Customer advances for construction	174
253	Other deferred credits	173,780
254	Other regulatory liabilities	12,010
255	Accumulated deferred investment tax credits	19,510
281	Accumulated deferred income taxes - accelerated amortization property	0
282	Accumulated deferred income taxes - other property	
	Accelerated cost recovery system	412,312
	SFAS 109	170,846
	Class life depreciation system	52
	Removal of retired depreciable property	108
	Repair Allowance	7,741
	Other	15,140
	Total accumulated deferred income-taxes - other property	<u>606,199</u>
283	Accumulated deferred income taxes - other (noncurrent)	<u>274,884</u>
	Total Deferred Credits	<u>1,086,557</u>
	Total Liabilities and Other Credits	<u>\$ 4,173,355</u>

PPL ELECTRIC UTILITIES CORPORATION
Electric Service
Statement of Net Utility Operating Income
Year Ended December 31, 2004
(Thousands of Dollars)

<u>Acct. No.</u>	<u>Title of Account</u>	<u>Amount</u>
400	Operating Revenues (B-3)	<u>\$ 2,515,735</u>
	Operating Expenses:	
401	Operation and maintenance expense (B-4)	
402	Power production	1,727,617
	Transmission	15,056
	Distribution	127,832
	Customer accounts	54,211
	Customer service and informational expenses	13,597
	Sales	6,591
	Administrative and general	127,180
	Total Operation and Maintenance Expense	<u>2,072,084</u>
403	Depreciation expense and amortization of electric plant	103,611
404,405	Amort & Depl of Utility Plant	5,008
406	Amortization of electric plant acquisition adjustments	0
407.3	Regulatory debits	4,750
407.4	Regulatory credits	0
	Taxes (B-5)	
408.1	Taxes other than income taxes	176,974
409.1	Income taxes	(3,408)
	Deferred income taxes	
410.1	Provision	47,966
411.1	Provision - credit	(19,053)
411.4	Investment tax credits adjustment	(2,745)
	Total Taxes	<u>199,734</u>
411.6	Gains from disposition of utility plant	0
411.7	Losses from disposition of utility plant	0
	Total Operating Expenses	<u>2,385,187</u>
	Net Utility Operating Income	<u>\$ 130,548</u>

PPL ELECTRIC UTILITIES CORPORATION

Electric Service
Statement of Operating Revenue
Year Ended December 31, 2004
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
	<u>Sales of Electricity</u>	
1	Residential	\$ 977,194
2	Commercial	860,283
3	Industrial	461,588
4	Public authorities	17,581
5	Railroads	4,330
6	Sales for Resale	<u>146,494</u>
7	Sales revenue	<u>2,467,470</u>
	<u>Other Operating Revenue</u>	
8	Forfeited discounts	6,000
9	Miscellaneous service revenue	0
10	Rent from electric property	16,906
	Other electric revenue	
11	Unbilled revenues	8,866
12	Other	<u>16,493</u>
13	Other Operating Revenue	<u>48,265</u>
14	Total Electric Operating Revenue	<u><u>\$2,515,735</u></u>

PPL ELECTRIC UTILITIES CORPORATION

Electric Service
Statement of Operation and Maintenance Expenses
Year Ended December 31, 2004
(Thousands of Dollars)

<u>Acct. No.</u>	<u>Title of Account</u>	<u>Amount</u>
<u>Other Power Supply Expenses</u>		
555	Purchased power	
	Affiliates	\$ 1,523,366
	Non-utility generation	143,946
	PJM ancillary services	45,096
	Other	0
556	System control and load dispatching	
	PJM ancillary services	15,189
	Other	20
557	Other expenses	0
	Total Other Power Supply Expenses	<u>1,727,617</u>
	Total Power Production Expenses	<u>1,727,617</u>
<u>Transmission Expenses</u>		
Operation		
560	Operation supervision and engineering	1,438
561	Load dispatching	2,284
562	Station expenses	588
563	Overhead line expenses	307
565	Transmission of electricity by others	0
566	Miscellaneous transmission expenses	830
567	Rents	295
	Total Transmission Operation Expenses	<u>5,742</u>
Maintenance		
568	Maintenance supervision and engineering	183
569	Maintenance of structures	31
570	Maintenance of station equipment	4,406
571	Maintenance of overhead lines	4,692
573	Maintenance of miscellaneous transmission plant	2 0
	Total Transmission Maintenance Expenses	<u>9,314</u>
	Total Transmission Expenses	<u>15,056</u>

PPL ELECTRIC UTILITIES CORPORATION

Electric Service
Statement of Operation and Maintenance Expenses
Year Ended December 31, 2004
(Thousands of Dollars)

<u>Acct. No.</u>	<u>Title of Account</u>	<u>Amount</u>
Distribution Expenses		
Operation		
580	Operation supervision and engineering	\$ 15,770
581	Load dispatching	759
582	Station expenses	654
583	Overhead line expenses	4,337
584	Underground line expenses	3,753
585	Street Lighting and signal system expenses	546
586	Meter expenses	8,412
587	Customer installations expenses	6,860
588	Miscellaneous distribution expenses	12,003
589	Rents	6,867
	Total Distribution Operation Expenses	<u>59,961</u>
Maintenance		
590	Maintenance supervision and engineering	5,311
591	Maintenance of structures	57
592	Maintenance of station equipment	9,011
593	Maintenance of overhead lines	36,741
594	Maintenance of underground lines	9,179
595	Maintenance of line transformers	2,477
596	Maintenance of street lighting and signal systems	3,732
597	Maintenance of meters	91
598	Maintenance of miscellaneous distribution plant	1,272
	Total Distribution Maintenance Expenses	<u>67,871</u>
	Total Distribution Expenses	<u>127,832</u>
<u>Customer Accounts Expenses</u>		
Operation		
901	Supervision	449
902	Meter reading expenses	10,418
903	Customer records and collection expenses	23,418
904	Uncollectible accounts	17,500
905	Miscellaneous customer accounts expenses	2,426
	Total Customer Accounts Expenses	<u>54,211</u>

PPL ELECTRIC UTILITIES CORPORATION

Electric Service
Statement of Operation and Maintenance Expenses
Year Ended December 31, 2004
(Thousands of Dollars)

<u>Acct. No.</u>	<u>Title of Account</u>	<u>Amount</u>
<u>Customer Service and Informational Expenses</u>		
Operation		
907	Supervision	\$ 0
908	Customer assistance expenses	
	On-Track uncollectible accounts	3,700
	Other	9,811
909	Informational and instructional expenses	0
910	Miscellaneous customer service and informational expenses	86
	Total Customer Service and Informational Expenses	<u>13,597</u>
<u>Sales Expenses</u>		
Operation		
911	Supervision	44
912	Demonstrating and selling expenses	2,241
913	Advertising expenses	2,416
916	Miscellaneous sales expenses	1,890
	Total Sales Expenses	<u>6,591</u>
<u>Administrative and General Expenses</u>		
Operation		
920	Administrative and general salaries	4,425
921	Office supplies and expenses	80,186
923	Outside services employed	310
924	Property insurance	0
925	Injuries and damages	1,517
926	Employees pensions and benefits	27,215
928	Regulatory commission expenses	4,263
929	Duplicate charges - credit	0
930	Miscellaneous general expenses	7,376
931	Rents - office buildings	0
		<u>125,292</u>
Maintenance		
935	Maintenance of general plant	<u>1,888</u>
	Total Administrative and General Expenses	<u>127,180</u>
	Total Operation and Maintenance Expenses	<u>\$ 2,072,084</u>

PPL ELECTRIC UTILITIES CORPORATION

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J. M. Kleha

Electric Service
Statement of Detail Taxes
Year Ended December 31, 2004
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
	Taxes Other Than Income	
	State and Local	
1	Capital Stock	\$ 6,680
2	Gross Receipts	158,803
3	Local property and Other	918
4	Public Utility Realty	4,000
5	State Unemployment Compensation	244
6	Sales and Use	0
7	Total State and Local	<u>170,645</u>
	Federal	
8	Unemployment Tax Act	67
9	Social Security and Hospital Insurance	6,262
10	Total Federal	<u>6,329</u>
11	Total Taxes Other Than Income	<u>176,974</u>
	Income Taxes	
12	State	5,678
13	Federal	(9,086)
14	Total Income Taxes	<u>(3,408)</u>
	Investment Tax Credit	
15	Deferred	0
16	Amortization of Deferral	(2,745)
17	Net Investment Tax Credit	<u>(2,745)</u>

PPL ELECTRIC UTILITIES CORPORATION

Electric Service
Statement of Detail Taxes
Year Ended December 31, 2004
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Federal</u>	<u>State</u>	<u>Amount</u>
Deferred Income Taxes				
Provision for Deferred Taxes				
18	ACRS & MACRS - General Property	\$ 2,484	\$ 0	\$ 2,484
19	ACRS & MACRS - Transmission Property	5,527	0	5,527
20	ACRS & MACRS - Distribution Property	35,480	0	35,480
21	Pensions Costs Capitalized	514	163	677
22	Amortizations Booked Separately	468	157	625
23	Environmental Cleanup	317	100	417
24	Loss on Reacquired Debt	99	24	123
25	Post-Retirement Benefits	741	235	976
26	Bad Debts	588	186	774
27	Taxes Capitalized	256	82	338
28	Obsolete Inventory	28	9	37
29	Consumer Education	99	32	131
30	Other Taxes	244	77	321
31	Severance Pay	43	13	56
32	Miscellaneous	0	0	0
33	Total Provision	<u>46,888</u>	<u>1,078</u>	<u>47,966</u>
Provision for Deferred Taxes - Credit				
34	CTC	(1,694)	(538)	(2,232)
35	Pension Expense - Book	(1,211)	(384)	(1,595)
36	SERP/DRP	(77)	(25)	(102)
37	Vacation Pay	(267)	(84)	(351)
38	Health Care Costs - PMC Amortization	(1,639)	(520)	(2,159)
39	Post-Employment Benefits	(97)	(31)	(128)
40	Fin 45 Prepaid Rent	(254)	(80)	(334)
41	Removal Costs - Transmission Property	(48)	(12)	(60)
42	Removal Costs - Distribution Property	(92)	(24)	(116)
43	Class Life - Transmission Property	(274)	(60)	(334)
44	Class Life - Distribution Property	(846)	(164)	(1,010)
45	Repair Allowance - Transmission Property	(28)	(9)	(37)
46	Repair Allowance - Distribution Property	(449)	(142)	(591)
47	Contributions in Aid of Construction - Transmission Property	(3,064)	(971)	(4,035)
48	Contributions in Aid of Construction - Distribution Property	(4,188)	(1,328)	(5,516)
49	Administrative & General Capitalized	(306)	(96)	(402)
50	Amortizations Booked Separately	(40)	(11)	(51)
51	Miscellaneous	0	0	0
52	Total Credits	<u>\$ (14,574)</u>	<u>\$ (4,479)</u>	<u>(19,053)</u>
53	Total Deferred Income Taxes			<u>28,913</u>
54	Total All Taxes			<u>\$199,734</u>

PPL ELECTRIC UTILITIES CORPORATION

Calculation of Composite Cost Rate of Long-Term Debt
at December 31, 2004
(Thousands of Dollars)

Line No.	(1) First Mortgage Bonds	(2) Amount Outstanding	(3) Percent to Total	(4) Effective Interest Rate (a)	(5) Average Weighted Cost Rate	
1	6-1/2 % Series Due 2005	\$ 60,000	36.01 %	6.67 %	2.40 %	
2	6.55 % Series Due 2006	96,000	57.62	6.68	3.85	
3	7.70 % Series Due 2009	325	0.19	7.78	0.01	
4	7-3/8 % Series Due 2014	10,290	6.18	7.55	0.47	
5	Total	<u>\$ 166,615</u>	<u>100.00 %</u>		<u>6.73 %</u>	
	<u>Pollution Control Bonds</u>					
6	3.125% Series due 2008	\$ 90,000	28.69 %	3.74 %	1.07 %	
7	5.50 % Series I Due 2027	53,250	16.97	5.69	0.97	
8	6.40 % Series J Due 2029	115,500	36.81	6.54	2.41	
9	6.15 % Series K Due 2029	55,000	17.53	6.37	1.12	
10	Total	<u>\$ 313,750</u>	<u>100.00 %</u>		<u>5.57 %</u>	
	<u>Senior Secured Bonds</u>					
11	5.875% Series due 2007	\$ 300,000	33.33 %	6.25 %	2.08 %	
12	6.25% Series due 2009	500,000	55.56	6.53	3.63	
13	4.30% Series due 2013	100,000	11.11	4.47	0.50	
		<u>\$ 900,000</u>	<u>100.00 %</u>		<u>6.21 %</u>	
14	<u>Conemaugh Scrubber Note</u> Due 6/1/27	<u>\$ 9,475</u>	<u>100.00 %</u>	1.21 %	<u>1.21 %</u>	
15	Total First Mortgage Bonds	\$ 166,615	11.99 %	6.73 %	0.81 %	
16	Total Pollution Control Bonds	313,750	22.57	5.57	1.26	
17	Total Senior Secured Bonds	900,000	64.76	6.21	4.02	
18	Total Conemaugh Scrubber Note	9,475	0.68	1.21	0.01	
19		<u>\$ 1,389,840</u>	<u>100.00 %</u>		<u>6.10 %</u>	
20	Long-Term Debt	\$ 1,389,840			6.10 %	\$ 84,780 (b)
21	Loss on Reacquired Debt	(27,291)				3,027 (c)
22	Gain on Reacquired Debt					(d)
23	Adjusted Long-Term Debt	<u>\$ 1,362,549</u>			6.44 % (e)	<u>\$ 87,807</u>

(a) Effective interest rate from Schedule B-6, page 2.
(b) 6.10% * \$1,389,840
(c) Annualized amortization of loss on reacquired debt
(d) Annualized amortization of gain on reacquired debt
(e) \$87,807 / \$1,362,549

PPL ELECTRIC UTILITIES CORPORATION

Schedule of Long-Term Debt and Calculation
of Average Weighted Cost Rate at December 31, 2004

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	
Line No.	Description of Issue	Nominal Date of Issue	Date of Maturity	Amount Issued	Amount Outstanding	Amount Retired	Coupon Rate - %	Premium, Option or (Discount) at Issuance	Issuance Expense	Net Proceeds	Annual Sinking Fund Requirement(a)	Average Term In Years	Net Proceeds Ratio (b)	Effective Interest Rate - %
<u>First Mortgage Bonds</u>														
1	8-1/2 % Series Due 2005	4/1/03	4/1/05	125,000,000	80,000,000	65,000,000	6.50	(782,351)	41,105	59,176,544		12	98.63	6.67
2	6.55 % Series Due 2006	3/1/04	3/1/06	150,000,000	96,000,000	54,000,000	6.55	(884,712)	134,992	94,960,296		12	98.94	6.68
3	7.70 % Series Due 2009	10/1/04	10/1/09	200,000,000	325,000	199,675,000	7.70	(2,031)	254	322,715		15	99.30	7.79
4	7-3/8 % Series Due 2014	3/1/04	3/1/14	100,000,000	10,280,000	89,710,000	7.375	(170,465)	14,877	10,104,658		20	98.20	7.55
<u>Pollution Control Bonds</u>														
5	3.125% Series Due 2008	2/12/03	11/1/08	90,000,000	90,000,000	-	3.125	0	2,810,269	87,189,731		5	98.88	3.74
6	5.50 % Series I Due 2027	2/15/04	2/15/27	53,250,000	53,250,000	-	5.50	(998,438)	496,730	51,754,832		33	97.19	5.69
7	6.40 % Series J Due 2029	9/1/04	9/1/29	115,500,000	115,500,000	-	6.40	(990,990)	1,188,848	113,322,162		35	98.11	6.54
8	6.15 % Series K Due 2029	8/1/05	8/1/29	55,000,000	55,000,000	-	6.15	(670,650)	808,184	53,321,188		34	98.95	6.37
<u>Senior Secured Bonds</u>														
9	5.875% Series due 2007	8/1/01	8/15/07	300,000,000	300,000,000	-	5.875	(1,856,021)	3,797,714	294,346,265		6	98.12	6.25
10	6.25% Series due 2009	8/1/01	8/15/09	500,000,000	500,000,000	-	6.25	(2,143,776)	6,454,524	491,401,700		8	98.28	6.53
11	4.30% Series due 2013	5/23/03	6/1/13	100,000,000	100,000,000	-	4.30	(548,000)	849,971	98,602,029		10	98.80	4.47
<u>Conemaugh Scrubber Note</u>														
12	Due 6/1/27 (Variable rate)	6/4/97	6/1/27	9,475,000	9,475,000	-	1.18	0	110,606	9,364,394		30	98.83	1.21
13	TOTAL				<u>\$1,389,840,000</u>									

(a) The sinking fund requirements may be met with property additions or bonds.

(b) Approximates net proceeds at time of issuance.

NOTE: No bonds under any series outstanding have been reacquired or retired by the Company.

PPL ELECTRIC UTILITIES CORPORATION

**Composite Cost Rate of Preferred Stock
December 31, 2004
(Thousands of Dollars)**

Line No.		(1) Amount Outstanding	(2) Percent of Total	(3) Effective Cost Rate (a)	(4) Weighted Cost Rate	(5) Annual Cost
1	4-1/2 % Preferred	\$ 24,752	49.00 %	5.03 %	2.46 %	\$ 1,245
	Series Preferred					
2	3.35%	2,061	4.08	3.37	0.14	69
3	4.60%	2,861	5.66	4.79	0.27	137
4	4.40%	11,768	23.29	4.46	1.04	525
5	6.75%	<u>9,077</u>	<u>17.97</u>	6.82	<u>1.23</u>	<u>619</u>
6	Total Preferred Stock	50,519	100.00 %		5.14 %	2,595
	Unamortized Premiums and Unrecovered Original Issues Costs on Redeemed Stock (b)	<u>(1,811)</u>				<u>419</u>
8		<u>\$ 48,708</u>			<u>6.19 % (c)</u>	<u>\$ 3,014</u>

(a) Effective cost rate from Schedule B-7, Page 2.

(b) See Schedule B-7, Page 3 for determination of these amounts.

(c) \$3,014 / \$48,708

PPL ELECTRIC UTILITIES CORPORATION

Computation of Preferred Stock Effective Cost Rate by Series
At December 31, 2004

Line No.	(1) Description of Issue	(2) Date of Issue	(3) Date of Maturity (a)	(4) Amount Issued	(5) Amount Outstanding (f)	(6) Amount Retired	(7) Gain on Reacquisition	(8) Issuance Expenses Net of Premium (f)	(9) Net Proceeds (b)	(10) Sinking Fund Requirements Annual Requirements (Shares)	(11) Redemption Period	(12) Nominal Dividend Rate	(13) Average Term in Years (a)	(14) Net Proceeds Ratio	(15) Effective Cost Rate (c)
Cumulative Preferred Stock															
1	3.35 % Series	5/2/46		\$ 4,178,300	\$ 2,060,500	\$ 2,117,800		\$ 10,370	\$ 2,050,130	-	-	3.35 %		99.50 %	3.37 %
2	4.60 % Series	10/21/48		6,300,000	2,861,400	3,438,600		113,048	2,748,352	-	-	4.60		96.05	4.79
3	4.40 % Series	8/5/52		22,877,300	11,767,600	11,109,700		162,968	11,604,634	-	-	4.40		98.62	4.46
4	4-1/2 % Series	12/10/45		53,018,900	24,752,400	28,266,500		72,048 (d)	22,145,805 (e)	-	-	4.50		89.47	5.03
5		12/22/54													
6	6.75 % Series	10/5/93		85,000,000	9,077,000	75,923,000		90,879	8,986,121	-	-	6.75		99.00	6.82
7				<u>\$ 171,374,500</u>	<u>\$ 50,518,900</u>	<u>\$ 120,855,600</u>		<u>\$ 449,311</u>	<u>\$ 47,535,042</u>						

(a) None of the preferred stock has sinking fund requirements, therefore these fields are not applicable.

(b) Amount outstanding less Issuance expenses net of premium.

(c) For issues without sinking fund requirements the effective cost rate is computed by dividing the nominal dividend rate by the net proceeds ratio.

(d) Includes \$40,639 premium.

(e) Net proceeds after deducting \$2,534,547 (prorated portion of \$5,428,900) attributable to cost of Company refinanced issues carried forward.

(f) Amount outstanding and Issuance Expenses net of Premium are net of reacquired stock.

PPL ELECTRIC UTILITIES CORPORATION

DETERMINATION OF UNAMORTIZED PREMIUMS AND
ORIGINAL ISSUE COSTS ON REACQUIRED PREFERRED AND PREFERENCE STOCK
AS OF DECEMBER 31, 2004

Line No.	Date Redeemed	(1) Premium	(2) Unrecovered Original Issue Costs	(3) Average Remaining Life-Mos.	(4) Monthly Amortization(a)	(5) Amortization through 12/31/04-Mos.	(6) Amortization(b)	(7) Unamortized Premium/OIC 12/31/2004(c)	Jan. 1, 2005 Dec. 31, 2005 Amortization(e)
<u>Preferred Stock(d)</u>									
1	9.24% Series	2/1/92	\$258,900	\$371,446	101	\$6,241	101.00	\$630,346	
2	9.00% Series	2/1/92	77,630	152,830	171	1,348	155.00	208,940	\$0
3	7.40% Series	7/1/93	236,800	84,230	120	2,675	120.00	321,030	21,520
4	8.75% Series	7/1/93	1,074,000	134,765	111	10,890	111.00	1,208,765	0
5	8.00% Series	7/1/93	500,000	116,531	111	5,554	111.00	616,531	0
6	8.60% Series	7/15/93	297,976	393,860	171	4,046	137.50	556,325	0
7	7.375% Series	11/1/93	2,106,823	492,810	221	11,763	134.00	1,576,242	135,511
8	7.82% Series	11/1/93	590,500	329,639	32	28,754	32.00	202,499	1,023,391
9	6.875% Series	5/1/94	0	202,499	23	8,804	23.00	202,499	0
10	7.00% Series	5/1/94	0	611,359	32	19,105	32.00	611,359	0
<u>Preference Stock</u>									
11	\$15.00 Series	2/19/86	10,000,000	1,549,988	136	84,926	136.00	11,549,988	0
12	\$13.68 Series	4/1/86	7,000,000	1,755,915	163	53,717	163.00	8,755,915	0
13	\$13.00 Second Series	6/13/86	7,000,000	1,553,360	144	59,398	144.00	8,553,360	0
14	\$11.60 Series	2/18/87	7,000,000	1,443,951	141	59,886	141.00	8,443,951	0
15	\$ 8.00 Series	9/15/93	351,944	582,445	171	5,464	135.50	740,372	0
16	\$ 8.40 Series	9/15/93	401,333	678,905	171	6,317	135.50	855,954	194,017
17	\$ 8.70 Series	9/15/93	400,667	621,621	171	5,978	135.50	810,019	224,284
18			<u>\$37,296,573</u>	<u>\$11,076,154</u>		<u>\$374,866</u>		<u>\$46,561,735</u>	<u>\$1,810,992</u>
									<u>\$418,992</u>

(a) $((1) + (2)) / (3) = (4)$

(b) $(5) \times (4) = (6)$

(c) $(1) + (2) - (6) = (7)$

(d) Unrecovered Original Issue Costs include litigation fees and settlements with former holders pro-rated based on principal amount at time of redemption.

(e) $(4) \times 12$ months

PPL ELECTRIC UTILITIES CORPORATION

Capital Structure
(Millions of Dollars)

Line No.		1999	2000	2001	2002	2003	2004
Capitalization							
1	Long-Term Debt (a)	\$ 1,090.2	\$ 939.6	\$ 1,516.6	\$ 1,479.2	\$ 1,493.4	\$ 1,362.5
2	Preferred & Preference Stock	350.6	351.3	336.1	79.0	48.3	48.7
3	Common Equity (b)	1,323.2	1,180.4	950.2	1,156.2	1,230.0	1,244.7
4	Total	<u>\$ 2,764.0</u>	<u>\$ 2,471.3</u>	<u>\$ 2,802.9</u>	<u>\$ 2,714.4</u>	<u>\$ 2,771.7</u>	<u>\$ 2,655.9</u>
Capitalization Ratios							
5	Long-Term Debt (a)	39.44%	38.02%	54.11%	54.49%	53.88%	51.30%
6	Preferred & Preference Stock	12.69%	14.22%	11.99%	2.91%	1.74%	1.83%
7	Common Equity (b)	47.87%	47.76%	33.90%	42.60%	44.38%	46.87%
8	Total	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

(a) Long-term debt includes amount due within one year and the unamortized loss on reacquired debt.

(b) Common equity includes an adjustment for the unamortized premiums and unrecovered original issue costs on reacquired preferred and preference stock.

PPL ELECTRIC UTILITIES CORPORATION

Capital Structure
(Thousands of Dollars)

Line No.		1999	2000	2001	2002	2003	2004
	<u>Computation of Long-Term Debt</u>						
1	Long-term Debt	\$ 1,120,941	\$ 968,357	\$ 1,544,189	\$ 1,504,890	\$ 1,520,412	\$ 1,389,840
2	Unamortized Loss on Reacquired Debt	(30,725)	(28,710)	(27,607)	(25,649)	(26,971)	(27,291)
3	Adjusted Long-Term Debt	<u>\$ 1,090,216</u>	<u>\$ 939,647</u>	<u>\$ 1,516,582</u>	<u>\$ 1,479,241</u>	<u>\$ 1,493,441</u>	<u>\$ 1,362,549</u>
	<u>Computation of Preferred & Preference Stock</u>						
4	Preferred Stock	\$ 97,432	\$ 97,432	\$ 81,619	\$ 81,619	\$ 50,519	\$ 50,519
5	Subordinated Debentures	257,732	257,732	257,732			
6		355,164	355,164	339,351	81,619	50,519	50,519
	Adjustment for Unamortized Premiums and Unrecovered Original Issue Costs on Reacquired Preferred and Preference Stock	(4,598)	(3,913)	(3,264)	(2,665)	(2,230)	(1,811)
7							
8	Preferred & Preference Stock	<u>\$ 350,566</u>	<u>\$ 351,251</u>	<u>\$ 336,087</u>	<u>\$ 78,954</u>	<u>\$ 48,289</u>	<u>\$ 48,708</u>
	<u>Computation of Common Equity</u>						
	Common Equity per Books						
9	Common Stock Issued	\$ 1,476,048	\$ 1,476,048	\$ 1,476,048	\$ 1,476,048	\$ 1,476,048	\$ 1,476,048
10	Treasury Stock	(632,215)	(632,215)	(912,215)	(912,215)	(912,215)	(912,215)
11	Misc Paid in Capital	55,140	55,140	50,777	281,943	360,258	360,258
12	Earnings Reinvested	419,616	277,491	332,325	307,772	303,691	318,762
13		1,318,589	1,176,464	946,935	1,153,548	1,227,782	1,242,853
	Adjustment for Unamortized Premiums and Unrecovered Original Issue Costs on Reacquired Preferred and Preference Stock	4,598	3,913	3,264	2,665	2,230	1,811
14							
15	Adjusted Common Equity	<u>\$ 1,323,187</u>	<u>\$ 1,180,377</u>	<u>\$ 950,199</u>	<u>\$ 1,156,213</u>	<u>\$ 1,230,012</u>	<u>\$ 1,244,664</u>

PPL ELECTRIC UTILITIES CORPORATION

Rate of Return at
December 31, 2004

	(1)	(2)	(3)	(4)
<u>Line No.</u>		<u>Capitalization Ratio (B-8)</u>	<u>Embedded Cost</u>	<u>Return</u>
1 Long-Term Debt		51.30 %	6.44 % (B-6)	3.30 %
2 Preferred Stock		1.83	6.19 (B-7)	0.11
3 Common Equity		46.87	11.50	5.39
4		<u>100.00 %</u>		<u>8.80 %</u>

PPL ELECTRIC UTILITIES CORPORATION

Measures of Value and Rates of Return

As of December 31, 2004*(Thousands of Dollars)*

<u>Line No.</u>	<u>Title of Account</u>	<u>Total T&D Operations</u>	<u>PPUC Jurisdictional (Exhibit JMK 2)</u>
	Electric Plant		
1	Electric plant in service (C-2)	\$ 4,424,095	\$ 3,426,813
2	Reserve for depreciation (C-2)	1,709,721	1,286,590
3	Net electric plant in service	<u>2,714,374</u>	<u>2,140,223</u>
	Additions		
3	Plant held for future use (C-3)	0	0
4	Total electric plant	<u>2,714,374</u>	<u>2,140,223</u>
	Working Capital		
5	Cash working capital (C-4)	22,565	17,851
6	Materials and operating supplies (C-5)	29,886	22,698
7	Total working capital	<u>52,451</u>	<u>40,549</u>
	Deductions		
8	Accumulated deferred taxes on income (C-6)	349,426	324,152
9	Customer advances for construction (B-1)	174	174
10	Customer deposits	20,463 (1)	19,443
11	Total deductions	<u>370,063</u>	<u>343,769</u>
12	Measures of Value (net)	<u>\$ 2,396,762</u>	<u>\$ 1,837,003</u>
	Pro forma return at present rates		
13	Amount (D-1, col.6)		\$ 74,250
14	Percent		4.04%
	Pro forma return at proposed rates		
15	Amount (D-1, col. 8)		\$ 161,656
16	Percent		8.80%

(1) As discussed in Statement No. 5-R.

PPL ELECTRIC UTILITIES CORPORATION

Electric Plant in Service - Original Cost
As of December 31, 2004
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Transmission	\$ 975,327
2	Distribution	3,091,137
3	General	335,346
4	Intangible	<u>22,392</u>
5	Total Electric Plant In Service as filed	4,424,202
6	Less: Adjustments on Schedule C-2a	<u>(107)</u>
7	Adjusted Total Electric Plant in Service	<u>\$ 4,424,095</u>

PPL ELECTRIC UTILITIES CORPORATION

Reserve for Depreciation - Original Cost
As of December 31, 2004
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Transmission	\$ 414,872
2	Distribution	1,159,165
3	General	127,274
4	Intangible	<u>8,940</u>
5	Total Reserve for Depreciation as filed	1,710,251
6	Less: Amortization for PMS Software	<u>(530) (1)</u>
7	Adjusted Total Reserve for Depreciation	<u>\$ 1,709,721</u>

(1) As discussed in Statement No. 2-R.

PPL ELECTRIC UTILITIES CORPORATION

Adjustments to Electric Plant in Service
Year Ended December 31, 2004
(Thousands of Dollars)

These adjustments to Electric Plant in Service are discussed in Statement No. 2-R.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Post retirement benefits	\$ 122
2	Pension	(215)
3	SERP	(14)
4	Decrease in Electric Plant in Service	<u>\$ (107)</u>

PPL ELECTRIC UTILITIES CORPORATION
Electric Plant Held For Future Use
As of December 31, 2004
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
	Transmission	
1	Substations	\$ 258
2	Lines	12,899
3	Total	<u>13,157</u>
	Distribution	
4	Area - Substations	1,917
5	Lines	30
6	Other	266
7	Total	<u>2,213</u>
8	Total Plant Held For Future Use as filed	<u>15,370</u>
9	Less: Eliminate Plant Held for Future Use	(15,370) (1)
10	Adjusted Plant Held For Future Use	<u>\$ -</u>

(1) As discussed in Statement No. 5-R.

PPL ELECTRIC UTILITIES CORPORATION

Cash Working Capital
As of December 31, 2004
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Operation and maintenance expense (C-4, page 2)	\$ 13,352
2	Average prepayments (C-4, page 3)	2,152
3	Accrued taxes (C-4, page 4)	16,714
4	Interest payments (C-4, page 5)	(9,657)
5	Preferred dividend payments (C-4, page 6)	<u>4</u>
6	Total cash working capital requirement	<u><u>\$ 22,565</u></u>

PPL Electric Utilities Corporation

Working Capital Required for Operation and Maintenance Expenses
As of December 31, 2004
(Thousands of Dollars)

The Company bills its customers every month. On this basis, there is a considerable span of days between the time electricity is furnished to a customer and the time the customer pays for such electricity.

In many instances, the Company must pay its bills for payroll and other O&M expenses prior to the time it is able to collect the amount due for the service which requires the incurrence of such expenses. Thus, the Company has examined its records to determine, as to the major categories of expense, the average span of days which exists between the time an expense is incurred and the time it must be paid. Schedule C-4, page 2, of Exhibit Historic 1 sets forth the individual components which result in the days lag between payment of expenses and receipt of the related revenues used in the determination of the working capital required for the pro forma O&M expense for the test year ending December 31, 2004.

<u>Line</u>	<u>No.</u>	<u>Description</u>	<u>Amount</u>
	1	Net pro forma O&M expense (a)	\$ 377,955
	2	O&M expense per day (line 1 divided by 365 days)	1,035
	3	Average lag in days between payment of O&M expenses and receipt of revenue (b)	12.9
	4	Working capital requirement (line 2 x line 3)	<u>\$ 13,352</u>
	(a)	Total pro forma operation and maintenance expense (D-1)	\$ 403,894
Less: Non-cash items			
		Uncollectible accounts expense per budget (B-4)	17,500
		On-Track customer assistance expense (B-4)	3,700
		Amortization of AMR displacement costs (D-9)	1,764
		Amortization of Hurricane Isabel deferred costs (D-10)	<u>2,975</u>
		Net pro forma O&M expense	<u>\$ 377,955</u>

(b) As discussed in Statement No. 5-R.

PPL ELECTRIC UTILITIES CORPORATION

Average Prepayments
As of December 31, 2004
(Thousands of Dollars)

<u>Line No.</u>	<u>Month</u>	<u>Insurance</u>	<u>PUC Annual Assessment</u>	<u>Postage</u>	<u>Total</u>
1	December 2003	\$17	\$1,713	\$376	\$2,106
2	January 2004	8	1,428	400	1,836
3	February	(2)	1,142	344	1,484
4	March	(12)	857	428	1,273
5	April	(22)	571	305	854
6	May	(31)	286	402	657
7	June	(41)	3,108	260	3,327
8	July	(51)	2,849	363	3,161
9	August	(60)	2,501	457	2,898
10	September	(70)	2,731	307	2,968
11	October	(80)	2,427	386	2,733
12	November	(89)	2,124	532	2,567
13	December	(99)	1,820	394	2,115
14	Total Prepayments	(\$532)	\$23,557	\$4,954	\$27,979
15	Monthly Average	(\$41)	\$1,812	\$381	\$2,152

PPL ELECTRIC UTILITIES CORPORATION

Accrued Taxes
Year Ended December 31, 2004
(Thousands of Dollars)

Line No.	Description	Amount	12-Month Accrued Factor (c)	Accrued Taxes
1	Federal income tax (D-1, line 6, col. 5 + col. 7)	\$25,568	-3.52%	\$ (900)
2	PA income tax (D-1, line 7, col. 5 + col. 7)	16,668	-1.44%	(240)
3	PA gross receipts tax (a)	47,696	36.06%	17,200
4	PA capital stock tax (b)	7,700	-1.44%	(111)
5	PA public utility reality tax (D-12, page 4)	3,251	23.56%	766
6	Total Accrued Taxes			<u>\$ 16,714</u>
	(a) PA gross receipts tax			
	Amount per D-12, page 3	\$38,289		
	Amount due to proposed increase (D-13, page 4)	<u>9,407</u>		
	TOTAL	<u>\$47,696</u>		
	(b) PA capital stock tax			
	Amount applicable to electric operations (D-12, page 2)	\$7,060		
	Amount applicable to proposed increase (D-13, page 4)	<u>640</u>		
	TOTAL	<u>\$7,700</u>		

(c) The 12-month average factor represents, in the case of Federal and State income tax and capital stock tax, the portion of the tax liability which is available to the Company for the payment of other costs. This situation exists because revenue is available from customers prior to payment dates of the taxes. The factors for the other Pennsylvania taxes represent the portions of those tax liabilities which must be provided by the Company due to payment of the taxes before the revenue is available from customers. Exhibit Historic 1, Schedule C-4, pages 7 through 12 reflect the computation of such factors.

PPL ELECTRIC UTILITIES CORPORATION

Interest Payments
As of December 31, 2004
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>		<u>Amount</u>
1	Measures of value at December 31, 2004 (C-1)		\$2,396,762
2	Long-term debt ratio (B-9)		51.30%
3	Embedded cost of long-term debt (B-9)		6.44%
4	Pro forma interest (line 1 x line 2 x line 3)		<u>\$ 79,182</u>
5	Daily amount (line 4 + 365)		<u>\$ 217</u>
6	Days to mid-point of interest payments	90.0	
7	Less: Revenue lag days (Historic C-4, page 2)	<u>45.5</u>	
8	Interest payments lag days (line 6 - line 7)		<u>44.5</u>
9	Total interest payments (line 5 x line 8)		<u>\$ 9,657</u>

PPL ELECTRIC UTILITIES CORPORATION

Preferred Dividend Payments
As of December 31, 2004
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>		<u>Amount</u>
1	Measures of value at December 31, 2004 (C-1)		\$2,396,762
2	Preferred stock ratio (B-9)		1.83%
3	Embedded cost of preferred stock (B-9)		6.19%
4	Pro forma dividends (line 1 x line 2 x line 3)		<u>\$ 2,715</u>
5	Daily amount (line 4 ÷ 365)		<u>\$ 7</u>
6	Days to mid-point of dividend payments	45.0	
7	Less: Revenue lag days (Historic C-4, page 2)	<u>45.5</u>	
8	Dividend payments lag days (line 6 - line 7)		<u>(0.5)</u>
9	Total preferred dividend payments (line 5 x line 8)		<u>\$ (4)</u>

PPL ELECTRIC UTILITIES CORPORATION

Plant Materials and Operating Supplies
As of December 31, 2004
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Plant Materials and Operating Supplies (C-5, page 2)	\$ 24,759
2	Stores expense undistributed (C-5, page 3)	<u>5,127</u>
3	Total materials and operating supplies	<u>\$ 29,886</u>

PPL ELECTRIC UTILITIES CORPORATION

Plant Materials and Operating Supplies
As of December 31, 2004
(Thousands of Dollars)

<u>Line No.</u>	<u>Month</u>	<u>Amount</u>
1	December 2003	\$ 25,236
2	January 2004	24,974
3	February	25,046
4	March	25,060
5	April	24,942
6	May	24,609
7	June	24,685
8	July	24,649
9	August	24,435
10	September	24,553
11	October	24,562
12	November	24,521
13	December	<u>24,599</u>
14	Total Plant Materials and Operating Supplies	<u>\$ 321,871</u>
15	Monthly Average	<u>\$ 24,759</u>

PPL ELECTRIC UTILITIES CORPORATION

Stores Expense Undistributed
As of December 31, 2004
(Thousands of Dollars)

<u>Line No.</u>	<u>Month</u>	<u>Amount</u>
1	December 2003	\$ 5,154
2	January 2004	5,140
3	February	5,137
4	March	5,131
5	April	5,133
6	May	5,156
7	June	5,226
8	July	5,230
9	August	5,154
10	September	5,091
11	October	5,044
12	November	5,035
13	December	<u>5,024</u>
14	Total Stores Expense Undistributed	<u>\$ 66,655</u>
15	Monthly Average	<u>\$ 5,127</u>

PPL ELECTRIC UTILITIES CORPORATION

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Accumulated Deferred Taxes on Income
As of December 31, 2004
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>		<u>Amount</u>
	Contributions In Aid Of Construction (B-1)		
1	Transmission	\$ (18,605)	
2	Distribution	(52,182)	
3	Balance at December 31, 2004	<u> </u>	\$ (70,787)
	Liberalized Depreciation		
	Transmission		
4	Class life depreciation system (B-1)	23	
5	Deduction of costs removing retired depreciable property (B-1)	49	
6	Balance at December 31, 2004	<u> </u>	72
	Distribution		
7	Class life depreciation system (B-1)	29	
8	Deduction of costs removing retired depreciable property (B-1)	59	
9	Balance at December 31, 2004	<u> </u>	88
	Accelerated Cost Recovery System (ACRS) (B-1)		
10	Transmission	40,719	
11	Distribution	328,108	
12	General	43,485	
13	Balance at December 31, 2004	<u> </u>	412,312
	Repair Allowance (B-1)		
14	Transmission	453	
15	Distribution	7,288	
16	Balance at December 31, 2004	<u> </u>	<u>7,741</u>
17	Total accumulated deferred taxes on income		<u><u>\$ 349,426</u></u>

PPL ELECTRIC UTILITIES CORPORATION

Electric Service
Operating Income
Pro Forma at Present and Proposed Rates
Year Ended December 31, 2004
(Thousands of Dollars)

Line No.	(1)	(2)	(3)	(4)	(5)	(6) PPUC Jurisdictional		(8)
	Total Amount Per Budget	Less: CTC & POLR	T&D Operations Per Budget	Pro forma Adjustments D-2	T&D Pro Forma at Present Rates	Pro Forma at Present Rates (Exhibit JMK 2)	Rate Increase (D-13, Pg 4)	Pro Forma at Proposed Rates
1 Operating Revenue	\$ 2,515,735	\$ (1,836,195)	\$ 679,540	\$ 2,817	\$ 682,357	\$ 523,544	\$ 159,443	\$ 682,987
Operating Expenses								
2 Operations and Maintenance	2,072,084	(1,669,312)	402,772	1,122	403,894	306,991	-	306,991
3 Depreciation and amortization	108,619	-	108,619	3,653	112,272	93,464	-	93,464
4 Regulatory Debits/Credits	4,750	(4,750)	(0)	-	(0)	-	-	-
Provision for Taxes								
5 Taxes Other Than Income	176,974	(120,681)	56,293	(523)	55,770	44,608	10,047	54,655
Income Taxes								
6 Federal	(9,086)	(16,229)	(25,315)	3,818	(21,497)	(24,446)	47,065	22,619
7 State	5,678	(5,146)	532	1,211	1,743	165	14,925	15,090
8 Deferred Income Taxes	28,913	4,070	32,983	(1,173)	31,810	30,425	-	30,425
9 Investment Tax Credit	(2,745)	-	(2,745)	-	(2,745)	(1,913)	-	(1,913)
10 Total taxes	199,734	(137,986)	61,748	3,333	65,081	48,839	72,037	120,876
11 Gain/loss from Disposition of Utility Plant	-	-	-	-	-	-	-	-
12 Total Operating Expenses	2,385,187	(1,812,048)	573,139	8,108	581,247	449,294	72,037	521,331
13 Operating Income	\$ 130,548	\$ (24,147)	\$ 106,401	\$ (5,291)	\$ 101,110	\$ 74,250	\$ 87,406	\$ 161,656

PPL ELECTRIC UTILITIES CORPORATION

Adjustments to Income
Year Ended December 31, 2004
 (Thousands of Dollars)

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 J.M. Kleha
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<u>Line No.</u>	<u>Reference</u>	<u>Description</u>	<u>Amount</u>
		<u>Operating Revenues</u>	
1	D-3, page 1	Operating Revenue	<u>\$ 2,817</u>
		<u>Operating and Maintenance Expenses</u>	
2	D-2a	Miscellaneous proposed adjustments	(3,026)
3	D-5	Employee wages and benefits	(5,629)
4	D-6	Rate case expense	0
5	D-7	Interest expense on customer deposits	262
6	D-8	Social programs	4,776
7	D-9	Automated Meter Reading (AMR) displacement costs	1,764
8	D-10	Hurricane Isabel deferred costs	<u>2,975</u>
8		Total operation and maintenance expense	<u>1,122</u>
		<u>Depreciation</u>	
9	D-11	Annual depreciation expense	<u>3,653</u>
		<u>Provision for Taxes</u>	
		Taxes other than income	
10	D-12	Capital stock	380
11	D-12	Gross receipts	167
12	D-12	Public utility realty	(749)
13	D-5	Payroll taxes	(321)
		Income taxes	
14	D-13	Federal	3,818
15	D-13	State	1,211
16	D-14	Deferred income taxes	(1,173)
17	D-15	Investment tax credit - amortization	<u>0</u>
18		Total Taxes	<u>3,333</u>
19		Total Operating Expenses	<u>8,108</u>
20		Total Adjustments to Income	<u>\$ (5,291)</u>

PPL ELECTRIC UTILITIES CORPORATION

Adjustments to Operation and Maintenance Expense
Year Ended December 31, 2004
(Thousands of Dollars)

These adjustments to operation and maintenance expense are discussed in Statement No. 2-R.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Post retirement benefits expense	\$ 276
2	Pension expense	(489)
3	SERP expense	(30)
4	Community Affairs expense claim	(300)
5	Environmental remediation expense	(2,483)
6	Net decrease in operation and maintenance expense	<u>\$ (3,026)</u>

PPL ELECTRIC UTILITIES CORPORATION

Adjustments to Operating Revenue
Year Ended December 31, 2004
 (Thousands of Dollars)

Line No.	Description	Total Revenue Per Budget	Less: CTC and POLR	T&D Revenue Per Budget	Pro Forma Adjustments	Pro forma at Present Rates
PPUC Jurisdictional						
1	Transmission revenue	\$ 140,699	\$ -	\$ 140,699	\$ 2,378	\$ 143,077
2	Distribution revenue	489,662	-	489,662	9,883	499,545
3	CTC revenue	107,550	(107,550)	-	-	-
4	Capacity and energy revenue	1,554,885	(1,554,885)	-	-	-
5	Tax surcharge revenue	30,728	(23,343)	7,385	(7,385)	-
6	Sales to affiliate	143,946	(143,946)	-	-	-
7	Total PPUC Tariff Revenue	<u>2,467,470</u>	<u>(1,829,724)</u>	<u>637,746</u>	<u>4,876</u>	<u>642,622</u>
Other Electric Revenue						
8	Late Payment	6,000	-	6,000	336 (1)	6,336
9	Misc. Revenue	-	-	-	-	-
10	Rent	16,906	-	16,906	-	16,906
11	Other	16,493	-	16,493	-	16,493
	Total Other	<u>39,399</u>	<u>-</u>	<u>39,399</u>	<u>336</u>	<u>39,735</u>
12	Operating Revenue (excl. unbilled)	2,506,869	(1,829,725)	677,145	5,212	682,357
13	Unbilled Revenue	8,866	(6,471)	2,395	(2,395)	-
14	Total Operating Revenue	<u>\$ 2,515,735</u>	<u>\$ (1,836,195)</u>	<u>\$ 679,540</u>	<u>\$ 2,817</u>	<u>\$ 682,357</u>

(1) As discussed in Statement 2-R.

O. G. Kasper
 J. R. Schadt
 Revised 7-27-04

PPL ELECTRIC UTILITIES CORPORATION

Adjustments to Operating Revenue
Year Ended December 31, 2004
 (Thousands of Dollars)

Line No.	Description	Total Revenue Per Budget	Less: CTC and POLR	T&D Revenue Per Budget	Pro Forma Adjustments	Pro forma at Present Rates
PPUC Jurisdictional						
1	Transmission revenue	140,699	-	\$ 140,699	\$ 2,378	\$ 143,077
2	Distribution revenue	489,662	-	489,662	9,883	499,545
3	CTC revenue	107,550	(107,550)	-	-	-
4	Capacity and energy revenue	1,554,885	(1,554,885)	-	-	-
5	Tax surcharge revenue	30,728	(23,343)	7,385	(7,385)	-
6	Sales to affiliate	143,946	(143,946)	-	-	-
7	Total PPUC Tariff Revenue	<u>2,467,470</u>	<u>(1,829,724)</u>	<u>637,746</u>	<u>4,876</u>	<u>642,622</u>
Other Electric Revenue						
8	Late Payment	6,000	-	6,000	-	6,000
9	Misc. Revenue	-	-	-	-	-
10	Rent	16,906	-	16,906	-	16,906
11	Other	16,493	-	16,493	-	16,493
	Total Other	<u>39,399</u>	<u>-</u>	<u>39,399</u>	<u>-</u>	<u>39,399</u>
12	Operating Revenue (excl. unbilled)	2,506,869	(1,829,725)	677,145	4,876	682,021
13	Unbilled Revenue	8,866	(6,471)	2,395	(2,395)	-
14	Total Operating Revenue	<u>\$ 2,515,735</u>	<u>\$ (1,836,195)</u>	<u>\$ 679,540</u>	<u>\$ 2,481</u>	<u>\$ 682,021</u>

PPL Electric Utilities Corporation
12 month Period Ended December 31, 2004 Budget

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Line Number	Rate Schedule	Number of Customers	Sales (KWH)	Distribution Present Rate Revenue	Distribution EDI/IDI Credit	Transmission Present Rate Revenue	CTC Present Rate Revenue	ITC Present Rate Revenue	E&C Present Rate Revenue	Present Rate Revenue	State Tax Adjustment Surcharge (STAS) 1.16%	Total Revenue
1	RS	1,151,636	12,894,588,000	\$ 290,356,394	\$ -	\$ 48,512,730	\$ 28,207,368	\$ 133,905,048	\$ 566,905,701	\$ 1,067,887,241	\$ 12,482,892	\$ 1,080,350,133
2	RTS	14,342	399,999,000	\$ 3,472,873	\$ -	\$ 475,522	\$ 539,999	\$ 3,127,992	\$ 15,665,590	\$ 23,281,976	\$ 270,071	\$ 23,552,047
3	RTD	274	5,295,000	\$ 118,811	\$ -	\$ 19,962	\$ 13,093	\$ 62,256	\$ 201,546	\$ 415,688	\$ 4,822	\$ 420,490
4	GS-1	137,035	2,027,665,000	\$ 60,538,043	\$ -	\$ 11,664,590	\$ 6,844,873	\$ 25,200,215	\$ 109,402,680	\$ 213,648,401	\$ 2,478,321	\$ 216,126,722
5	GS-3	21,347	8,730,215,000	\$ 83,740,650	\$ (577,882)	\$ 37,948,721	\$ 25,888,936	\$ 95,576,058	\$ 401,692,623	\$ 844,279,106	\$ 7,473,638	\$ 851,752,743
6	LP-4	866	5,536,214,448	\$ 22,719,736	\$ (1,323,812)	\$ 19,558,320	\$ 15,187,246	\$ 50,960,299	\$ 217,796,033	\$ 324,897,723	\$ 3,768,814	\$ 328,666,536
7	IS-P	34	410,790,428	\$ 1,721,477	\$ -	\$ 1,479,814	\$ 60,728	\$ 3,274,896	\$ 13,454,791	\$ 19,991,706	\$ 231,804	\$ 20,223,610
8	LP-5	95	3,312,901,395	\$ 1,736,321	\$ (147,992)	\$ 9,589,067	\$ 8,385,736	\$ 28,060,501	\$ 117,064,947	\$ 164,697,580	\$ 1,910,376	\$ 166,597,956
9	IS-T	33	1,972,961,237	\$ 1,438,158	\$ -	\$ 6,995,093	\$ (1,154,363)	\$ 15,128,107	\$ 57,614,615	\$ 80,011,611	\$ 928,135	\$ 80,939,746
10	LP-6	4	511,847,000	\$ 279,835	\$ -	\$ 1,556,013	\$ 140,883	\$ 6,161,053	\$ 20,055,041	\$ 28,519,862	\$ 327,037	\$ 28,519,862
11	LPEP	1	72,000,000	\$ 309,600	\$ -	\$ 38,160	\$ 339,176	\$ 1,752,515	\$ 2,197,440	\$ 4,636,891	\$ 53,788	\$ 4,690,679
12	ISA	1	142,853,548	\$ 641,843	\$ -	\$ 353,040	\$ (1,130,781)	\$ -2,684,890	\$ 2,983,938	\$ 5,532,830	\$ 64,182	\$ 5,597,112
13	IS-1	4	2,120,000	\$ 54,648	\$ -	\$ 8,794	\$ (27,841)	\$ 59,570	\$ 50,664	\$ 146,835	\$ 1,703	\$ 148,538
14	BL	30	6,360,000	\$ 219,314	\$ -	\$ 36,888	\$ 18,571	\$ 68,434	\$ 209,182	\$ 552,389	\$ 6,408	\$ 558,797
15	SA	0	23,375,000	\$ 3,120,447	\$ -	\$ 80,116	\$ 11,975	\$ 275,430	\$ 723,426	\$ 4,211,394	\$ 48,852	\$ 4,260,246
16	SM	111	5,126,000	\$ 716,987	\$ -	\$ 16,055	\$ (14,438)	\$ 72,386	\$ 167,866	\$ 858,856	\$ 11,123	\$ 869,979
17	SHS	1,065	62,947,000	\$ 12,900,899	\$ -	\$ 198,094	\$ 81,030	\$ 631,159	\$ 3,585,920	\$ 17,397,102	\$ 201,806	\$ 17,598,908
18	SE	80	19,899,000	\$ 725,632	\$ -	\$ 62,124	\$ -	\$ 86,258	\$ 37,717	\$ 911,731	\$ 10,576	\$ 922,307
19	TS	10	353,000	\$ 22,076	\$ -	\$ 1,119	\$ (1,185)	\$ 5,177	\$ 13,731	\$ 40,918	\$ 475	\$ 41,393
20	SI-1	3	95,000	\$ 15,775	\$ -	\$ 299	\$ (853)	\$ 1,941	\$ 3,765	\$ 20,917	\$ 243	\$ 21,160
21	GH-1	1,003	340,128,000	\$ 5,007,989	\$ -	\$ 1,480,301	\$ 814,931	\$ 6,869,146	\$ 13,384,742	\$ 27,357,109	\$ 317,342	\$ 27,674,451
22	GH-2	2,608	72,987,000	\$ 1,142,642	\$ -	\$ 334,567	\$ 83,586	\$ 1,499,234	\$ 2,943,114	\$ 6,003,145	\$ 69,636	\$ 6,072,781
23	Standby(LP5-S)	6	7,024,000	\$ 36,037	\$ -	\$ 21,352	\$ (67,430)	\$ 272,602	\$ 861,699	\$ 1,124,260	\$ 13,041	\$ 1,137,301
24	PRS	0	131,564,946	\$ 677,973	\$ -	\$ 59,583	\$ 8,361	\$ 75,246	\$ 5,538,886	\$ 6,360,049	\$ 73,777	\$ 6,433,825
25	Rate Revenue	1,336,588	36,689,129,000	\$ 491,712,161	\$ (2,049,786)	\$ 140,480,324	\$ 84,039,593	\$ 375,810,412	\$ 1,552,555,658	\$ 2,842,548,362	\$ 30,728,961	\$ 2,673,277,323
26												
27	Annualization Adjustment		0	0	0	0	0	0	0	0	0	0
28												
29	Total PUC Tariff Revenue		36,689,129,000	\$ 491,712,161	\$ (2,049,786)	\$ 140,480,324	\$ 84,039,593	\$ 375,810,412	\$ 1,552,555,658	\$ 2,842,548,362	\$ 30,728,961	\$ 2,673,277,323
30												
31	Other Electric Revenues											
32	Late Payment			\$ 5,885,745	\$ -	\$ 114,255	\$ -	\$ -	\$ 6,000,000	\$ -	\$ -	\$ 6,000,000
33	Misc. Revenue			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
34	Rent			\$ 16,906,000	\$ -	\$ -	\$ -	\$ -	\$ 16,906,000	\$ -	\$ -	\$ 16,906,000
35	Other			\$ 885,000	\$ -	\$ 15,607,971	\$ -	\$ -	\$ 16,492,971	\$ -	\$ -	\$ 16,492,971
36	Total Other			\$ 23,676,745	\$ -	\$ 15,722,226	\$ -	\$ -	\$ 39,398,971	\$ -	\$ -	\$ 39,398,971
37												
38	Total Operating Revenue		36,689,129,000	\$ 515,388,906	\$ (2,049,786)	\$ 156,202,550	\$ 84,039,593	\$ 375,810,412	\$ 1,552,555,658	\$ 2,881,947,333	\$ 30,728,961	\$ 2,712,676,294

PPL Electric Utilities Corporation
12 month Period Ended December 31, 2004 Pro Forma Budget, With Annualization Revenues

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Line Number	Rate Schedule	Number of Customers	Sales (KWH)	Distribution Present Rate Revenue	Distribution EDI/IDI Credit	Transmission Present Rate Revenue	CTC Present Rate Revenue	ITC Present Rate Revenue	E&C Present Rate Revenue	Present Rate Revenue	State Tax Adjustment Surcharge (STAS) 1.16%	Total Revenue
(Note 1)												
1	RS	1,151,636	12,894,588,000	\$ 290,356,394	\$ -	\$ 48,512,730	\$ 28,207,368	\$ 133,905,048	\$ 566,905,701	\$ 1,067,887,241	\$ 12,462,892	\$ 1,080,350,133
2	RTS	14,342	399,999,000	\$ 3,472,873	\$ -	\$ 475,522	\$ 539,999	\$ 3,127,992	\$ 15,665,590	\$ 23,281,976	\$ 270,071	\$ 23,552,047
3	RTD	274	5,295,000	\$ 118,811	\$ -	\$ 19,962	\$ 13,093	\$ 62,256	\$ 201,546	\$ 415,668	\$ 4,822	\$ 420,490
4	GS-1	137,035	2,027,665,000	\$ 60,536,043	\$ -	\$ 11,664,590	\$ 6,844,873	\$ 25,200,215	\$ 109,402,680	\$ 213,648,401	\$ 2,478,321	\$ 216,126,722
5	GS-3	21,347	8,730,215,000	\$ 83,740,650	\$ (577,882)	\$ 37,948,721	\$ 25,898,936	\$ 95,576,058	\$ 401,692,623	\$ 644,279,106	\$ 7,473,638	\$ 651,752,743
*6	LP-4	866	5,536,214,446	\$ 22,719,736	\$ (1,323,912)	\$ 19,558,320	\$ 15,187,246	\$ 50,960,299	\$ 217,796,033	\$ 324,897,723	\$ 3,768,814	\$ 328,666,536
*7	IS-P	34	410,790,428	\$ 1,721,477	\$ -	\$ 1,479,814	\$ 60,728	\$ 3,274,896	\$ 13,454,791	\$ 19,991,706	\$ 231,904	\$ 20,223,610
*8	LP-5	95	3,312,901,395	\$ 1,736,321	\$ (147,992)	\$ 9,588,067	\$ 8,385,736	\$ 28,060,501	\$ 117,064,947	\$ 164,687,580	\$ 1,910,376	\$ 166,597,956
*9	IS-T	33	1,972,981,237	\$ 1,438,158	\$ -	\$ 6,985,093	\$ (1,154,363)	\$ 15,128,107	\$ 57,614,615	\$ 80,011,611	\$ 928,135	\$ 80,939,746
10	LP-6	4	511,847,000	\$ 279,835	\$ -	\$ 1,556,013	\$ 140,883	\$ 6,161,053	\$ 20,055,041	\$ 28,192,825	\$ 327,037	\$ 28,519,862
11	LPEP	1	72,000,000	\$ 309,600	\$ -	\$ 38,160	\$ 339,176	\$ 1,752,515	\$ 2,197,440	\$ 4,636,891	\$ 53,788	\$ 4,690,679
*12	ISA	1	142,853,548	\$ 641,843	\$ -	\$ 353,040	\$ (1,130,781)	\$ 2,684,890	\$ 2,983,938	\$ 5,532,930	\$ 64,182	\$ 5,597,112
13	IS-1	4	2,120,000	\$ 54,648	\$ -	\$ 9,794	\$ (27,841)	\$ 59,570	\$ 50,664	\$ 146,835	\$ 1,703	\$ 148,538
14	BL	30	6,360,000	\$ 219,314	\$ -	\$ 36,888	\$ 18,571	\$ 68,434	\$ 209,182	\$ 552,389	\$ 6,408	\$ 558,797
15	SA	0	23,375,000	\$ 3,120,447	\$ -	\$ 80,116	\$ 11,975	\$ 275,430	\$ 723,426	\$ 4,211,394	\$ 48,852	\$ 4,260,246
16	SM	111	5,126,000	\$ 716,987	\$ -	\$ 16,055	\$ (14,438)	\$ 72,386	\$ 167,866	\$ 958,856	\$ 11,123	\$ 969,979
17	SHS	1,065	62,947,000	\$ 12,900,899	\$ -	\$ 198,094	\$ 81,030	\$ 631,159	\$ 3,585,920	\$ 17,397,102	\$ 201,806	\$ 17,598,908
18	SE	80	19,699,000	\$ 725,632	\$ -	\$ 62,124	\$ -	\$ 86,258	\$ 37,717	\$ 911,731	\$ 10,576	\$ 922,307
19	TS	10	353,000	\$ 22,076	\$ -	\$ 1,119	\$ (1,105)	\$ 5,177	\$ 13,731	\$ 40,918	\$ 475	\$ 41,393
20	SI-1	3	95,000	\$ 15,775	\$ -	\$ 299	\$ (863)	\$ 1,941	\$ 3,765	\$ 20,917	\$ 243	\$ 21,160
21	GH-1	1,003	340,129,000	\$ 5,007,989	\$ -	\$ 1,480,301	\$ 614,931	\$ 6,869,146	\$ 13,384,742	\$ 27,357,109	\$ 317,342	\$ 27,674,451
22	GH-2	2,608	72,987,000	\$ 1,142,642	\$ -	\$ 334,567	\$ 83,588	\$ 1,499,234	\$ 2,943,114	\$ 6,003,145	\$ 69,636	\$ 6,072,781
23	Standby(LP5-S)	6	7,024,000	\$ 36,037	\$ -	\$ 21,352	\$ (67,430)	\$ 272,602	\$ 861,699	\$ 1,124,260	\$ 13,041	\$ 1,137,301
24	PRS	0	131,564,946	\$ 677,973	\$ -	\$ 59,583	\$ 8,361	\$ 75,246	\$ 5,538,886	\$ 6,360,049	\$ 73,777	\$ 6,433,825
25	Rate Revenue	1,330,588	36,689,129,000	\$ 491,712,161	\$ (2,049,786)	\$ 140,480,324	\$ 84,039,593	\$ 375,810,412	\$ 1,552,555,658	\$ 2,642,548,362	\$ 30,728,961	\$ 2,673,277,323
26												
27	Annualization Adjustment		115,906,991	\$ 4,128,235	\$ -	\$ 693,867	\$ (182,348)	\$ 1,396,463	\$ 6,511,570	\$ 12,547,787	\$ -	\$ 12,547,787
28												
29	Total PUC Tariff Revenue		36,805,035,991	\$ 495,840,396	\$ (2,049,786)	\$ 141,174,191	\$ 83,857,245	\$ 377,206,876	\$ 1,559,067,228	\$ 2,655,096,149	\$ 30,728,961	\$ 2,685,825,110
30												
31	Other Electric Revenues											
32	Late Payment			\$ 5,885,745	\$ -	\$ 114,255	\$ -	\$ -	\$ 6,000,000	\$ -	\$ -	\$ 6,000,000
33	Misc. Revenue			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
34	Rent			\$ 16,906,000	\$ -	\$ -	\$ -	\$ -	\$ 16,906,000	\$ -	\$ -	\$ 16,906,000
35	Other			\$ 885,000	\$ -	\$ 15,607,971	\$ -	\$ -	\$ 16,492,971	\$ -	\$ -	\$ 16,492,971
36	Total Other			\$ 23,676,745	\$ -	\$ 15,722,226	\$ -	\$ -	\$ 39,398,971	\$ -	\$ -	\$ 39,398,971
37												
38	Total Operating Revenue		36,805,035,991	\$ 519,517,141	\$ (2,049,786)	\$ 156,896,417	\$ 83,857,245	\$ 377,206,876	\$ 1,559,067,228	\$ 2,694,495,120	\$ 30,728,961	\$ 2,725,224,081

Note 1: Col 6, page 2

PPL Electric Utilities Corporation
12 month Period Ended December 31, 2004 Pro Forma Budget, STAS Roll-In

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Line Number	Rate Schedule	Distribution Present Rate Revenue	Distribution EDI/IDI Credit	Transmission Present Rate Revenue	CTC Present Rate Revenue	ITC Present Rate Revenue	E&C Present Rate Revenue	Present Rate Revenue	State Tax Adjustment Surcharge (STAS) 0.0%	Total Revenue
		(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)	(Note 6)		(Note 7)	
1	RS	\$ 293,799,928	\$ -	\$ 49,075,478	\$ 28,534,573	\$ 135,458,347	\$ 573,481,807	\$ 1,080,350,133	\$ -	\$ 1,080,350,133
2	RTS	\$ 3,513,158	\$ -	\$ 481,038	\$ 546,263	\$ 3,164,277	\$ 15,847,311	\$ 23,552,047	\$ -	\$ 23,552,047
3	RTD	\$ 120,189	\$ -	\$ 20,194	\$ 13,245	\$ 62,878	\$ 203,884	\$ 420,490	\$ -	\$ 420,490
4	GS-1	\$ 61,238,261	\$ -	\$ 11,799,899	\$ 6,924,274	\$ 25,492,537	\$ 110,671,751	\$ 216,126,722	\$ -	\$ 216,126,722
5	GS-3	\$ 84,705,338	\$ (577,882)	\$ 38,388,928	\$ 26,199,364	\$ 86,684,740	\$ 406,352,257	\$ 651,752,743	\$ -	\$ 651,752,743
6	LP-4	\$ 22,967,928	\$ (1,323,912)	\$ 19,785,197	\$ 15,363,418	\$ 51,551,438	\$ 220,322,467	\$ 328,666,536	\$ -	\$ 328,666,536
7	IS-P	\$ 1,741,446	\$ -	\$ 1,496,979	\$ 61,432	\$ 3,312,885	\$ 13,610,867	\$ 20,223,610	\$ -	\$ 20,223,610
8	LP-5	\$ 1,754,746	\$ (147,992)	\$ 9,699,289	\$ 8,483,011	\$ 28,398,003	\$ 118,422,901	\$ 166,597,956	\$ -	\$ 166,597,956
9	IS-T	\$ 1,454,841	\$ -	\$ 7,066,121	\$ (1,167,754)	\$ 15,303,593	\$ 58,282,945	\$ 80,939,746	\$ -	\$ 80,939,746
10	LP-6	\$ 283,081	\$ -	\$ 1,574,063	\$ 142,517	\$ 6,232,521	\$ 20,287,679	\$ 28,519,862	\$ -	\$ 28,519,862
11	LPEP	\$ 313,191	\$ -	\$ 38,603	\$ 343,110	\$ 1,772,844	\$ 2,222,930	\$ 4,690,679	\$ -	\$ 4,690,679
12	ISA	\$ 649,289	\$ -	\$ 357,135	\$ (1,143,898)	\$ 2,716,035	\$ 3,018,551	\$ 5,597,112	\$ -	\$ 5,597,112
13	IS-1	\$ 65,282	\$ -	\$ 9,908	\$ (28,164)	\$ 60,261	\$ 51,252	\$ 148,538	\$ -	\$ 148,538
14	BL	\$ 221,858	\$ -	\$ 37,316	\$ 18,786	\$ 69,228	\$ 211,609	\$ 558,797	\$ -	\$ 558,797
15	SA	\$ 3,156,644	\$ -	\$ 81,045	\$ 12,114	\$ 278,625	\$ 731,818	\$ 4,260,246	\$ -	\$ 4,260,246
16	SM	\$ 725,304	\$ -	\$ 16,241	\$ (14,605)	\$ 73,228	\$ 169,813	\$ 969,979	\$ -	\$ 969,979
17	SHS	\$ 13,050,549	\$ -	\$ 200,392	\$ 81,970	\$ 638,480	\$ 3,627,517	\$ 17,598,908	\$ -	\$ 17,598,908
18	SE	\$ 734,049	\$ -	\$ 62,845	\$ -	\$ 87,259	\$ 38,155	\$ 922,307	\$ -	\$ 922,307
19	TS	\$ 22,332	\$ -	\$ 1,132	\$ (1,190)	\$ 5,237	\$ 13,890	\$ 41,393	\$ -	\$ 41,393
20	SI-1	\$ 15,958	\$ -	\$ 302	\$ (873)	\$ 1,964	\$ 3,809	\$ 21,160	\$ -	\$ 21,160
21	GH-1	\$ 5,068,082	\$ -	\$ 1,497,472	\$ 622,064	\$ 6,948,828	\$ 13,540,005	\$ 27,674,451	\$ -	\$ 27,674,451
22	GH-2	\$ 1,155,897	\$ -	\$ 338,448	\$ 84,558	\$ 1,516,625	\$ 2,977,254	\$ 6,072,781	\$ -	\$ 6,072,781
23	Standby(LP5-S)	\$ 36,455	\$ -	\$ 21,600	\$ (68,212)	\$ 275,764	\$ 871,695	\$ 1,137,301	\$ -	\$ 1,137,301
24	PRS	\$ 685,837	\$ -	\$ 60,274	\$ 8,458	\$ 76,119	\$ 5,603,137	\$ 6,433,825	\$ -	\$ 6,433,825
25	Rate Revenue	\$ 497,487,845	\$ (2,049,786)	\$ 142,109,896	\$ 85,014,452	\$ 380,169,813	\$ 1,570,565,304	\$ 2,673,277,323	\$ -	\$ 2,673,277,323
26										
27	Annualization Adjustment	\$ 4,128,235	\$ -	\$ 693,897	\$ (182,348)	\$ 1,386,463	\$ 6,511,570	\$ 12,547,787	\$ -	\$ 12,547,787
28										
29	Total PUC Tariff Revenue	\$ 501,595,879	\$ (2,049,786)	\$ 142,803,793	\$ 84,832,104	\$ 381,566,276	\$ 1,577,076,874	\$ 2,685,825,110	\$ -	\$ 2,685,825,110
30										
31	Other Electric Revenues									
32	Late Payment	\$ 5,885,745	\$ -	\$ 114,255	\$ -	\$ -	\$ -	\$ 6,000,000	\$ -	\$ 6,000,000
33	Misc. Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
34	Rent	\$ 18,908,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,908,000	\$ -	\$ 18,908,000
35	Other	\$ 885,000	\$ -	\$ 15,607,971	\$ -	\$ -	\$ -	\$ 16,492,971	\$ -	\$ 16,492,971
36	Total Other	\$ 23,676,745	\$ -	\$ 15,722,226	\$ -	\$ -	\$ -	\$ 39,398,971	\$ -	\$ 39,398,971
37										
38	Total Operating Revenue	\$ 525,272,624	\$ (2,049,786)	\$ 158,525,989	\$ 84,832,104	\$ 381,566,276	\$ 1,577,076,874	\$ 2,725,224,081	\$ -	\$ 2,725,224,081

Note 1: Col 5, page 3 x 1.0116
 Note 2: Col 6, page 2
 Note 3: Col 7, page 3 x 1.0116
 Note 4: Col 8, page 3 x 1.0116
 Note 5: Col 9, page 3 x 1.0116
 Note 6: Col 10, page 3 x 1.0116
 Note 7: STAS rolled in to Coils 3, 5, 6, 7 & 8

PPL Electric Utilities Corporation
12 month Period Ended December 31, 2004 Pro Forma Budget, STAS Roll-In, No Shopping

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Line Number	Rate Schedule	Distribution Present Rate Revenue	Distribution ED/IDI Credit	Transmission Present Rate Revenue	CTC Present Rate Revenue	ITC Present Rate Revenue	E&C Present Rate Revenue	Present Rate Revenue	State Tax Adjustment Surcharge (STAS)	Total Revenue	Shopping Factor
		(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)	(Note 6)		0.0% (Note 7)		(Note 8)
1	RS	\$ 293,799,928	\$ -	\$ 49,173,825	\$ 28,534,573	\$ 135,458,347	\$ 574,631,069	\$ 1,081,597,743	\$ -	\$ 1,081,597,743	0.2%
2	RTS	\$ 3,513,158	\$ -	\$ 481,520	\$ 546,263	\$ 3,184,277	\$ 15,863,174	\$ 23,568,392	\$ -	\$ 23,568,392	0.1%
3	RTD	\$ 120,189	\$ -	\$ 20,194	\$ 13,245	\$ 62,978	\$ 203,884	\$ 420,490	\$ -	\$ 420,490	0.0%
4	GS-1	\$ 61,238,261	\$ -	\$ 11,919,090	\$ 8,924,274	\$ 25,492,537	\$ 111,789,648	\$ 217,363,810	\$ -	\$ 217,363,810	1.0%
5	GS-3	\$ 84,705,338	\$ (577,882)	\$ 40,839,283	\$ 26,199,364	\$ 96,684,740	\$ 432,289,638	\$ 680,140,479	\$ -	\$ 680,140,479	6.0%
6	LP-4	\$ 22,967,928	\$ (1,323,912)	\$ 21,274,405	\$ 15,363,418	\$ 51,551,438	\$ 239,905,878	\$ 346,739,156	\$ -	\$ 346,739,156	7.0%
7	IS-P	\$ 1,741,446	\$ -	\$ 1,496,979	\$ 61,432	\$ 3,312,985	\$ 13,610,867	\$ 20,223,610	\$ -	\$ 20,223,610	0.0%
8	LP-5	\$ 1,754,746	\$ (147,992)	\$ 10,209,777	\$ 8,483,011	\$ 28,386,003	\$ 124,855,685	\$ 173,341,229	\$ -	\$ 173,341,229	5.0%
9	IS-T	\$ 1,454,841	\$ -	\$ 7,066,121	\$ (1,167,754)	\$ 15,303,593	\$ 58,282,945	\$ 80,939,746	\$ -	\$ 80,939,746	0.0%
10	LP-6	\$ 283,081	\$ -	\$ 1,574,063	\$ 142,517	\$ 6,232,521	\$ 20,287,679	\$ 28,519,862	\$ -	\$ 28,519,862	0.0%
11	LPEP	\$ 313,191	\$ -	\$ 38,803	\$ 343,110	\$ 1,772,844	\$ 2,222,930	\$ 4,690,879	\$ -	\$ 4,690,879	0.0%
12	ISA	\$ 649,289	\$ -	\$ 357,135	\$ (1,143,888)	\$ 2,718,035	\$ 3,018,551	\$ 5,597,112	\$ -	\$ 5,597,112	0.0%
13	IS-1	\$ 55,282	\$ -	\$ 9,908	\$ (28,184)	\$ 60,261	\$ 51,252	\$ 148,538	\$ -	\$ 148,538	0.0%
14	BL	\$ 221,858	\$ -	\$ 37,316	\$ 18,788	\$ 69,228	\$ 211,609	\$ 558,797	\$ -	\$ 558,797	0.0%
15	SA	\$ 3,156,644	\$ -	\$ 81,045	\$ 12,114	\$ 278,825	\$ 731,818	\$ 4,260,246	\$ -	\$ 4,260,246	0.0%
16	SM	\$ 725,304	\$ -	\$ 16,241	\$ (14,605)	\$ 73,228	\$ 169,813	\$ 969,979	\$ -	\$ 969,979	0.0%
17	SHS	\$ 13,050,549	\$ -	\$ 200,392	\$ 81,970	\$ 638,480	\$ 3,627,517	\$ 17,598,908	\$ -	\$ 17,598,908	0.0%
18	SE	\$ 734,049	\$ -	\$ 62,971	\$ -	\$ 87,259	\$ 38,231	\$ 922,509	\$ -	\$ 922,509	0.0%
19	TS	\$ 22,332	\$ -	\$ 1,132	\$ (1,199)	\$ 5,237	\$ 13,890	\$ 41,393	\$ -	\$ 41,393	0.0%
20	SI-1	\$ 15,958	\$ -	\$ 302	\$ (873)	\$ 1,964	\$ 3,809	\$ 21,160	\$ -	\$ 21,160	0.0%
21	GH-1	\$ 5,066,082	\$ -	\$ 1,586,306	\$ 622,064	\$ 6,948,828	\$ 14,343,226	\$ 28,566,505	\$ -	\$ 28,566,505	5.6%
22	GH-2	\$ 1,155,897	\$ -	\$ 341,867	\$ 84,558	\$ 1,516,625	\$ 3,007,327	\$ 6,106,273	\$ -	\$ 6,106,273	1.0%
23	Standby(LP5-S)	\$ 36,455	\$ -	\$ 21,800	\$ (68,212)	\$ 275,764	\$ 871,695	\$ 1,137,301	\$ -	\$ 1,137,301	0.0%
24	PRS	\$ 685,837	\$ -	\$ 60,274	\$ 8,458	\$ 76,119	\$ 5,603,137	\$ 6,433,825	\$ -	\$ 6,433,825	
25	Rate Revenue	\$ 497,467,645	\$ (2,049,786)	\$ 146,870,348	\$ 85,014,452	\$ 380,169,813	\$ 1,622,435,270	\$ 2,729,907,741	\$ -	\$ 2,729,907,741	
26											
27	Annualization Adjustment	\$ 4,128,235	\$ -	\$ 860,596	\$ (182,348)	\$ 1,398,463	\$ 6,175,293	\$ 12,178,239	\$ -	\$ 12,178,239	
28											
29	Total PUC Tariff Revenue	\$ 501,595,879	\$ (2,049,786)	\$ 147,530,944	\$ 84,832,104	\$ 381,568,276	\$ 1,628,610,562	\$ 2,742,085,980	\$ -	\$ 2,742,085,980	
30											
31	Other Electric Revenues										
32	Late Payment	\$ 5,885,745	\$ -	\$ 114,255	\$ -	\$ -	\$ -	\$ 6,000,000	\$ -	\$ 6,000,000	
33	Misc. Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
34	Rent	\$ 16,905,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,906,000	\$ -	\$ 16,906,000	
35	Other	\$ 885,000	\$ -	\$ 15,807,971	\$ -	\$ -	\$ -	\$ 16,492,971	\$ -	\$ 16,492,971	
36	Total Other	\$ 23,676,745	\$ -	\$ 15,722,226	\$ -	\$ -	\$ -	\$ 39,398,971	\$ -	\$ 39,398,971	
37											
38	Total Operating Revenue	\$ 525,272,624	\$ (2,049,786)	\$ 163,253,170	\$ 84,832,104	\$ 381,568,276	\$ 1,628,610,562	\$ 2,781,484,951	\$ -	\$ 2,781,484,951	

Note 1: Col 3, page 4
 Note 2: Col 6, page 2
 Note 3: Col 5, page 4 / (1-Col 12)
 Note 4: Col 5, page 4
 Note 5: Col 7, page 4
 Note 6: Col 8, page 4 / (1-Col 12)
 Note 7: STAS rolled in to Cols 3, 5, 6, 7 & 8
 Note 8: Percent customer shopping usage.

PPL Electric Utilities Corporation
12 month Period Ended December 31, 2004 Proposed Budget, No Shopping, With Present Transmission Revenues

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Line Number	Rate Schedule	Proposed Distribution Rate Revenue	Distribution EDI/IDI Credit	Present Transmission Rate Revenue	CTC Present Rate Revenue	ITC Present Rate Revenue	E&C Present Rate Revenue	Total Proposed Rate Revenue	State Tax Adjustment Surcharge (STAS) 0.0%	Total Revenue	Total Revenue Change	Total Percent Change
			(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)				(Note 6)	(Note 7)
1	RS	\$ 374,730,619	\$ -	\$ 49,173,825	\$ 28,534,573	\$ 135,458,347	\$ 574,631,069	\$ 1,162,528,434	\$ -	\$ 1,162,528,434	\$ 80,930,891	7.46%
2	RTS	\$ 4,081,382	\$ -	\$ 481,520	\$ 546,283	\$ 3,164,277	\$ 15,863,174	\$ 24,136,615	\$ -	\$ 24,136,615	\$ 568,224	2.41%
3	RTD	\$ 152,316	\$ -	\$ 20,194	\$ 13,245	\$ 62,978	\$ 203,884	\$ 452,617	\$ -	\$ 452,617	\$ 32,127	7.64%
4	GS-1	\$ 83,196,885	\$ -	\$ 11,919,090	\$ 6,924,274	\$ 25,492,537	\$ 111,789,648	\$ 239,322,414	\$ -	\$ 239,322,414	\$ 21,958,604	10.10%
5	GS-3	\$ 127,214,981	\$ -	\$ 40,839,283	\$ 26,199,364	\$ 96,684,740	\$ 432,289,636	\$ 723,227,884	\$ -	\$ 723,227,984	\$ 43,087,505	8.34%
6	LP-4	\$ 32,394,500	\$ -	\$ 21,274,405	\$ 15,363,418	\$ 51,551,438	\$ 236,905,878	\$ 357,489,640	\$ -	\$ 357,489,640	\$ 10,750,484	3.10%
7	IS-P	\$ 2,124,873	\$ -	\$ 1,496,979	\$ 61,432	\$ 3,312,885	\$ 13,610,887	\$ 20,807,036	\$ -	\$ 20,807,036	\$ 383,427	1.90%
8	LP-5	\$ 1,625,487	\$ -	\$ 10,209,777	\$ 8,483,011	\$ 28,386,003	\$ 124,655,685	\$ 173,359,963	\$ -	\$ 173,359,963	\$ 18,733	0.01%
9	IS-T	\$ 889,945	\$ -	\$ 7,066,121	\$ (1,167,754)	\$ 15,303,593	\$ 58,282,945	\$ 80,374,849	\$ -	\$ 80,374,849	\$ (564,896)	-0.70%
10	LP-6	\$ 185,273	\$ -	\$ 1,574,063	\$ 142,517	\$ 6,232,521	\$ 20,287,679	\$ 28,422,054	\$ -	\$ 28,422,054	\$ (97,808)	-0.34%
11	LPEP	\$ 403,993	\$ -	\$ 38,603	\$ 343,110	\$ 1,772,844	\$ 2,222,930	\$ 4,781,481	\$ -	\$ 4,781,481	\$ 90,802	1.94%
12	ISA	\$ 649,373	\$ -	\$ 357,135	\$ (1,143,898)	\$ 2,716,035	\$ 3,018,551	\$ 5,597,196	\$ -	\$ 5,597,196	\$ 84	0.00%
13	IS-1	\$ 67,982	\$ -	\$ 9,908	\$ (28,164)	\$ 60,261	\$ 51,252	\$ 161,239	\$ -	\$ 161,239	\$ 12,701	8.55%
14	BL	\$ 278,848	\$ -	\$ 37,318	\$ 18,786	\$ 69,228	\$ 211,809	\$ 615,787	\$ -	\$ 615,787	\$ 56,990	10.20%
15	SA	\$ 3,529,381	\$ -	\$ 81,045	\$ 12,114	\$ 276,625	\$ 731,818	\$ 4,632,963	\$ -	\$ 4,632,963	\$ 372,717	8.75%
16	SM	\$ 809,059	\$ -	\$ 16,241	\$ (14,605)	\$ 73,228	\$ 189,813	\$ 1,053,734	\$ -	\$ 1,053,734	\$ 83,755	8.63%
17	SHS	\$ 14,645,231	\$ -	\$ 200,392	\$ 81,970	\$ 638,480	\$ 3,627,517	\$ 19,193,590	\$ -	\$ 19,193,590	\$ 1,594,681	9.06%
18	SE	\$ 777,617	\$ -	\$ 62,971	\$ -	\$ 87,259	\$ 38,231	\$ 966,077	\$ -	\$ 966,077	\$ 43,568	4.72%
19	TS	\$ 25,589	\$ -	\$ 1,132	\$ (1,199)	\$ 5,237	\$ 13,890	\$ 44,650	\$ -	\$ 44,650	\$ 3,257	7.87%
20	SI-1	\$ 17,828	\$ -	\$ 302	\$ (873)	\$ 1,964	\$ 3,809	\$ 23,030	\$ -	\$ 23,030	\$ 1,870	8.84%
21	GH-1	\$ 7,502,159	\$ -	\$ 1,586,306	\$ 622,064	\$ 6,948,828	\$ 14,343,226	\$ 31,002,583	\$ -	\$ 31,002,583	\$ 2,436,077	8.53%
22	GH-2	\$ 1,690,637	\$ -	\$ 341,867	\$ 84,558	\$ 1,516,625	\$ 3,007,327	\$ 6,641,014	\$ -	\$ 6,641,014	\$ 534,741	8.76%
23	Standby(LP5-S)	\$ 83,151	\$ -	\$ 21,600	\$ (68,212)	\$ 275,784	\$ 871,695	\$ 1,183,997	\$ -	\$ 1,183,997	\$ 46,696	4.11%
24	PRS	\$ 685,637	\$ -	\$ 60,274	\$ 8,458	\$ 76,119	\$ 5,603,137	\$ 6,433,825	\$ -	\$ 6,433,825	\$ -	0.00%
25	Rate Revenue	\$ 657,762,887	\$ -	\$ 146,870,348	\$ 85,014,452	\$ 360,169,813	\$ 1,622,435,270	\$ 2,892,252,770	\$ -	\$ 2,892,252,770	\$ 162,345,029	5.95%
26												
27	Annualization Adjustment	\$ 5,651,009	\$ -	\$ 660,596	\$ (182,346)	\$ 1,396,463	\$ 6,175,293	\$ 13,701,013	\$ -	\$ 13,701,013	\$ 1,522,774	12.50%
28												
29	Total PUC Tariff Revenue	\$ 663,413,896	\$ -	\$ 147,530,944	\$ 84,832,104	\$ 381,566,276	\$ 1,628,610,562	\$ 2,905,953,783	\$ -	\$ 2,905,953,783	\$ 163,887,803	6.11%
30												
31	Other Electric Revenues											
32	Late Payment	\$ 6,454,708	\$ -	\$ 114,255	\$ -	\$ -	\$ -	\$ 6,568,963	\$ -	\$ 6,568,963	\$ 568,963	9.48%
33	Misc. Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
34	Rent	\$ 18,906,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,906,000	\$ -	\$ 18,906,000	\$ -	0.00%
35	Other	\$ 885,000	\$ -	\$ 15,807,971	\$ -	\$ -	\$ -	\$ 16,492,971	\$ -	\$ 16,492,971	\$ -	0.00%
36	Total Other	\$ 24,245,708	\$ -	\$ 15,722,226	\$ -	\$ -	\$ -	\$ 39,967,934	\$ -	\$ 39,967,934	\$ 568,963	1.44%
37												
38	Total Operating Revenue	\$ 687,659,604	\$ -	\$ 163,253,170	\$ 84,832,104	\$ 381,566,276	\$ 1,628,610,562	\$ 2,945,921,717	\$ -	\$ 2,945,921,717	\$ 164,436,766	5.91%

Note 1: EDI/IDI credits eliminated in proposed budget.
 Note 2: Col 5, page 5
 Note 3: Col 6, page 5
 Note 4: Col 7, page 5
 Note 5: Col 8, page 5
 Note 6: Col 11 - Col 11, page 5
 Note 7: Col 12 / Col 11, page 5 (%)

PPL Electric Utilities Corporation
12 month Period Ended December 31, 2004 Proposed Budget, No Shopping, With Proposed Transmission Revenues

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Line Number	Rate Schedule	Total Revenue	Present Transmission Rate Revenue	Proposed Transmission Rate Revenue	Change in Transmission Rate Revenue	Total Proposed Revenue	Total Revenue Change	Total Percent Change
		(Note 1)	(Note 2)	(Note 3)	(Note 4)		(Note 5)	(Note 6)
1	RS	\$ 1,162,528,434	\$ 49,173,825	\$ 72,725,476	\$ 23,551,651	\$ 1,188,080,085	\$ 104,482,342	9.66%
2	RTS	\$ 24,136,615	\$ 481,520	\$ 2,255,994	\$ 1,774,475	\$ 25,911,090	\$ 2,342,698	9.94%
3	RTD	\$ 452,617	\$ 20,194	\$ 29,864	\$ 9,670	\$ 462,287	\$ 41,797	9.94%
4	GS-1	\$ 239,322,414	\$ 11,919,090	\$ 11,436,031	\$ (483,060)	\$ 238,839,354	\$ 21,475,544	9.88%
5	GS-3	\$ 723,227,984	\$ 40,839,283	\$ 49,238,413	\$ 8,399,129	\$ 731,627,113	\$ 51,488,634	7.57%
6	LP-4	\$ 357,489,840	\$ 21,274,405	\$ 31,224,249	\$ 9,949,844	\$ 367,439,484	\$ 20,700,328	5.97%
7	IS-P	\$ 20,607,036	\$ 1,496,879	\$ 2,316,858	\$ 819,879	\$ 21,426,915	\$ 1,203,305	5.85%
8	LP-5	\$ 173,359,963	\$ 10,209,777	\$ 18,664,784	\$ 8,474,986	\$ 181,834,949	\$ 8,493,720	4.90%
9	IS-T	\$ 80,374,849	\$ 7,068,121	\$ 11,127,614	\$ 4,061,494	\$ 84,436,343	\$ 3,498,597	4.32%
10	LP-6	\$ 28,422,054	\$ 1,574,063	\$ 2,888,817	\$ 1,312,754	\$ 29,734,808	\$ 1,214,948	4.28%
11	LPEP	\$ 4,781,481	\$ 38,603	\$ 408,080	\$ 367,477	\$ 5,148,958	\$ 458,279	9.77%
12	ISA	\$ 5,597,196	\$ 357,135	\$ 357,135	\$ -	\$ 5,597,196	\$ 84	0.00%
13	IS-1	\$ 161,239	\$ 9,908	\$ 11,857	\$ 2,049	\$ 163,288	\$ 14,750	9.93%
14	BL	\$ 615,787	\$ 37,318	\$ 35,870	\$ (1,448)	\$ 614,341	\$ 55,544	9.84%
15	SA	\$ 4,632,963	\$ 81,045	\$ 131,835	\$ 50,790	\$ 4,683,753	\$ 423,507	9.94%
16	SM	\$ 1,053,734	\$ 16,241	\$ 28,911	\$ 12,669	\$ 1,066,403	\$ 96,424	9.94%
17	SHS	\$ 19,193,590	\$ 200,392	\$ 355,021	\$ 154,629	\$ 19,348,219	\$ 1,749,311	9.94%
18	SE	\$ 966,077	\$ 62,971	\$ 111,102	\$ 48,132	\$ 1,014,209	\$ 91,700	9.94%
19	TS	\$ 44,650	\$ 1,132	\$ 1,991	\$ 859	\$ 45,509	\$ 4,116	9.94%
20	SI-1	\$ 23,030	\$ 302	\$ 538	\$ 233	\$ 23,263	\$ 2,103	9.94%
21	GH-1	\$ 31,002,583	\$ 1,588,308	\$ 1,918,322	\$ 332,016	\$ 31,334,599	\$ 2,768,094	9.69%
22	GH-2	\$ 6,641,014	\$ 341,867	\$ 411,647	\$ 69,780	\$ 6,710,794	\$ 604,521	9.90%
23	Standby(LP5-S)	\$ 1,183,997	\$ 21,800	\$ 39,615	\$ 18,016	\$ 1,202,013	\$ 64,712	5.89%
24	PRS	\$ 6,433,825	\$ 60,274	\$ 60,274	\$ -	\$ 6,433,825	\$ -	0.00%
25	Rate Revenue	\$ 2,892,252,770	\$ 146,870,348	\$ 205,786,376	\$ 58,926,028	\$ 2,951,178,798	\$ 221,271,057	8.11%
26								
27	Annualization Adjustment	\$ 13,701,013	\$ 660,596	\$ 718,574	\$ 55,977	\$ 13,756,991	\$ 1,578,752	12.96%
28								
29	Total PUC Tariff Revenue	\$ 2,905,953,783	\$ 147,530,944	\$ 206,512,950	\$ 58,982,006	\$ 2,964,935,789	\$ 222,849,809	8.32%
30								
31	Other Electric Revenues							
32	Late Payment	\$ 6,568,963	\$ 114,255	\$ 125,300	\$ 11,045	\$ 6,580,008	\$ 580,008	9.67%
33	Misc. Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%
34	Rent	\$ 16,906,000	\$ -	\$ -	\$ -	\$ 16,906,000	\$ -	0.00%
35	Other	\$ 16,492,971	\$ 15,607,971	\$ 15,607,971	\$ -	\$ 16,492,971	\$ -	0.00%
36	Total Other	\$ 39,987,934	\$ 15,722,226	\$ 15,733,271	\$ 11,045	\$ 39,978,979	\$ 580,008	1.47%
37								
38	Total Operating Revenue	\$ 2,945,921,717	\$ 163,253,170	\$ 222,246,221	\$ 58,993,051	\$ 3,004,914,768	\$ 223,429,817	8.03%

Note 1: Col 11, Page 6
 Note 2: Col 5, page 6
 Note 3: Col 4, page 2 x 0.00564
 Note 4: Col 5 - Col 4
 Note 5: Col 7 - Col 11, page 5
 Note 6: Col 8 / Col 11, page 5 (%)

PPL Electric Utilities Corporation
12 month Period Ended December 31, 2004 Proposed Budget, With Shopping, With Present Transmission Revenues

(1) Line Number	(2) Rate Schedule	(3) Proposed Distribution Rate Revenue	(4) Distribution EDU/IDI Credit (Note 1)	(5) Present Transmission Rate Revenue (Note 2)	(6) CTC Present Rate Revenue (Note 3)	(7) ITC Present Rate Revenue (Note 4)	(8) E&C Present Rate Revenue (Note 5)	(9) Total Proposed Rate Revenue	(10) State Tax Adjustment Surcharge (STAS) 0.0%	(11) Total Revenue	(12) Total Revenue Change (Note 6)	(13) Total Percent Change (Note 7)
1	RS	\$ 374,730,619	\$ -	\$ 49,075,479	\$ 28,534,573	\$ 135,458,347	\$ 573,481,807	\$ 1,161,260,824	\$ -	\$ 1,161,260,824	\$ 80,930,691	7.49%
2	RTS	\$ 4,081,382	\$ -	\$ 481,038	\$ 546,283	\$ 3,164,277	\$ 15,847,311	\$ 24,120,271	\$ -	\$ 24,120,271	\$ 568,224	2.41%
3	RTD	\$ 152,316	\$ -	\$ 20,194	\$ 13,245	\$ 62,978	\$ 203,884	\$ 452,617	\$ -	\$ 452,617	\$ 32,127	7.64%
4	GS-1	\$ 83,196,865	\$ -	\$ 11,799,899	\$ 6,924,274	\$ 25,492,537	\$ 110,671,751	\$ 238,065,326	\$ -	\$ 238,065,326	\$ 21,958,604	10.16%
5	GS-3	\$ 127,214,991	\$ -	\$ 38,388,928	\$ 28,199,364	\$ 96,684,740	\$ 408,352,257	\$ 694,840,248	\$ -	\$ 694,840,248	\$ 43,087,505	6.61%
6	LP-4	\$ 32,394,500	\$ -	\$ 19,785,197	\$ 15,363,418	\$ 51,551,438	\$ 220,322,467	\$ 339,417,020	\$ -	\$ 339,417,020	\$ 10,750,484	3.27%
7	IS-P	\$ 2,124,873	\$ -	\$ 1,496,979	\$ 61,432	\$ 3,312,885	\$ 13,610,867	\$ 20,607,036	\$ -	\$ 20,607,036	\$ 383,427	1.90%
8	LP-5	\$ 1,625,487	\$ -	\$ 9,699,289	\$ 8,483,011	\$ 28,386,003	\$ 118,422,801	\$ 168,616,689	\$ -	\$ 168,616,689	\$ 18,733	0.01%
9	IS-T	\$ 889,945	\$ -	\$ 7,066,121	\$ (1,167,754)	\$ 15,303,593	\$ 58,282,945	\$ 80,374,849	\$ -	\$ 80,374,849	\$ (564,896)	-0.70%
10	LP-6	\$ 185,273	\$ -	\$ 1,574,083	\$ 142,517	\$ 6,232,521	\$ 20,287,679	\$ 28,422,054	\$ -	\$ 28,422,054	\$ (97,806)	-0.34%
11	LPEP	\$ 403,893	\$ -	\$ 38,603	\$ 343,110	\$ 1,772,844	\$ 2,222,930	\$ 4,781,481	\$ -	\$ 4,781,481	\$ 90,802	1.94%
12	ISA	\$ 649,373	\$ -	\$ 357,135	\$ (1,143,888)	\$ 2,716,035	\$ 3,018,551	\$ 5,597,196	\$ -	\$ 5,597,196	\$ 84	0.00%
13	IS-1	\$ 67,982	\$ -	\$ 9,908	\$ (28,184)	\$ 60,261	\$ 51,252	\$ 161,239	\$ -	\$ 161,239	\$ 12,701	8.55%
14	BL	\$ 278,848	\$ -	\$ 37,316	\$ 18,786	\$ 69,228	\$ 211,809	\$ 615,787	\$ -	\$ 615,787	\$ 56,990	10.20%
15	SA	\$ 3,529,361	\$ -	\$ 81,045	\$ 12,114	\$ 278,625	\$ 731,818	\$ 4,632,963	\$ -	\$ 4,632,963	\$ 372,717	8.75%
16	SM	\$ 809,059	\$ -	\$ 16,241	\$ (14,605)	\$ 73,226	\$ 169,813	\$ 1,053,734	\$ -	\$ 1,053,734	\$ 83,755	8.63%
17	SHS	\$ 14,645,231	\$ -	\$ 200,392	\$ 81,970	\$ 638,480	\$ 3,627,517	\$ 19,193,590	\$ -	\$ 19,193,590	\$ 1,594,681	9.06%
18	SE	\$ 777,617	\$ -	\$ 62,845	\$ -	\$ 87,259	\$ 38,155	\$ 965,875	\$ -	\$ 965,875	\$ 43,568	4.72%
19	TS	\$ 25,589	\$ -	\$ 1,132	\$ (1,199)	\$ 5,237	\$ 13,890	\$ 44,650	\$ -	\$ 44,650	\$ 3,257	7.87%
20	SI-1	\$ 17,828	\$ -	\$ 302	\$ (873)	\$ 1,964	\$ 3,808	\$ 23,030	\$ -	\$ 23,030	\$ 1,870	8.84%
21	GH-1	\$ 7,502,159	\$ -	\$ 1,487,472	\$ 622,064	\$ 8,948,828	\$ 13,540,005	\$ 30,110,529	\$ -	\$ 30,110,529	\$ 2,436,077	8.80%
22	GH-2	\$ 1,890,637	\$ -	\$ 338,448	\$ 84,558	\$ 1,516,625	\$ 2,977,254	\$ 6,607,522	\$ -	\$ 6,607,522	\$ 534,741	8.81%
23	Standby(LP5-S)	\$ 83,151	\$ -	\$ 21,800	\$ (68,212)	\$ 275,784	\$ 871,695	\$ 1,183,997	\$ -	\$ 1,183,997	\$ 46,696	4.11%
24	PRS	\$ 685,637	\$ -	\$ 60,274	\$ 6,458	\$ 76,119	\$ 5,603,137	\$ 6,433,825	\$ -	\$ 6,433,825	\$ -	0.00%
25	Rate Revenue	\$ 657,762,887	\$ -	\$ 142,109,896	\$ 85,014,452	\$ 380,169,813	\$ 1,570,565,304	\$ 2,835,622,352	\$ -	\$ 2,835,622,352	\$ 162,345,029	6.07%
26												
27	Annualization Adjustment	\$ 5,651,009	\$ -	\$ 693,867	\$ (182,348)	\$ 1,396,463	\$ 6,511,570	\$ 14,070,561	\$ -	\$ 14,070,561	\$ 1,522,774	12.14%
28												
29	Total PUC Tariff Revenue	\$ 663,413,896	\$ -	\$ 142,803,763	\$ 84,832,104	\$ 381,566,276	\$ 1,577,076,874	\$ 2,849,692,913	\$ -	\$ 2,849,692,913	\$ 163,867,803	6.10%
30												
31	Other Electric Revenues											
32	Late Payment	\$ 6,454,708	\$ -	\$ 114,255				\$ 6,568,963	\$ -	\$ 6,568,963	\$ 568,963	9.48%
33	Misc. Revenue											
34	Rent	\$ 16,906,000	\$ -	\$ -				\$ 16,906,000	\$ -	\$ 16,906,000	\$ -	0.00%
35	Other	\$ 885,000	\$ -	\$ 15,607,971				\$ 16,492,971	\$ -	\$ 16,492,971	\$ -	0.00%
36	Total Other	\$ 24,245,708	\$ -	\$ 15,722,226	\$ -	\$ -	\$ -	\$ 39,967,934	\$ -	\$ 39,967,934	\$ 568,963	1.44%
37												
38	Total Operating Revenue	\$ 687,659,604	\$ -	\$ 158,525,989	\$ 84,832,104	\$ 381,566,276	\$ 1,577,076,874	\$ 2,889,660,847	\$ -	\$ 2,889,660,847	\$ 164,436,766	6.03%

Note 1: EDU/IDI credits eliminated in proposed budget.
 Note 2: Col 5, page 4
 Note 3: Col 6, page 4
 Note 4: Col 7, page 4
 Note 5: Col 8, page 4
 Note 6: Col 11 - Col 11, page 4
 Note 7: Col 12 / Col 11, page 4 (%)

PPL Electric Utilities Corporation
12 month Period Ended December 31, 2004 Proposed Budget, With Shopping, With Proposed Transmission Revenues

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Line Number	Rate Schedule	Total Revenue	Present Transmission Rate Revenue	Proposed Transmission Rate Revenue	Change in Transmission Rate Revenue	Total Proposed Revenue	Total Revenue Change	Total Percent Change	Shopping Factor
		(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)	(Note 6)	(Note 7)	(Note 8)
1	RS	\$ 1,161,280,824	\$ 49,075,478	\$ 72,580,025	\$ 23,504,548	\$ 1,184,785,372	\$ 104,435,239	9.67%	0.2%
2	RTS	\$ 24,120,271	\$ 481,038	\$ 2,253,738	\$ 1,772,700	\$ 25,892,971	\$ 2,340,924	9.94%	0.1%
3	RTD	\$ 452,617	\$ 20,194	\$ 29,864	\$ 9,670	\$ 462,287	\$ 41,797	9.94%	0.0%
4	GS-1	\$ 238,085,326	\$ 11,799,899	\$ 11,321,870	\$ (478,229)	\$ 237,607,097	\$ 21,480,375	9.94%	1.0%
5	GS-3	\$ 694,840,248	\$ 38,388,926	\$ 48,284,108	\$ 7,895,182	\$ 702,735,430	\$ 50,982,667	7.82%	6.0%
6	LP-4	\$ 339,417,020	\$ 19,785,197	\$ 29,038,552	\$ 9,253,355	\$ 348,670,375	\$ 20,003,839	6.09%	7.0%
7	IS-P	\$ 20,807,036	\$ 1,496,979	\$ 2,318,858	\$ 819,879	\$ 21,426,915	\$ 1,203,305	5.95%	0.0%
8	LP-5	\$ 166,618,689	\$ 9,699,289	\$ 17,750,526	\$ 8,051,237	\$ 174,667,927	\$ 8,069,970	4.84%	5.0%
9	IS-T	\$ 80,374,849	\$ 7,066,121	\$ 11,127,614	\$ 4,061,494	\$ 84,436,343	\$ 3,496,597	4.32%	0.0%
10	LP-6	\$ 28,422,054	\$ 1,574,063	\$ 2,886,817	\$ 1,312,754	\$ 29,734,808	\$ 1,214,946	4.26%	0.0%
11	LPEP	\$ 4,781,481	\$ 38,603	\$ 408,080	\$ 367,477	\$ 5,148,958	\$ 458,279	9.77%	0.0%
12	ISA	\$ 5,597,196	\$ 357,135	\$ 357,135	\$ -	\$ 5,597,196	\$ 84	0.00%	0.0%
13	IS-1	\$ 161,239	\$ 9,908	\$ 11,957	\$ 2,049	\$ 163,288	\$ 14,750	9.83%	0.0%
14	BL	\$ 615,787	\$ 37,318	\$ 35,870	\$ (1,446)	\$ 614,341	\$ 55,544	9.94%	0.0%
15	SA	\$ 4,632,993	\$ 81,045	\$ 131,835	\$ 50,790	\$ 4,683,783	\$ 423,507	9.94%	0.0%
16	SM	\$ 1,053,734	\$ 16,241	\$ 28,911	\$ 12,669	\$ 1,066,403	\$ 96,424	9.94%	0.0%
17	SHS	\$ 19,193,590	\$ 200,392	\$ 355,021	\$ 154,629	\$ 19,348,219	\$ 1,748,311	9.94%	0.0%
18	SE	\$ 965,875	\$ 62,845	\$ 110,880	\$ 48,036	\$ 1,013,910	\$ 91,603	9.93%	0.2%
19	TS	\$ 44,650	\$ 1,132	\$ 1,991	\$ 859	\$ 45,509	\$ 4,116	9.94%	0.0%
20	SI-1	\$ 23,030	\$ 302	\$ 538	\$ 233	\$ 23,263	\$ 2,103	9.94%	0.0%
21	GH-1	\$ 30,110,529	\$ 1,497,472	\$ 1,810,896	\$ 313,423	\$ 30,423,952	\$ 2,749,501	9.94%	5.6%
22	GH-2	\$ 6,607,522	\$ 338,448	\$ 407,530	\$ 69,082	\$ 6,676,604	\$ 603,823	9.94%	1.0%
23	Standby(LP5-S)	\$ 1,183,997	\$ 21,600	\$ 39,615	\$ 18,016	\$ 1,202,013	\$ 64,712	5.69%	0.0%
24	PRS	\$ 6,433,825	\$ 60,274	\$ 60,274	\$ -	\$ 6,433,825	\$ -	0.00%	
25	Rate Revenue	\$ 2,835,622,352	\$ 142,108,896	\$ 199,348,304	\$ 57,238,408	\$ 2,892,860,760	\$ 219,583,437	8.21%	
26									
27	Annualization Adjustment	\$ 14,070,561	\$ 693,867	\$ 779,345	\$ 85,479	\$ 14,156,040	\$ 1,608,253	12.82%	
28									
29	Total PUC Tariff Revenue	\$ 2,849,692,913	\$ 142,803,763	\$ 200,127,649	\$ 57,323,887	\$ 2,907,016,800	\$ 221,191,690	8.24%	
30									
31	Other Electric Revenues								
32	Late Payment	\$ 6,568,963	\$ 114,255	\$ 125,300	\$ 11,045	\$ 6,580,008	\$ 580,008	9.67%	
33	Misc. Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
34	Rent	\$ 16,906,000	\$ -	\$ -	\$ -	\$ 16,906,000	\$ -	0.00%	
35	Other	\$ 16,492,971	\$ 15,607,971	\$ 15,607,971	\$ -	\$ 16,492,971	\$ -	0.00%	
36	Total Other	\$ 39,967,934	\$ 15,722,226	\$ 15,733,271	\$ 11,045	\$ 39,978,979	\$ 580,008	1.47%	
37									
38	Total Operating Revenue	\$ 2,889,660,847	\$ 158,525,989	\$ 215,860,920	\$ 57,334,931	\$ 2,946,995,778	\$ 221,771,697	8.14%	

Note 1: Col 11, page 7
 Note 2: Col 5, page 7
 Note 3: Col 5, page 6A x (1- col 10)
 Note 4: Col 5 - Col 4
 Note 5: Col 3 + Col 6
 Note 6: Col 7 - Col 11, page 4
 Note 7: Col 8 / Col 11, page 4 (%)
 Note 8: Percent customer shopping usage.

PPL ELECTRIC UTILITIES CORPORATION

Adjustment to Operating Revenues for Unbilled Revenue
Year Ended December 31, 2004
(Thousands of Dollars)

This adjustment was made to normalize distribution and transmission operating revenue for the test period by eliminating unbilled revenue.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Unbilled revenue- transmission	\$ 499
2	Unbilled revenue- distribution	1,896
3	Total decrease in transmission and distribution operating revenue	<u>\$ (2,395)</u>

PPL ELECTRIC UTILITIES CORPORATION

Adjustment to Wages and Benefits
Year Ended December 31, 2004
(Thousands of Dollars)

This adjustment was made to reflect the average number of transmission and distribution (T&D)-related employees and level of wages and benefits in effect at the end of the year.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Average monthly T&D-related wages to expense per employee	\$ 3,158
2	T&D-related personnel to be employed at the end of the year	2,167
3	Annualized T&D-related total wages to expense (line 1 x line 2 x 12)	82,121
4	Less: Actual T&D-related wages to expense for the year ended December 31, 2004	<u>86,345</u>
5	Decrease in wages to expense (line 3 - line 4)	(4,224)
6	Decrease in benefits expense (line 5 x 33.27%)	(1,405)
7	Decrease in payroll taxes (line 5 x 7.61%)	<u>(321)</u>
8	Decrease in T&D-related wages, taxes and benefits (line 5 + line 6 + line 7)	<u><u>\$ (5,950)</u></u>

PPL ELECTRIC UTILITIES CORPORATION

Adjustment for Rate Case Expense
Year Ended December 31, 2004
(Thousands of Dollars)

Rate case expenditures are charged to expense when incurred. The Company's claim for distribution rate case expense is based on a normalized amount as shown below.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Total distribution rate case expense	<u>\$ 2,000</u>
2	Normalized amount (line 1 / 2 years)	\$ 1,000
3	Less: Distribution rate case expense per budget	<u>1,000</u>
4	Increase in distribution operating expense	<u>\$ 0</u>

PPL ELECTRIC UTILITIES CORPORATION

Adjustment for Interest Expense on Customer Deposits
Year Ended December 31, 2004
(Thousands of Dollars)

The Commission, in its Final Order at Docket No. R-80031114, determined that it was appropriate to include the interest expense on customer deposits in PPL Electric's operation and maintenance expense when the deposits are used as a reduction to rate base. The interest on these deposits is computed at an interest rate calculated in accordance with Rule 2 - Requirement for Service set forth in the Company's Tariff- Electric Pa. P.U.C. No. 201.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Customer deposits	\$ 20,463 (1)
2	Interest rate	<u>1.280%</u>
3	Increase in transmission and distribution operating expense (line 1 x line 2)	<u>\$ 262</u>

(1) As discussed in Statement No. 5-R.

PPL ELECTRIC UTILITIES CORPORATION

Adjustment for Increased Cost of Social Programs
Year Ended December 31, 2004
(Thousands of Dollars)

This adjustment was made to increase distribution operating expense to reflect the Company's proposed level of spending on social programs.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	On Track	\$ 14,700
2	WRAP	6,700
3	Community Betterment Initiative	1,000 (1)
4	Demand Side Response Programs	200
5	Sustainable Energy Fund	3,689
6	Total amount of distribution expense	<u>26,289</u>
7	Less: Amount in budget	21,513
8	Increase in distribution operating expense	<u>\$ 4,776</u>

(1) The Company proposes funding the Community Betterment Initiative at \$2 million with the cost shared equally between ratepayers and shareowners.

PPL ELECTRIC UTILITIES CORPORATION

Adjustment for AMR Displacement Costs
Year Ended December 31, 2004
(Thousands of Dollars)

In September 2003, PPL Electric recorded a \$8.8 million charge to cover the anticipated displacement costs of 94 employees to be separated as part of the automated meter reader (AMR) implementation project. These costs are based on an actuarial study for those employees separated in 2003 and throughout 2004. The savings to customers as a result of this displacement program is included in the \$6.0 million shown on Schedule D-5. The Company proposes to recover these displacement costs over a 5- year period.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Total AMR displacement costs	<u>\$ 8,818</u>
2	Increase in distribution operating expense (Line 1/5 years)	\$ 1,764
3	Less: Amount per budget	0
4	Increase in distribution operating expense	<u>\$ 1,764</u>

PPL ELECTRIC UTILITIES CORPORATION

Adjustment for Hurricane Isabel Deferred Costs
Year Ended December 31, 2004
(Thousands of Dollars)

On January 16, 2004, the Commission granted the Company's petition to defer for accounting and financial reporting purposes the distribution operating expenses incurred to restore service to customers as a result of Hurricane Isabel. Pursuant to this decision, the Company established a regulatory asset of \$15.0 million, which it proposes to amortize over a 5- year period.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Total Hurricane Isabel regulatory asset	<u>\$ 14,876</u> (1)
2	Increase in distribution operating expense (Line 1/ 5 years)	\$ 2,975
3	Less: Amount per budget	0
4	Increase in distribution operating expense	<u>\$ 2,975</u>

(1) Balance of regulatory asset as of June 30, 2004.

PPL ELECTRIC UTILITIES CORPORATION

Adjustment to Annual Depreciation Expense
Year Ended December 31, 2004
(Thousands of Dollars)

<u>Line No.</u>	<u>Depreciation - Electric Plant In Service (1)</u>	<u>Amount</u>
1	Intangible Plant	\$ 4,318
2	Transmission Plant	17,779
3	Distribution Plant	78,448
4	General Plant	12,257
5	Total as filed	<u>112,802</u>
6	Less: Adjustment for Amortization of PMS Software (2)	(530)
7	Adjusted Total	<u>112,272</u>
8	Less: Depreciation expense per budget	108,619
9	Increase in depreciation expense	<u>\$ 3,653</u>

(1) Includes negative net salvage of \$6,066

(2) As discussed in Statement No. 2-R.

Adjustment to Taxes Other Than Income
Year Ended December 31, 2004
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
	<u>PA Capital Stock Tax</u>	
	Adjustment to reflect current taxable value	
1	Estimated Tax applicable to T&D operations at 6.99 mills (D-12, page 2)	\$ 7,060
2	Less: Capital stock tax on T&D operations per budget	<u>6,680</u>
3	Increase in expense	<u>\$ 380</u>
	 <u>PA Gross Receipts Tax</u>	
	Adjustment to provide for gross receipts tax on pro forma revenue at present rates	
4	Gross receipts tax recoverable through base rates (D-12, page 3)	\$ 38,289
5	Less: Gross receipts tax on T&D operations per budget	<u>38,122</u>
6	Increase in expense	<u>\$ 167</u>
	 <u>PA Public Utility Realty</u>	
	Adjustment to reflect current taxable value	
7	Public utility realty tax recoverable through base rates (D-12, page 4)	\$ 3,251
8	Less: Public utility realty tax on T&D operations per budget	<u>4,000</u>
9	Decrease in expense	<u>\$ (749)</u>

Capital Stock Tax at Present Rates
Year Ended December 31, 2004
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	PA Capital Stock Tax= $50\%((5 \text{ Year Average Net Income}/.095)+(75\%(\text{Net Worth}))$	
	Net Income	
2	2000	\$ 277,364
3	2001	124,282
4	2002	43,633
5	2003	28,470
6	2004	<u>45,551</u>
7	Total	<u>\$ 519,300</u>
8	Average	<u>\$ 103,860</u>
9	Net worth at December 31, 2004	<u>\$ 1,287,339</u>
10	PA Capital stock value = $.5((\$103,860/.095) + (.75 \times \$1,287,339)) =$	\$ 1,029,384
11	Statutory Exemption	<u>125</u>
12	Value of Capital Stock less Statutory Exemption	1,029,259
13	Apportionment Percentage	<u>0.995148</u>
14	PA Capital Stock Taxable Value	<u>\$ 1,024,265</u>
15	PA Capital Stock Tax at 6.99 mills	\$ 7,160
16	Less PA Education tax credit	<u>(100)</u>
17	Pa Capital Stock Tax	<u>\$ 7,060</u>

Gross Receipts Tax (GRT) at Present Rates
Year Ended December 31, 2004
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Pro Forma Revenue</u>	<u>Applicable GRT Rate (Mills)</u>	<u>Amount</u>
	<i>Tariff Revenue</i>			
1	Total Tariff Revenue (D-3, page 1, line 7)	\$ 642,622	59	\$ 37,915
	<i>Other Electric Revenue</i>			
2	Late payment	6,336	59	374
3	Other electric revenue	33,399	-	
4	Total Other	<u>\$ 39,735</u>		
5	Total gross receipts tax on pro forma revenue at present rates			<u>\$ 38,289</u>

PPL ELECTRIC UTILITIES CORPORATION

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Public Utility Realty Tax (PURTA) at Present Rates
Year Ended December 31, 2004
(Thousands of Dollars)

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<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	State Taxable Value (per Notice of Determination dated August 1, 2003)	\$ 105,090
2	Rate @ 30.9390 mills (per Notice of Determination dated August 1, 2003)	<u>0.030939</u>
3	Tax Amount	<u>\$ 3,251</u>

PPL ELECTRIC UTILITIES CORPORATION
Computation of Income Taxes - Electric
Year Ended December 31, 2004
(Thousands of Dollars)

No.	Description	Total Amount Per Budget	Less: CTC and POLR	T&D Operations Per Budget	Pro forma Adjustments	T&D Pro forma at Present Rates
1	Operating Revenues	\$ 2,515,735	\$ (1,836,195)	\$ 679,540	\$ 2,817	\$ 682,357
	Operating Expenses					
2	Operation and maintenance	2,072,084	(1,669,312)	402,772	1,122	403,894
3	Depreciation	108,619	-	108,619	3,653	112,272
4	Regulatory Debits and Credits	4,750	(4,750)	-	-	-
5	Taxes Other than Income	176,974	(120,681)	56,293	(523)	55,770
6	Income Taxes - Federal	(9,086)	(16,229)	(25,315)	3,818	(21,497)
7	Income Taxes - State	5,678	(5,146)	532	1,211	1,743
8	Deferred Income Taxes	28,913	4,070	32,983	(1,173)	31,810
9	Investment Tax Credit - Amortization	(2,745)	-	(2,745)	-	(2,745)
10	Gains and Losses on Property Dispositions	-	-	-	-	-
11	Total Operating Expense	<u>2,385,187</u>	<u>(1,812,048)</u>	<u>573,139</u>	<u>8,108</u>	<u>581,247</u>
12	Operating Income	130,548	(24,147)	106,401	(5,291)	101,110
13	Less: Interest Expense	89,084	-	89,084	(9,902)	79,182
14	Net Operating Income	<u>41,464</u>	<u>(24,147)</u>	<u>17,317</u>	<u>4,611</u>	<u>21,928</u>
	Income Tax Adjustments					
15	Federal Income Tax	(9,086)	(16,229)	(25,315)	3,818	(21,497)
16	State Income Tax	5,678	(5,146)	532	1,211	1,743
17	Deferred Income Taxes	28,913	4,070	32,983	(1,173)	31,810
18	Pension and supplemental retirements	2,458	-	2,458	-	2,458
19	Health care cost PMC amortization	5,203	(5,203)	-	-	-
20	Contributions in aid of construction	23,017	-	23,017	-	23,017
21	Environmental Clean-up	(1,006)	-	(1,006)	-	(1,006)
22	Clearing Accounts	-	-	-	-	-
23	Depreciation Charged to Clearing	574	-	574	-	574
24	Amortization leased equipment	16,281	-	16,281	-	16,281
25	Book Depreciation	108,619	-	108,619	3,653	112,272
26	Tax Depreciation	(228,398)	-	(228,398)	-	(228,398)
27	Investment tax credit amortization	(2,745)	-	(2,745)	-	(2,745)
28	Removal costs	(8,686)	-	(8,686)	-	(8,686)
29	Adjust-Sales of Property	(138)	-	(138)	-	(138)
30	ESOP dividend paid in cash	(4,533)	-	(4,533)	-	(4,533)
31	Required debt costs	(198)	-	(198)	-	(198)
32	Post - retirement/employment benefits	(2,044)	-	(2,044)	-	(2,044)
33	Business Meals Not Deductible	487	-	487	-	487
34	Adjust Gross receipts Tax- Cash basis	-	-	-	-	-
35	Adjust Other Taxes	(774)	774	-	-	-
36	Vacation Pay	846	-	846	-	846
37	Competitive Transition Charge	5,378	(5,378)	-	-	-
38	Bad debts & Property damage	(1,865)	-	(1,865)	-	(1,865)
39	Taxes Capitalized	(814)	-	(814)	-	(814)
40	Obsolete Inventory	(88)	-	(88)	-	(88)
41	Fin45 Rent Amortization	806	-	806	-	806
42	Consumer Education	(315)	-	(315)	-	(315)
43	Administrative & General Capitalized	970	-	970	-	970
44	Severance Pay	(135)	-	(135)	-	(135)
45	Section 481 Adjustment- Ash Basin	-	-	-	-	-
46	FAS 150 Preferred Stock S/F Interest	256	(256)	-	-	-
47	Hurricane Isabel Deferral	-	-	-	-	-
48	Software Amortization	-	-	-	-	-
49	Income Tax Adjustments	<u>(61,339)</u>	<u>(27,368)</u>	<u>(88,707)</u>	<u>7,509</u>	<u>(81,198)</u>
	Taxable Net Income Before Special Deductions	<u>\$ (19,875)</u>	<u>\$ (51,515)</u>	<u>\$ (71,390)</u>	<u>\$ 12,120</u>	<u>\$ (59,270)</u>

PPL ELECTRIC UTILITIES CORPORATION
Computation of Income Taxes - Electric
Year Ended December 31, 2004
(Thousands of Dollars)

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<u>No.</u>	<u>Description</u>	<u>Total Amount Per Budget</u>	<u>Less: CTC and POLR</u>	<u>T&D Operations Per Budget</u>	<u>Pro forma Adjustments</u>	<u>T&D Pro forma at Present Rates</u>
<u>PA Corporate Net Income Tax Calculation</u>						
1	Taxable Net Income Before Special Deductions	\$ (19,875)	\$ (51,515)	\$ (71,390)	\$ 12,120	\$ (59,270)
PA Special Deductions						
2	Tax Preference Income	(184)	-	(184)	-	(184)
3	Dividends Paid Credit	(408)	-	(408)	-	(408)
4	Bonus Depreciation Adjustment	77,308	-	77,308	-	77,308
5	PA Taxable Income	56,841	(51,515)	5,326	12,120	17,446
6	PA Tax @ 9.99%	5,678	(5,146)	532	1,211	1,743
7	PA Education Credit	-	-	-	-	-
8	Accrual for Potential Deficiency	-	-	-	-	-
9	Total PA Income Tax	\$ 5,678	\$ (5,146)	\$ 532	\$ 1,211	\$ 1,743
<u>Federal Income Tax Calculation</u>						
10	Taxable Net Income Before Special Deductions	\$ (19,875)	\$ (51,515)	\$ (71,390)	\$ 12,120	\$ (59,270)
Federal Special Deductions						
11	PA Income Tax Less Education Credit	(5,678)	5,146	(532)	(1,211)	(1,743)
12	Dividends Paid Credit	(408)	-	(408)	-	(408)
13	Federal Taxable Income	(25,961)	(46,369)	(72,330)	10,909	(61,421)
14	Federal Tax @ 35%	(9,086)	(16,229)	(25,315)	3,818	(21,497)
15	Accrual for Potential Deficiency	-	-	-	-	-
16	Total Federal Income Tax	\$ (9,086)	\$ (16,229)	\$ (25,315)	\$ 3,818	\$ (21,497)

PPL ELECTRIC UTILITIES CORPORATION
Adjustment to Interest Deduction for Income Tax Purposes
Year Ended December 31, 2004
(Thousands of Dollars)

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This adjustment provides for the annualized interest on claimed measures of value at December 31, 2004.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Measures of value at December 31, 2004 (C-1)	\$ 2,396,762
2	Long-term debt ratio (B-9)	51.30%
3	Embedded cost of long-term debt (B-9)	6.44%
4	Annualized interest (line 1 x line 2 x line 3)	79,182
5	Less: Interest expense on T&D operations per budget (D-13, page 1)	<u>89,084</u>
6	Decrease in interest deduction (line 4 - line 5)	<u>\$ (9,902)</u>

PPL ELECTRIC UTILITIES CORPORATION
Operating Revenue and Applicable Tax
Related to Proposed Rate Increase
Year Ended December 31, 2004
(Thousands of Dollars)

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Page 4 of 4
J. M. Kleha
Revised 7-27-04

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Additional operating revenue from proposed rate increase	\$ 159,443
	Less:	
2	PA gross receipts tax (line 1 x 59 mills)	9,407
3	PA Capital stock tax (line 8 x 6.99 mills)	<u>640</u>
4	Taxable income for PA Corporate net income tax	149,396
5	PA corporate net income tax (line 4 x 9.99%)	<u>14,925</u>
6	Taxable income for Federal income tax	134,471
7	Federal income tax (line 6 x 35%)	<u>47,065</u>
	Operating income	<u><u>\$ 87,406</u></u>

PPL ELECTRIC UTILITIES CORPORATION

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Page 1 of 2
J. M. Kleha

Adjustment to Deferred Income Taxes
As of December 31, 2004
(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	\$ 5,527	\$ 0	\$ 5,527	\$ (10)	\$ 5,517
Distribution Property	35,480		35,480	595	36,075
General Property	2,484		2,484	(1,025)	1,459
Prior Year Tax Return Adjustments					
Class Life:					
Transmission Property		(335)	(335)		(335)
Distribution Property		(1,009)	(1,009)		(1,009)
Removal Costs:					
Transmission Property		(60)	(60)		(60)
Distribution Property		(116)	(116)		(116)
Repair Allowance:					
Transmission Property		(37)	(37)		(37)
Distribution Property		(591)	(591)		(591)
Contributions in Aid Of Construction:					
Transmission Property	94	(4,035)	(3,941)		(3,941)
Distribution Property	364	(5,516)	(5,152)		(5,152)
Prior Year Tax Return Adjustments					
Total					
Transmission Property	5,621	(4,467)	1,154	(10)	1,144
Distribution Property	35,844	(7,232)	28,612	595	29,207
General Property	2,484		2,484	(1,025)	1,459
Prior Year Tax Return Adjustments					
Total	<u>\$ 43,949</u>	<u>\$ (11,699)</u>	<u>\$ 32,250</u>	<u>\$ (440)</u>	<u>31,810</u>
Less: Deferred income taxes on T&D operations per budget					<u>32,983</u>
Increase in deferred income taxes					<u>\$ (1,173)</u>

PPL ELECTRIC UTILITIES CORPORATION

Adjustment to Provision For Deferred Income Taxes
As of December 31, 2004
(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	\$ 25,948
2	Tax depreciation computed on a straight-line tax basis	<u>9,924</u>
3	Excess ACRS and MACRS/(straight-line) tax depreciation	<u>16,024</u>
	Distribution Property	
4	Tax depreciation computed under ACRS and MACRS	159,818
5	Tax depreciation computed on a straight-line tax basis	<u>56,066</u>
6	Excess ACRS and MACRS/(straight-line) tax depreciation	<u>103,752</u>
	General Property	
7	Tax depreciation computed under ACRS and MACRS	29,400
8	Tax depreciation computed on a straight-line tax basis	<u>25,188</u>
9	Excess ACRS and MACRS/(straight-line) tax depreciation	<u>4,212</u>
10	Net excess ACRS and MACRS/(straight-line) tax depreciation	<u>\$ 123,988</u>
11	Tax Rate Provisions - 35% Reversals - Average Rate Assumption Method	
12	Net annual deferred tax debit / (credit)	<u>\$ 43,051</u>
	Less: Net provision per T&D operations per budget	
13	Provision for deferred taxes - debit	43,491
14	Provision for deferred taxes - credit	<u>0</u>
15		<u>43,491</u>
16	Decrease in deferred income tax provision	<u>\$ (440)</u>

PPL ELECTRIC UTILITIES CORPORATION

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Page 1 of 1
J. M. Kleha

Adjustment to Amortization of
Deferred Investment Tax Credit
Year Ended December 31, 2004
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>4% Investment Tax Credit</u>	<u>10% Investment Tax Credit</u>	<u>Total</u>
Transmission Property:				
1	1972	43	0	\$ 43
2	1973	55	0	55
3	1974	14	0	14
4	1975	38	24	62
5	1976	19	89	108
6	1977	0	33	33
7	1978	0	26	26
8	1979	0	33	33
9	1980	0	118	118
10	1981	0	211	211
11	1982	0	61	61
12	1983	0	2	2
13	1984	0	24	24
14	1985	0	17	17
15	1986	0	13	13
16	1987	0	9	9
17	1988	0	2	2
18	1989	0	0	0
19	1990	0	0	0
Total Transmission Property				<u>831</u>
Distribution Property:				
20	1972	99	0	99
21	1973	102	0	102
22	1974	40	0	40
23	1975	87	57	144
24	1976	39	180	219
25	1977	0	117	117
26	1978	0	114	114
27	1979	0	163	163
28	1980	0	160	160
29	1981	0	161	161
30	1982	0	147	147
31	1983	0	79	79
32	1984	0	84	84
33	1985	0	117	117
34	1986	0	120	120
35	1987	0	28	28
36	1988	0	12	12
37	1989	0	3	3
38	1990	0	5	5
Total Distribution Property				<u>1,914</u>
39	Total Amount of Amortization			2,745
40	Less: Amortization on T&D operations per budget			<u>2,745</u>
41	Decrease in Amortization			<u>\$ -</u>

DOCUMENT

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Docket No. R-00049255

DOCKETED
AUG 25 2004

PPL Electric Utilities Corporation

Statement No. 5-SR

8/9/04
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Surrebuttal Testimony of Joseph M. Kleha

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1 Q. Please state your full name and business address.

2 A. My name is Joseph M. Kleha. My business address is Two North Ninth
3 Street, Allentown, Pennsylvania, 18101.

4 Q. By whom are you employed and in what capacity?

5 A. I am employed by PPL Services Corporation I work in the Office of
6 General Counsel. My title is Manager – Regulatory Projects.

7 Q. Have you provided testimony previously in this proceeding?

8 A. Yes, I have. I provided written direct and rebuttal testimony that was
9 designated as Statement Nos. 5 and 5-R, respectively, and exhibits
10 identified therein.

11 Q. Please describe the purpose of your surrebuttal testimony.

12 A. The purpose of my surrebuttal testimony is to address the following two
13 issues raised by other parties in their rebuttal testimony:

14 • Issues raised by Office of Trial Staff (“OTS”) witness Gary Yocca
15 regarding cost allocation studies for transmission service revenue
16 requirements.

17 • An alternative design of the Transmission Service Charge (“TSC”)
18 proposed by OSBA witnesses Robert Knecht and Mark Ewen.

19 Q. Is a portion of OTS Statement No. 6-R based upon a misunderstanding?

20 A. Yes. OTS Statement 6-R, at page 6, is erroneous to the extent that the
21 OTS suggests that PPL Electric did not provide information requested in
22 discovery regarding its incurrence of transmission service charges billed
23 by the PJM Interconnection, LLC (“PJM”), under its Open Access

1 Transmission Tariff ("OATT"), and that the record in this proceeding does
2 not contain a fully allocated cost of service study for these transmission
3 service charges. In fact, as I will explain, PPL Electric provided extensive
4 information regarding these transmission service charges and, based
5 upon that information, PP&L Industrial Customer Alliance ("PPLICA")
6 prepared and presented a study of these charges in its Exhibits SJB-2
7 through SJB-4.

8 In these exhibits, based on the most recently available data,
9 PPLICA has correctly calculated the differences between (1) the amounts
10 of transmission service charges that PPL Electric would recover from its
11 customers served under each rate class based on a uniform cent/kWh
12 charge for each kWh of electricity provided by the Company to its Provider
13 of Last Resort "(POLR)" service customers and (2) the amount that PPL
14 Electric would recover from customers served under each rate class
15 based on strict principles of cost causation. Applying strict principles of
16 cost causation to transmission service charges requires PPL Electric to
17 allocate transmission service charges among rate classes in precisely the
18 same manner that the PJM bills transmission service charges to load
19 serving entities, such as PPL Electric, under the OATT, which is subject to
20 the regulatory jurisdiction of the Federal Energy Regulatory Commission
21 ("FERC"). That is, PPLICA has presented a study comparing PPL
22 Electric's proposed TSC, which would recover transmission service

1 charges on a uniform cent/kWh basis, with purely cost-based allocations
2 based on PJM's charges under the OATT.

3 Q. Can you explain the extent to which PPL Electric has provided data
4 regarding charges for transmission services purchased under the OATT
5 and the manner by which such charges would be allocated among PPL
6 Electric's rate classes based on the OATT?

7 A. Yes. *Initially, it must be observed that there are two totally separate and*
8 *independent categories of transmission service costs incurred by PPL*
9 *Electric.*

10 One category reflects PPL Electric's role as an owner and provider
11 of transmission facilities to the PJM under the OATT. PPL Electric's
12 recovery of the attendant revenue requirements is governed by PJM's
13 OATT, which is subject to FERC review and approval. As such, neither
14 PPL Electric's revenue requirement associated with owning FERC-
15 jurisdictional transmission facilities or PPL Electric's revenues from
16 making those transmission facilities available to PJM under the OATT are
17 subject to the jurisdiction of the Pennsylvania Public Utility Commission
18 ("Commission"). Such revenue requirements are not recovered by PPL
19 Electric through its Pennsylvania jurisdictional tariff, which is the subject of
20 this proceeding. Those revenue requirements are not properly considered
21 in this proceeding. Indeed, the Commission requires PPL Electric to
22 submit its general rate cases on a Pennsylvania jurisdictional basis only.
23 Ordering Paragraph No. 7 from the PUC's order, entered on January 30,

1 1981, at Docket No. R-80031114 states: "That Pennsylvania Power &
2 Light Company shall, in any future general rate increase applications, file
3 on a Pennsylvania jurisdictional basis only". PPL Electric continues to
4 comply with this directive of the Commission.

5 Based on the foregoing analysis of Commission requirements, PPL
6 Electric removed all elements of the revenue requirements, including
7 plant, operating expenses and revenues associated with PPL Electric's
8 provision of transmission facilities to PJM under the OATT from this
9 proceeding. For example, a review of PPL Electric's future test year fully
10 allocated cost allocation study, Exhibit JMK2, shows that such elements of
11 revenue requirement have been removed. See, for example, Exhibit
12 JMK2, page 8, line 1 which reflects \$0 "transmission revenues." Similarly,
13 line 11 shows \$0 transmission operation and maintenance expenses, and
14 line 15 shows \$0 transmission depreciation expense. Such entries reflect
15 the removal of all elements of PPL Electric's revenue requirement
16 associated with its activities providing transmission facilities to PJM under
17 the OATT.

18 Q. What is the second category of transmission service charges?

19 A. The second category of transmission service charges are the those that
20 PPL Electric incurs as a user and purchaser of transmission services from
21 PJM for its POLR customers.

22 The recovery mechanism for these transmission service charges is
23 a proper subject of this proceeding. Indeed, PPL Electric proposed its

1 TSC as the means for recovery of transmission service charges it incurs
2 as a result of buying transmission services under the PJM OATT in order
3 to serve its POLR customers.

4 Q. Has PPL Electric provided information regarding the manner in which it
5 incurs charges as a buyer of transmission services, and the manner by
6 which such charges would be allocated among rate classes based
7 exclusively on cost causation?

8 A. Yes. PPL Electric has provided such information in response to
9 interrogatories propounded by PPLICA (Set I, Questions 9 through 11, Set
10 II, Question 2) and by OCA (Set II, Questions 10 through 14 and 20 and
11 Set IV, Question 9), and as I noted previously, PPLICA witness Baron has
12 allocated PPL Electric's transmission service charges among PPL
13 Electric's customers served under each rate schedule in the manner by
14 which PJM allocates costs of among purchasers of transmission services
15 under the OATT

16 Q. What was the basis for OTS' misunderstanding?

17 *OTS' misunderstanding apparently was based upon a misinterpretation of*
18 *PPL Electric's response to Question OTS-RS-56, a copy of which was*
19 *provided as Schedule 2, page 1, of OTS Exhibit No. 6-R. PPL Electric's*
20 *statement contained therein, which indicated that including transmission*
21 *charges and revenues for recovery of such charges in the cost allocation*
22 *study would not change the results of the study, was based on the*
23 *premise that transmission service charges would be allocated to and*

1 recovered from customers in the same manner, based upon a uniform
2 cent/kWh for each kWh of electricity provided to POLR customers, as PPL
3 Electric proposed in the TSC. However, a mismatch between the
4 allocation of transmission service charges and the recovery of those
5 charges would produce inter-class differences that could affect the results
6 of the cost allocation study. PPL Electric believes that it is appropriate
7 that transmission service charges be recovered through an automatic
8 adjustment clause, such as the proposed TSC, which contains only pure
9 expenses without any provision for return or any rate base, and be
10 allocated in the same manner as the expense is recovered (on a dollar for
11 dollar basis) to avoid distorting the results of a cost allocation study which
12 addresses only base rate revenue requirement components.

13 Q. Please describe the alternative TSC design proposed by OSBA witnesses
14 Robert Knecht and Mark Ewen.

15 A. OSBA witnesses Knecht and Ewen propose a TSC that is specific for
16 each rate schedule, that would be calculated using both kW and kWh
17 components consistent with the OATT, and that would be charged to
18 *POLR customers on a cent per kWh basis, but would be based on*
19 *coincident peak load data over a five-year period rather than over the*
20 *most recent past year. OSBA Statement No. 3, pp. 8-9. The intent of*
21 *using a five-year average, instead of the most recent year, is to mitigate*
22 *the volatility in the TSC that is created by the fact that PPL Electric's*
23 *POLR load may be winter peaking one year, but summer peaking the*

1 next. Witnesses Knecht and Ewen also state that they take no position on
2 whether the TSC should be reconcilable. OSBA Statement No. 3, p. 6, n.
3 4.

4 Q. How do you respond to this proposal?

5 A. PPL Electric has investigated the proposal and has found that there is at
6 least one calculational problem. During 2002, a FERC order caused PJM
7 to revise its treatment of interruptible loads in the calculation of the
8 transmission obligation. Consequently, a five-year average will, at the
9 outset, reflect two different calculation methodologies. Furthermore, it is
10 conceivable that other changes in methodology may occur in the future
11 that would introduce similar inconsistencies into a five-year average.

12 More importantly, however, if a five-year average were to be
13 adopted, it is essential that the TSC be reconcilable. Especially with a
14 calculation driven by averaging five years of data that may not be
15 calculated on a consistent basis, there is a high likelihood that collections
16 from customers will not equal the costs billed to PPL Electric by PJM.
17 Such risks are exacerbated under the OSBA proposal because it would
18 shift a significantly greater revenue requirement to the residential class,
19 whose usage is relatively variable from year-to-year based upon the
20 effects of weather on space heating and air conditioning load. Thus, if the
21 allocation of the transmission service revenue requirement recommended
22 by OSBA were adopted, it is even more important that PPL Electric's

1 revenues for recovery of transmission service charges be reconciled with
2 actual transmission service charges.

3 Q. Does this conclude your surrebuttal testimony?

4 A. Yes, it does.

PPL ELECTRIC UTILITIES CORPORATION

Exhibit Historic 1

**Summary of Measures of Value &
Rate of Return**

Witness: Various

Docket No. R-00049255

DOCUMENT

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PPL ELECTRIC UTILITIES CORPORATION

**Exhibit Historic 1
Docket No. R-00049255
Summary of Measures of Value and Rates of Return
Year Ended December 31, 2003**

This book contains a series of schedules (see Table of Contents) which are grouped as follows:

- A - Statement of Reasons
- B - Financial Statements, Cost of Capital and Capital Structure
- C - Measures of Value
- D - Operating Income and Adjustments

PPL ELECTRIC UTILITIES CORPORATION

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PPL ELECTRIC UTILITIES CORPORATION

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PPL ELECTRIC UTILITIES CORPORATION

**A – Reasons for Proposed Increase
Index**

A-1 Statement of Reasons

The Statement of Reasons appears in Section A-1 of Exhibit Future 1.

PPL ELECTRIC UTILITIES CORPORATION

B – Book Statements Index

Section B – Book Statements

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PPL ELECTRIC UTILITIES CORPORATION

Balance Sheet at
December 31, 2003
Assets and Other Debits
(Thousands of Dollars)

<u>Acct. No.</u>	<u>Title of Account</u>	<u>Amount</u>
	Utility Plant	
101	Plant in service	\$ 3,993,381
105	Plant held for future use	21,706
106	Completed construction not classified	289,188
107	Construction work in progress	28,437
	Gross utility plant	4,332,712
108	Accumulated provision for depreciation	(1,626,785)
111	Accumulated provision for amortization	(5,662)
	Net utility plant	2,700,265
	Other Property and Investments	
121	Nonutility property	5,160
122	Accumulated provision for depreciation of nonutility property	(439)
	Net nonutility property	4,721
123	Investment in subsidiary companies	12,463
124	Other investments	3,960
128	Other special funds	0
	Total Other Property and Investments	21,144
	Current and Accrued Assets	
131	Cash	5,150
132	Interest special deposits	0
134	Other special deposits	0
135	Working funds	0
136	Temporary cash investments	157,150
	Notes and accounts receivable	
141	Notes receivable	0
142	Customer accounts receivable	197,889
143	Other accounts receivable	65,303
144	Accumulated provision for uncollectible accounts-credit	(23,525)
	Total notes and accounts receivable	239,667
145	Notes receivable from associated companies	0
146	Accounts receivable from associated companies	26,925
	Materials and supplies	
154	Plant materials and operating supplies	25,236
163	Stores expense undistributed	5,154
	Total materials and supplies	30,390

PPL ELECTRIC UTILITIES CORPORATION

Balance Sheet at
December 31, 2003
Assets and Other Debits (Continued)
(Thousands of Dollars)

<u>Acct.</u> <u>No.</u>	<u>Title of Account</u>	<u>Amount</u>
	Current and Accrued Assets (continued)	
165	Prepayments	\$ 16,220
	Other current and accrued assets	
171	Interest and dividends receivable	134
172	Rents receivable	7,331
173	Accrued utility revenues	122,689
174	Miscellaneous current and accrued assets	23,346
190	Accumulated deferred income taxes (current)	49,697
	Total other current and accrued assets	<u>203,197</u>
	Total Current and Accrued Assets	<u>678,699</u>
	Deferred Debits	
181	Unamortized debt expense	14,323
182.3	Other regulatory assets	620,972
183	Preliminary survey and investigation charges	0
184	Clearing accounts	(594)
185	Temporary facilities	16
186	Miscellaneous deferred debits	61,358
189	Unamortized loss on reacquired debt	26,971
190	Accumulated deferred income taxes (noncurrent)	
	Contributions in aid of construction	61,694
	Pensions	34,508
	SFAS 109	16,135
	Other	22,506
	Total accumulated deferred income taxes (noncurrent)	<u>134,843</u>
	Total Deferred Debits	<u>857,889</u>
	Total Assets and Other Debits	<u>\$ 4,257,997</u>

PPL ELECTRIC UTILITIES CORPORATION

Balance Sheet at
December 31, 2003
Liabilities and Other Credits
(Thousands of Dollars)

<u>Acct. No.</u>	<u>Title of Account</u>	<u>Amount</u>
	<i>Proprietary Capital</i>	
201	Common stock issued	\$ 1,476,048
204	Preferred stock issued	50,519
207	Premium on capital stock	41
211	Miscellaneous paid-in capital	360,258
214	Capital stock expense	(6,773)
215.1	Appropriated retained earnings - amortization reserve - Federal	0
216	Unappropriated retained earnings	303,728
216.1	Unappropriated undistributed subsidiary earnings	(37)
217	Required capital stock	(912,215)
219	Other comprehensive income	473
	Total Proprietary Capital	<u>1,272,042</u>
	<i>Long-Term Debt</i>	
221	Bonds	1,510,937
224	Other long-term debt	9,475
226	Unamortized discount on long-term debt-debit	(5,819)
		<u>1,514,593</u>
	Less amount due within one year	
221	Bonds	(24,767)
	Total Long-Term Debt	<u>1,489,826</u>
	<i>Other Noncurrent Liabilities</i>	
227	Obligations under capital leases (noncurrent)	<u>0</u>
	<i>Current and Accrued Liabilities</i>	
224	Long-term debt due within one year-other	24,767
231	Notes payable	22
232	Accounts payable	42,122
234	Accounts payable to associated companies	115,114
235	Customer deposits	16,039
236	Taxes accrued	86,605
237	Interest accrued	30,453
238	Dividends declared	611
240	Matured interest	0
241	Tax collections payable	3,490
242	Miscellaneous current and accrued liabilities	64,278
243	Obligations under capital-leases - current	0
283	Accumulated deferred income taxes-other (current)	4,684
	Total Current and Accrued Liabilities	<u>388,185</u>

PPL ELECTRIC UTILITIES CORPORATION

Balance Sheet at
December 31, 2003
Liabilities and Other Credits (Continued)
(Thousands of Dollars)

<u>Acct.</u> <u>No.</u>	<u>Title of Account</u>	<u>Amount</u>
	Deferred Credits	
228.3	Accumulated provision for pensions and benefits	\$ 0
252	Customer advances for construction	174
253	Other deferred credits	229,313
254	Other regulatory liabilities	15,783
255	Accumulated deferred investment tax credits	22,255
281	Accumulated deferred income taxes - accelerated amortization property	0
282	Accumulated deferred income taxes - other property	
	Accelerated cost recovery system	368,821
	SFAS 109	170,846
	Class life depreciation system	1,396
	Removal of retired depreciable property	284
	Repair allowance	8,369
	Other	14,686
	Total accumulated deferred income-taxes - other property	<u>564,402</u>
283	Accumulated deferred income taxes - other (noncurrent)	<u>276,017</u>
	Total Deferred Credits	<u>1,107,944</u>
	Total Liabilities and Other Credits	<u>\$ 4,257,997</u>

PPL ELECTRIC UTILITIES CORPORATION

Electric Service
Statement of Net Utility Operating Income
Year Ended December 31, 2003
(Thousands of Dollars)

<u>Acct. No.</u>	<u>Title of Account</u>	<u>Amount</u>
400	Operating Revenue (B-3)	<u>\$ 2,419,693</u>
	Operating Expenses:	
401,402	Operation and Maintenance expenses (B-4)	
	Power production	1,655,075
	Transmission	13,630
	Distribution	122,954
	Customer accounts	54,757
	Customer service and informational expenses	11,328
	Sales	5,738
	Administrative and general	<u>136,669</u>
	Total Operation and Maintenance Expenses	<u>2,000,151</u>
403	Depreciation expense	97,517
404,405	Amortization of electric plant	5,087
407.3	Regulatory debits	6,997
407.4	Regulatory credits	0
	Taxes (B-5)	
408.1	Taxes other than income taxes	170,668
409.1	Income taxes	(1,388)
	Deferred income taxes	
410.1	Provision	43,945
411.1	Provision - Credit	(24,514)
411.4	Investment tax credit adjustments	<u>(2,768)</u>
	Total Taxes	<u>185,943</u>
411.6	Gains from disposition of utility plant	(19)
411.7	Losses from disposition of utility plant	<u>0</u>
	Total Operating Expenses	<u>2,295,676</u>
	Net Utility Operating Income	<u><u>\$ 124,017</u></u>

PPL ELECTRIC UTILITIES CORPORATION

Electric Service
Statement of Operating Revenue
Year Ended December 31, 2003
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
	<u>Sales of Electricity</u>	
1	Residential	\$ 964,948
2	Commercial	767,043
3	Industrial	430,331
4	Public authorities	17,915
5	Railroads	2,934
6	Sales for resale	<u>179,900</u>
7	Sales Revenue	<u>2,363,071</u>
	<u>Other Operating Revenue</u>	
8	Forfeited discounts	7,717
9	Miscellaneous service revenue	(125)
10	Rent from electric property	18,989
11	Unbilled revenue	8,910
12	Other electric revenue	<u>21,131</u>
13	Total Other Operating Revenue	<u>56,622</u>
14	Total Electric Operating Revenue	<u>\$ 2,419,693</u>

PPL ELECTRIC UTILITIES CORPORATION

Electric Service
Statement of Operation and Maintenance Expenses
Year Ended December 31, 2003
(Thousands of Dollars)

<u>Acct. No.</u>	<u>Title of Account</u>	<u>Amount</u>
	<u>Power Production Expenses</u>	
	Other Power Supply Expenses	
555	Purchased power	
	Affiliates	\$ 1,443,670
	Non-utility generation	152,490
	PJM ancillary services	44,508
	Other	639
556	System control and load dispatching	
	PJM ancillary services	13,744
	Other	19
557	Other expenses	5
	Total Other Power Supply Expenses	<u>1,655,075</u>
	Total Power Production Expenses	<u>1,655,075</u>
	<u>Transmission Expenses</u>	
	Operation	
560	Operation supervision and engineering	1,336
561	Load dispatching	2,122
562	Station expenses	546
563	Overhead line expenses	285
565	Transmission of electricity by others	0
566	Miscellaneous transmission expenses	771
567	Rents	274
	Total Transmission Operation Expenses	<u>5,334</u>
	Maintenance	
568	Maintenance supervision and engineering	163
569	Maintenance of structures	28
570	Maintenance of station equipment	3,925
571	Maintenance of overhead lines	4,179
573	Maintenance of miscellaneous transmission plant	1
	Total Transmission Maintenance Expenses	<u>8,296</u>
	Total Transmission Expenses	<u>13,630</u>

PPL ELECTRIC UTILITIES CORPORATION

Electric Service
Statement of Operation and Maintenance Expenses
Year Ended December 31, 2003
(Thousands of Dollars)

<u>Acct. No.</u>	<u>Title of Account</u>	<u>Amount</u>
	<u>Distribution Expenses</u>	
	Operation	
580	Operation supervision and engineering	\$ 14,730
581	Load dispatching	671
582	Station expenses	643
583	Overhead line expenses	9,836
584	Underground line expenses	4,776
585	Street lighting and signal system expenses	472
586	Meter expenses	8,280
587	Customer installations expenses	6,268
588	Miscellaneous distribution expenses	10,928
589	Rents	5,841
	Total Distribution Operation Expenses	<u>62,445</u>
	Maintenance	
590	Maintenance supervision and engineering	4,978
591	Maintenance of structures	51
592	Maintenance of station equipment	8,122
593	Maintenance of overhead lines	32,259
594	Maintenance of underground lines	8,214
595	Maintenance of line transformers	2,354
596	Maintenance of street lighting and signal systems	3,309
597	Maintenance of meters	84
598	Maintenance of miscellaneous distribution plant	1,138
	Total Distribution Maintenance Expenses	<u>60,509</u>
	Total Distribution Expenses	<u>122,954</u>
	<u>Customer Accounts Expenses</u>	
	Operation	
901	Supervision	414
902	Meter reading expenses	9,766
903	Customer records and collection expenses	21,868
904	Uncollectible accounts	20,483
905	Miscellaneous customer accounts expenses	2,226
	Total Customer Accounts Expenses	<u>54,757</u>

PPL ELECTRIC UTILITIES CORPORATION

Electric Service
Statement of Operation and Maintenance Expenses
Year Ended December 31, 2003
(Thousands of Dollars)

<u>Acct. No.</u>	<u>Title of Account</u>	<u>Amount</u>
	<u>Customer Service and Informational Expenses</u>	
	Operation	
908	Customer assistance expenses	
	On-track uncollectible accounts	\$ 2,700
	Other	8,556
909	Informational and instructional advertising expenses	0
910	Miscellaneous customer service and informational expenses	72
	Total Customer Service and Informational Expenses	<u>11,328</u>
	<u>Sales Expenses</u>	
	Operation	
911	Supervision	38
912	Demonstrating and selling expenses	1,951
913	Advertising expenses	2,103
916	Miscellaneous sales expenses	1,646
	Total Sales Expenses	<u>5,738</u>
	<u>Administrative and General Expenses</u>	
	Operation	
920	Administrative and general salaries	4,441
921	Office supplies and expenses	80,477
923	Outside services employed	311
924	Property insurance	0
925	Injuries and damages	1,169
926	Employees pensions and benefits	41,925
928	Regulatory commission expenses	3,626
930	Miscellaneous general expenses	6,528
		<u>138,477</u>
	Maintenance	
935	Maintenance of general plant	<u>(1,808)</u>
	Total Administrative and General Expenses	136,669
	Total Operation and Maintenance Expenses	<u>\$ 2,000,151</u>

PPL ELECTRIC UTILITIES CORPORATION

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J. M. Kleha

Electric Service
Statement of Detail Taxes
Year Ended December 31, 2003
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
	Taxes Other Than Income	
	State and Local	
1	Capital Stock	\$ 10,491
2	Gross Receipts	151,750
3	Local property and Other	935
4	Public Utility Realty	3,562
5	State Unemployment Compensation	272
6	Sales and Use	<u>(2,396)</u>
7	Total State and Local	<u>164,614</u>
	Federal	
8	Unemployment Tax Act	68
9	Social Security and Hospital Insurance	<u>5,986</u>
10	Total Federal	<u>6,054</u>
11	Total Taxes Other Than Income	<u>170,668</u>
	Income Taxes	
12	State	2,471
13	Federal	<u>(3,859)</u>
14	Total Income Taxes	<u>(1,388)</u>
	Investment Tax Credit	
15	Deferred	0
16	Amortization of Deferral	<u>(2,768)</u>
17	Net Investment Tax Credit	<u>(2,768)</u>

PPL ELECTRIC UTILITIES CORPORATION

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Page 2 of 3
J. M. Kleha

Electric Service
Statement of Detail Taxes
Year Ended December 31, 2003
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Federal</u>	<u>State</u>	<u>Amount</u>
	Deferred Income Taxes			
	Provision for Deferred Taxes			
18	ACRS & MACRS - General Property	\$ 2,440	\$ 0	\$ 2,440
19	ACRS & MACRS - Transmission Property	5,432	0	5,432
20	ACRS & MACRS - Distribution Property	33,738	0	33,738
21	Pensions Costs Capitalized	514	163	677
22	Section 481 Adjustments - Ash Basin	392	124	516
23	Consumer Education	99	32	131
24	Amortizations Booked Separately	468	157	625
25	Adjust Gross Receipts Tax - Cash Basis	255	81	336
26	Other Taxes	244	77	321
27	Environmental Cleanup	317	101	418
28	Software Amortizations	49	16	65
29	Post-Retirement Benefits	741	235	976
30	Loss on Reacquired Debt	400	118	518
31	Severance Pay	31	10	41
32	Clearing Accounts	157	50	207
33	Hurricane Isabel Deferral	4,729	1,500	6,229
34	Prior Year Adjustments Booked Separately:			
35	ACRS & MACRS - General Property	23	0	23
36	Severance	28	9	37
37	Contributions in Aid of Construction	1,797	570	2,367
38	Administrative & General Capitalized	59	19	78
39	GE Settlement Credit	0	10	10
40	Environmental Cleanup	4	1	5
41	Asset Management Software	74	23	97
42	Reclassification between provision and credits	<u>(8,617)</u>	<u>(2,725)</u>	<u>(11,342)</u>
43	Total Provision	<u>43,374</u>	<u>571</u>	<u>43,945</u>

PPL ELECTRIC UTILITIES CORPORATION

Electric Service
Statement of Detail Taxes
Year Ended December 31, 2003
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Federal</u>	<u>State</u>	<u>Amount</u>
	Deferred Income Taxes			
	Provision for Deferred Taxes - Credit			
44	Pension Expense - Book	\$ (960)	\$ (304)	\$ (1,264)
45	SERP/DRP	(78)	(25)	(103)
46	Vacation Pay	(266)	(85)	(351)
47	Health Care Costs - PMC Amortization	(1,639)	(520)	(2,159)
48	Post-Employment Benefits	(97)	(31)	(128)
49	Obsolete Inventory	(67)	(21)	(88)
50	Fin 45 Prepaid Rent	(254)	(80)	(334)
51	CTC	(1,694)	(537)	(2,231)
52	Bad Debts	(162)	(51)	(213)
53	Removal Costs - Transmission Property	(61)	(16)	(77)
54	Removal Costs - Distribution Property	(147)	(37)	(184)
55	Class Life - Transmission Property	(419)	(72)	(491)
56	Class Life - Distribution Property	(1,258)	(263)	(1,521)
57	ACRS & MACRS - General Property	(11)	(5)	(16)
58	Repair Allowance - Transmission Property	(30)	(10)	(40)
59	Repair Allowance - Distribution Property	(485)	(154)	(639)
60	Contributions in Aid of Construction - Transmission Property	(3,064)	(971)	(4,035)
61	Contributions in Aid of Construction - Distribution Property	(4,188)	(1,328)	(5,516)
62	Administrative & General Capitalized	(305)	(97)	(402)
63	Amortizations Booked Separately	(40)	(11)	(51)
64	Prior Year Adjustments Booked Separately:			
65	ACRS & MACRS - Distribution Property	(13,638)	0	(13,638)
66	Clearing Accounts	(303)	(96)	(399)
67	Vacation Pay	(343)	(109)	(452)
68	GE Settlement Credit	(7)	0	(7)
69	Pension Capitalized	(224)	(71)	(295)
70	Other Taxes	(928)	(294)	(1,222)
71	Reclassification between provision and credits	8,617	2,725	11,342
72	Total Credits	<u>(22,051)</u>	<u>(2,463)</u>	<u>(24,514)</u>
73	Total Deferred Income Taxes	<u>\$ 21,323</u>	<u>\$ (1,892)</u>	<u>19,431</u>
74	Total All Taxes			<u>\$185,943</u>

PPL ELECTRIC UTILITIES CORPORATION

Calculation of Composite Cost Rate of Long-Term Debt
at December 31, 2003
(Thousands of Dollars)

Line No.	(1) First Mortgage Bonds	(2) Amount Outstanding	(3) Percent to Total	(4) Effective Interest Rate (a)	(5) Average Weighted Cost Rate	
1	6-7/8 % Series Due 2004	\$ 24,767	8.34 %	7.07 %	0.59 %	
2	6-1/2 % Series Due 2005	110,000	37.01	6.67	2.47	
3	6.55 % Series Due 2006	146,000	49.13	6.68	3.28	
4	7.70 % Series Due 2009	325	0.11	7.78	0.01	
5	7-3/8 % Series Due 2014	10,290	3.46	7.55	0.26	
6	7.30 % Series Due 2024	5,805	1.95	7.42	0.14	
7	Total	<u>\$ 297,187</u>	<u>100.00 %</u>		<u>6.75 %</u>	
	<u>Pollution Control Bonds</u>					
8	3.125% Series due 2008	\$ 90,000	28.69 %	3.74	1.07 %	
9	5.50 % Series I Due 2027	53,250	16.97	5.69	0.97	
10	6.40 % Series J Due 2029	115,500	36.81	6.54	2.41	
11	6.15 % Series K Due 2029	55,000	17.53	6.37	1.12	
12	Total	<u>\$ 313,750</u>	<u>100.00 %</u>		<u>5.57 %</u>	
	<u>Senior Secured Bonds</u>					
13	5.875% Series due 2007	\$ 300,000	33.33 %	6.25	2.08 %	
14	6.25% Series due 2009	500,000	55.56	6.53	3.63	
15	4.30% Series due 2013	100,000	11.11	4.47	0.50	
		<u>\$ 900,000</u>	<u>100.00 %</u>		<u>6.21 %</u>	
16	<u>Conemaugh Scrubber Note</u> Due 6/1/27	<u>\$ 9,475</u>	<u>100.00 %</u>	1.21	<u>1.21 %</u>	
17	Total First Mortgage Bonds	\$ 297,187	19.55 %	6.75	1.32 %	
18	Total Pollution Control Bonds	313,750	20.64	5.57	1.15	
19	Total Senior Secured Bonds	900,000	59.19	6.21	3.68	
20	Total Conemaugh Scrubber Note	9,475	0.62	1.21	0.01	
21		<u>\$ 1,520,412</u>	<u>100.00 %</u>		<u>6.16 %</u>	
22	Long-Term Debt	\$ 1,520,412			6.16 %	\$ 93,657 (b)
23	Loss on Reacquired Debt	(26,971)				2,601 (c)
24	Gain on Reacquired Debt	-				- (d)
25	Adjusted Long-Term Debt	<u>\$ 1,493,441</u>			6.45 %(e)	<u>\$ 96,258</u>

- (a) Effective interest rate from Schedule B-6, page 2.
(b) 6.16% * \$1,520,412
(c) Annualized amortization of loss on reacquired debt
(d) Annualized amortization of gain on reacquired debt
(e) \$96,258 / \$1,493,441

PPL ELECTRIC UTILITIES CORPORATION

Schedule of Long-Term Debt and Calculation
of Average Weighted Cost Rate at December 31, 2003

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	
Line No.	Description of Issue	Nominal Date of Issue	Date of Maturity	Amount Issued	Amount Outstanding	Amount Retired	Coupon Rate - %	Premium, Option or (Discount) at Issuance	Issuance Expense	Net Proceeds	Annual Sinking Fund Requirement(a)	Average Term in Years	Net Proceeds Ratio (b)	Effective Interest Rate - %
<u>First Mortgage Bonds</u>														
1	6-7/8 % Series Due 2004	3/1/1994	3/1/2004	\$150,000,000	\$ 24,767,000	\$125,233,000	6.875	\$ (311,603)	\$ 33,358	\$ 24,422,039		10	98.61	7.07
2	6-1/2 % Series Due 2005	4/1/1993	4/1/2005	125,000,000	110,000,000	15,000,000	6.50	(1,434,311)	75,359	108,490,330		12	98.63	6.67
3	6.55 % Series Due 2006	3/1/1994	3/1/2006	150,000,000	146,000,000	4,000,000	6.55	(1,345,500)	205,300	144,449,200		12	98.94	6.68
4	7.70 % Series Due 2009	10/1/1994	10/1/2009	200,000,000	325,000	199,675,000	7.70	(2,031)	254	322,715		15	99.30	7.78
5	7-3/8 % Series Due 2014	3/1/1994	3/1/2014	100,000,000	10,290,000	89,710,000	7.375	(170,465)	14,877	10,104,658		20	98.20	7.55
6	7.30 % Series Due 2024	3/1/1994	3/1/2024	150,000,000	5,805,000	144,195,000	7.30	(79,443)	6,740	5,718,817		30	98.52	7.42
<u>Pollution Control Bonds</u>														
7	3.125% Series Due 2008	2/12/2003	11/1/2008	90,000,000	90,000,000	-	3.125	0	2,810,269	87,189,731		5	96.88	3.74
8	5.50 % Series I Due 2027	2/15/1994	2/15/2027	53,250,000	53,250,000	-	5.50	(988,438)	496,730	51,754,832		33	97.19	5.89
9	6.40 % Series J Due 2029	9/1/1994	9/1/2029	115,500,000	115,500,000	-	6.40	(990,990)	1,186,848	113,322,162		35	98.11	6.54
10	6.15 % Series K Due 2029	8/1/1995	8/1/2029	55,000,000	55,000,000	-	6.15	(870,650)	808,184	53,321,166		34	96.95	6.37
<u>Senior Secured Bonds</u>														
11	5.875% Series due 2007	8/1/2001	8/15/2007	300,000,000	300,000,000	-	5.875	(1,856,021)	3,797,714	294,346,265		6	98.12	6.25
12	6.25% Series due 2009	8/1/2001	8/15/2009	500,000,000	500,000,000	-	6.25	(2,143,776)	6,454,524	491,401,700		8	98.28	6.53
13	4.30% Series due 2013	5/23/2003	6/1/2013	100,000,000	100,000,000	-	4.30	(548,000)	849,971	98,602,029		10	98.60	4.47
14	<u>Canemahugh Scrubber Note</u> Due 6/1/27 (Variable rate)	6/4/1997	6/1/2027	9,475,000	<u>9,475,000</u>	-	1.16	0	110,606	9,364,394		30	98.83	1.21
15	TOTAL				<u>\$1,520,412,000</u>									

(a) The sinking fund requirements may be met with property additions or bonds.

(b) Approximates net proceeds ratio at time of issuance.

NOTE: No bonds under any series outstanding have been reacquired or retired by the Company.

PPL ELECTRIC UTILITIES CORPORATION

Composite Cost Rate of Preferred Stock
December 31, 2003
(Thousands of Dollars)

Line No.		(1) Amount Outstanding	(2) Percent of Total	(3) Effective Cost Rate (a)	(4) Weighted Cost Rate	(5) Annual Cost
1	4-1/2 % Preferred	\$ 24,752	49.00 %	5.03 %	2.46 %	\$ 1,245
	Series Preferred					
2	3.35%	2,061	4.08	3.37	0.14	69
3	4.60%	2,861	5.66	4.79	0.27	137
4	4.40%	11,768	23.29	4.46	1.04	525
5	6.75%	<u>9,077</u>	<u>17.97</u>	6.82	<u>1.23</u>	<u>619</u>
6	Total Preferred Stock	50,519	<u>100.00 %</u>		5.14 %	2,595
	Unamortized Premiums and Unrecovered Original Issues					
7	Costs on Redeemed Stock (b)	<u>(2,230)</u>				<u>419</u>
8		<u>\$ 48,289</u>			<u>6.24 % (c)</u>	<u>\$ 3,014</u>

(a) Effective cost rate from Schedule B-7, Page 2.

(b) See Schedule B-7, Page 3 for determination of these amounts.

(c) \$3,014 / \$48,289

PPL ELECTRIC UTILITIES CORPORATION

Computation of Preferred Stock Effective Cost Rate by Series
December 31, 2003

Line No.	Description of Issue	(1) Date of Issue	(2) Date of Maturity (a)	(3) Amount Issued	(4) Amount Outstanding (f)	(5) Amount Retired	(6) Gain on Reacquisition	(7) Issuance Expenses Net of Premium (f)	(8) Net Proceeds (b)	(9) & (10) Sinking Fund Requirements		(11) Nominal Dividend Rate	(12) Average Term in Years (a)	(13) Net Proceeds Ratio	(14) Effective Cost Rate (c)
										Annual Requirements (Shares)	Redemption Period				
<u>Cumulative Preferred Stock</u>															
1	3.35 % Series	5/2/1948		\$ 4,178,300	\$ 2,060,500	\$ 2,117,800		\$ 10,370	\$ 2,050,130	-	-	3.35 %		99.50 %	3.37 %
2	4.80 % Series	10/21/1948		6,300,000	2,861,400	3,438,600		113,048	2,748,352	-	-	4.60		96.05	4.79
3	4.40 % Series	8/5/1952		22,877,300	11,767,600	11,109,700		162,966	11,604,634	-	-	4.40		98.62	4.46
4	4-1/2 % Series	12/10/1945		53,018,900	24,752,400	28,266,500		72,048 (d)	22,145,805 (e)	-	-	4.50		89.47	5.03
5		12/22/1954													
6	6.75 % Series	10/5/1993		85,000,000	9,077,000	75,923,000		90,879	8,986,121	-	-	6.75		99.00	6.82
7				<u>\$ 171,374,500</u>	<u>\$ 50,518,900</u>	<u>\$ 120,855,600</u>		<u>\$ 449,311</u>	<u>\$ 47,535,042</u>						

(a) None of the preferred stock has sinking fund requirements, therefore these fields are not applicable.

(b) Amount outstanding less issuance expenses net of premium.

(c) For issues without sinking fund requirements the effective cost rate is computed by dividing the nominal dividend rate by the net proceeds ratio.

(d) Includes \$40,639 premium.

(e) Net proceeds after deducting \$2,534,547 (prorated portion of \$5,428,900) attributable to cost of Company refinanced issues carried forward.

(f) Amount Outstanding and Issuance Expenses Net of Premium are net of reacquired stock.

PPL ELECTRIC UTILITIES CORPORATION

Determination of Unamortized Premiums and
Original Issue Costs on Reacquired Preferred and Preference Stock
December 31, 2003

Line No.	Date Redeemed	(1) Premium	(2) Unrecovered Original Issue Costs	(3) Average Remaining Life-Mos.	(4) Monthly Amortization(a)	(5) Amortization through 12/31/03-Mos.	(6) Amortization(b)	(7) Unamortized Premium/OIC 12/31/2003(c)	Jan. 1, 2004 Dec. 31, 2004 Amortization(e)	
<u>Preferred Stock(d)</u>										
1	9.24% Series	2/1/1992	\$ 258,900	\$ 371,446	101	\$ 6,241	101.00	\$ 630,346	\$ -	\$ -
2	9.00% Series	2/1/1992	77,630	152,830	171	1,348	143.00	192,764	37,696	16,176
3	7.40% Series	7/1/1993	236,800	84,230	120	2,675	120.00	321,030	-	-
4	8.75% Series	7/1/1993	1,074,000	134,765	111	10,890	111.00	1,208,765	-	-
5	8.00% Series	7/1/1993	500,000	116,531	111	5,554	111.00	616,531	-	-
6	8.60% Series	7/15/1993	297,976	393,860	171	4,046	125.50	507,773	184,063	48,552
7	7.375% Series	11/1/1993	2,106,823	492,810	221	11,763	122.00	1,435,086	1,164,547	141,156
8	7.82% Series	11/1/1993	590,500	329,639	32	28,754	32.00	920,139	-	-
9	6.875% Series	5/1/1994	-	202,499	23	8,804	23.00	202,499	-	-
10	7.00% Series	5/1/1994	-	611,359	32	19,105	32.00	611,359	-	-
<u>Preference Stock</u>										
11	\$15.00 Series	2/19/1986	10,000,000	1,549,988	136	84,926	136.00	11,549,988	-	-
12	\$13.68 Series	4/1/1986	7,000,000	1,755,915	163	53,717	163.00	8,755,915	-	-
13	\$13.00 Second Series	6/13/1986	7,000,000	1,553,360	144	59,398	144.00	8,553,360	-	-
14	\$11.60 Series	2/18/1987	7,000,000	1,443,951	141	59,886	141.00	8,443,951	-	-
15	\$ 8.00 Series	9/15/1993	351,944	582,445	171	5,464	123.50	674,804	259,585	65,568
16	\$ 8.40 Series	9/15/1993	401,333	678,905	171	6,317	123.50	780,150	300,088	75,804
17	\$ 8.70 Series	9/15/1993	400,667	621,621	171	5,978	123.50	738,283	284,005	71,736
18			<u>\$ 37,296,573</u>	<u>\$ 11,076,154</u>		<u>\$ 374,866</u>		<u>\$ 46,142,743</u>	<u>\$ 2,229,984</u>	<u>\$ 418,992</u>

(a) ((1) + (2)) / (3) = (4)

(b) (5) x (4) = (6)

(c) (1) + (2) - (6) = (7)

(d) Unrecovered Original Issue Costs include litigation fees and settlements with former holders pro-rated based on principal amount at time of redemption.

(e) (4) x 12 months

PPL ELECTRIC UTILITIES CORPORATION

Capital Structure
(Millions of Dollars)

Line No.		<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
	Capitalization					
1	Long-Term Debt (a)	\$ 1,090.2	\$ 939.6	\$ 1,516.6	\$ 1,479.2	\$ 1,493.4
2	Preferred & Preference Stock	350.6	351.3	336.1	79.0	48.3
3	Common Equity (b)	1,323.2	1,180.4	950.2	1,156.2	1,230.0
4	Total	<u>\$ 2,764.0</u>	<u>\$ 2,471.3</u>	<u>\$ 2,802.9</u>	<u>\$ 2,714.4</u>	<u>\$ 2,771.7</u>
	Capitalization Ratios					
5	Long-Term Debt (a)	39.44%	38.02%	54.11%	54.49%	53.88%
6	Preferred & Preference Stock	12.69%	14.22%	11.99%	2.91%	1.74%
7	Common Equity (b)	47.87%	47.76%	33.90%	42.60%	44.38%
8	Total	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

(a) Long-term debt includes amount due within one year and the unamortized loss on reacquired debt.

(b) Common equity includes an adjustment for the unamortized premiums and unrecovered original issue costs on reacquired preferred and preference stock.

PPL ELECTRIC UTILITIES CORPORATION

Capital Structure as of December 31,
(Thousands of Dollars)

Line No.		1999	2000	2001	2002	2003
<u>Computation of Long-Term Debt</u>						
1	Long-term Debt	\$ 1,120,941	\$ 968,357	\$ 1,544,189	\$ 1,504,890	\$ 1,520,412
2	Unamortized Loss on Reacquired Debt	(30,725)	(28,710)	(27,607)	(25,649)	(26,971)
3	Adjusted Long-Term Debt	<u>\$ 1,090,216</u>	<u>\$ 939,647</u>	<u>\$ 1,516,582</u>	<u>\$ 1,479,241</u>	<u>\$ 1,493,441</u>
<u>Computation of Preferred & Preference Stock</u>						
4	Preferred Stock	\$ 97,432	\$ 97,432	\$ 81,619	\$ 81,619	\$ 50,519
5	Subordinated Debentures	257,732	257,732	257,732		
6		<u>355,164</u>	<u>355,164</u>	<u>339,351</u>	<u>81,619</u>	<u>50,519</u>
Adjustment for Unamortized Premiums and Unrecovered Original Issue Costs on Reacquired Preferred and Preference Stock						
7		<u>(4,598)</u>	<u>(3,913)</u>	<u>(3,264)</u>	<u>(2,665)</u>	<u>(2,230)</u>
8	Preferred & Preference Stock	<u>\$ 350,566</u>	<u>\$ 351,251</u>	<u>\$ 336,087</u>	<u>\$ 78,954</u>	<u>\$ 48,289</u>
<u>Computation of Common Equity</u>						
Common Equity per Books						
9	Common Stock Issued	\$ 1,476,048	\$ 1,476,048	\$ 1,476,048	\$ 1,476,048	\$ 1,476,048
10	Treasury Stock	(632,215)	(632,215)	(912,215)	(912,215)	(912,215)
11	Misc Paid in Capital	55,140	55,140	50,777	281,943	360,258
12	Earnings Reinvested	419,616	277,491	332,325	307,772	303,691
13		<u>1,318,589</u>	<u>1,176,464</u>	<u>946,935</u>	<u>1,153,548</u>	<u>1,227,782</u>
Adjustment for Unamortized Premiums and Unrecovered Original Issue Costs on Reacquired Preferred and Preference Stock						
14		<u>4,598</u>	<u>3,913</u>	<u>3,264</u>	<u>2,665</u>	<u>2,230</u>
15	Adjusted Common Equity	<u>\$ 1,323,187</u>	<u>\$ 1,180,377</u>	<u>\$ 950,199</u>	<u>\$ 1,156,213</u>	<u>\$ 1,230,012</u>

PPL ELECTRIC UTILITIES CORPORATION

Rate of Return at
December 31, 2003

<u>Line No.</u>	(1)	(2)	(3)	(4)
		<u>Capitalization Ratio (B-8)</u>	<u>Embedded Cost</u>	<u>Return</u>
1	Long-Term Debt	53.88 %	6.45 % (B-6)	3.48 %
2	Preferred Stock	1.74	6.24 (B-7)	0.11
3	Common Equity	<u>44.38</u>	11.50	<u>5.10</u>
4		<u>100.00 %</u>		<u>8.69 %</u>

PPL ELECTRIC UTILITIES CORPORATION

**C – Measures of Value
Index**

Section C – Measures of Value

- C-1 Measures of Value and Rates of Return
- C-2 Electric Plant in Service
- C-3 Electric Plant Held for Future Use
- C-4 Working Capital
- C-5 Plant Materials and Operating Supplies
- C-6 Accumulated Deferred Taxes on Income

PPL ELECTRIC UTILITIES CORPORATION

Measures of Value and Rates of Return
As of December 31, 2003
(Thousands of Dollars)

Line No.	<u>Title of Account</u>	<u>Total T&D Operations</u>	<u>PPUC Jurisdictional (Exhibit JMK 1)</u>
	Electric Plant		
1	Electric plant in service (C-2)	\$ 4,282,569	\$ 3,297,745
2	Reserve for depreciation (C-2)	1,626,010	1,216,049
3	Net electric plant in service	<u>2,656,559</u>	<u>2,081,696</u>
	Additions		
3	Plant held for future use (C-3)	15,370	2,201
4	Total electric plant	<u>2,671,929</u>	<u>2,083,897</u>
	Working Capital		
5	Cash working capital (C-4)	22,740	18,176
6	Materials and operating supplies (C-5)	29,674	22,379
7	Total working capital	<u>52,414</u>	<u>40,555</u>
	Deductions		
8	Accumulated deferred taxes on income (C-6)	317,176	293,248
9	Customer advances for construction (B-1)	174	174
10	Customer deposits (B-1)	16,039	16,039
11	Total deductions	<u>333,389</u>	<u>309,461</u>
12	Measures of Value (net)	<u>\$ 2,390,954</u>	<u>\$ 1,814,991</u>
	Pro forma return at present rates		
13	Amount (D-1, col. 6)		73,380
14	Percent		4.04%
	Pro forma return at proposed rates		
15	Amount (D-1, col. 8)		157,723
16	Percent		8.69%

PPL ELECTRIC UTILITIES CORPORATION

Electric Plant in Service - Original Cost
As of December 31, 2003
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Transmission	\$ 963,462
2	Distribution	2,966,083
3	General	331,227
4	Intangible	<u>21,797</u>
5	Total Electric Plant In Service	<u>\$ 4,282,569</u>

PPL ELECTRIC UTILITIES CORPORATION

Reserve for Depreciation - Original Cost
As of December 31, 2003
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Transmission	\$ 402,246
2	Distribution	1,095,786
3	General	123,801
4	Intangible	<u>4,177</u>
5	Total Reserve for Depreciation	<u>\$ 1,626,010</u>

PPL ELECTRIC UTILITIES CORPORATION

Electric Plant Held For Future Use
As of December 31, 2003
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
	Transmission	
1	Substations	\$ 258
2	Lines	12,899
3	Total	<u>13,157</u>
	Distribution	
4	Area - Substations	1,917
5	Lines	30
6	Other	266
7	Total	<u>2,213</u>
8	Total Plant Held For Future Use ^{1/}	<u>\$ 15,370</u>

^{1/}Reflects only the future use property expected to be placed into service within 10 years.

PPL ELECTRIC UTILITIES CORPORATION

Cash Working Capital
As of December 31, 2003
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Operation and maintenance expense (C-4, page 2)	\$ 14,164
2	Average prepayments (C-4, page 3)	2,152
3	Accrued taxes (C-4, page 4)	16,566
4	Interest payments (C-4, page 5)	(10,146)
5	Preferred dividend payments (C-4, page 6)	<u>4</u>
6	Total cash working capital requirement	<u>\$ 22,740</u>

PPL ELECTRIC UTILITIES CORPORATION

Working Capital Required for Operation and Maintenance Expenses

As of December 31, 2003

(Thousands of Dollars)

Line No.	Description	Amount	Avg. Days	Weighted Amount
Average Lag in Receipt of Operating Revenue				
1	Revenue from 15-day due date customers	\$231,792	35 (a)	\$8,112,720
2	Revenue from 20-day due date customers	351,449	54 (a)	18,978,246
3	Revenue from 30-day due date customers	84,908	39 (a)	3,311,412
4	Total Revenue (D-3)	<u>\$668,149</u>		<u>\$30,402,378</u>
Average Lag in Payment of Operation and Maintenance Expense				
5	Payroll	\$94,675	12	\$1,136,100
6	Employee benefits	36,747	35	1,286,145
7	Affiliate support costs	77,758	35	2,721,530
8	Other operating expenses	176,629	41	7,241,789
9	Total pro forma O&M expense (b)	<u>\$385,809</u>		<u>\$12,385,564</u>
10	Average lag in receipt of revenue			45.5
11	Average lag in payment of operating expense			32.1
12	Average lag in days between payment of operating expense and receipt of revenue (line 10 - line 11)			<u>13.4</u>
13	Operating expense per day (line 9 + 365 days)			\$1,057
14	Working capital requirement (line 13 x line 12)			\$14,164

	Customer Due Date		
	15 days	20 Days	30 Days
(a) Midpoint of 30-day service period	15	15	15
Lag between meter reading and billing date	1	1	1
Lag between billing date and payment date	19	38	23
	<u>35</u>	<u>54</u>	<u>39</u>

(b) Proforma operating and maintenance expense (D-1)	\$413,758
Less: Non-cash items	
Uncollectible accounts expense per books (B-4)	20,483
On-Track customer assistance expense (B-4)	2,700
Amortization of AMR displacement costs (D-9)	1,764
Amortization of Hurricane Isabel deferred costs (D-10)	3,002
Total pro forma O&M expense	<u>\$385,809</u>

PPL ELECTRIC UTILITIES CORPORATION

Average Prepayments
As of December 31, 2003
(Thousands of Dollars)

<u>Line No.</u>	<u>Month</u>	<u>Insurance</u>	<u>PUC Annual Assessment</u>	<u>Postage</u>	<u>Total</u>
1	December 2002	\$17	\$1,713	\$376	\$2,106
2	January 2003	8	1,428	400	1,836
3	February	(2)	1,142	344	1,484
4	March	(12)	857	428	1,273
5	April	(22)	571	305	854
6	May	(31)	286	402	657
7	June	(41)	3,108	260	3,327
8	July	(51)	2,849	363	3,161
9	August	(60)	2,501	457	2,898
10	September	(70)	2,731	307	2,968
11	October	(80)	2,427	386	2,733
12	November	(89)	2,124	532	2,567
13	December	(99)	1,820	394	2,115
14	Total Prepayments	(\$532)	\$23,557	\$4,954	\$27,979
15	Monthly Average	(\$41)	\$1,812	\$381	\$2,152

PPL ELECTRIC UTILITIES CORPORATION

Accrued Taxes
Year Ended December 31, 2003
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	<u>12-Month Accrued Factor (c)</u>	<u>Accrued Taxes</u>
1	Federal income tax (D-1, line 6, col. 5 + col. 7)	\$14,790	-3.52%	(\$521)
2	PA income tax (D-1, line 7, col. 5 + col 7)	10,802	-1.44%	(156)
3	PA gross receipts tax (a)	46,141	36.06%	16,638
4	PA capital stock tax (b)	11,160	-1.44%	(161)
5	PA public utility reality tax (D-12, page 4)	3,251	23.56%	766
6	Total Accrued Taxes			<u>\$16,566</u>
(a) PA gross receipts tax				
	Amount per D-12, page 3	\$37,064		
	Amount due to proposed increase (D-13, page 4)	<u>9,077</u>		
	TOTAL	<u>\$46,141</u>		
(b) PA capital stock tax				
	Amount applicable to electric operations (D-12, page 2)	\$10,549		
	Amount applicable to proposed increase (D-13, page 4)	<u>611</u>		
	TOTAL	<u>\$11,160</u>		

(c) The 12-month average factor represents, in the case of Federal and State income tax and capital stock tax, the portion of the tax liability which is available to the Company for the payment of other costs. This situation exists because revenue is available from customers prior to payment dates of the taxes. The factors for the other Pennsylvania taxes represent the portions of those tax liabilities which must be provided by the Company due to payment of the taxes before the revenue is available from customers. Exhibit Historic 1, Schedule C-4, pages 7 through 12 reflect the computation of such factors.

PPL ELECTRIC UTILITIES CORPORATION

Interest Payments
As of December 31, 2003
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>		<u>Amount</u>
1	Measures of value at December 31, 2003 (C-1)		\$2,390,954
2	Long-term debt ratio (B-9)		53.88%
3	Embedded cost of long-term debt (B-9)		6.45%
4	Pro forma interest (line 1 x line 2 x line 3)		<u>83,092</u>
5	Daily amount (line 4 + 365)		<u>\$228</u>
6	Days to mid-point of interest payments	90.0	
7	Less: Revenue lag days (C-4, page 2)	<u>45.5</u>	
8	Interest payments lag days (line 6 - line 7)		<u>44.5</u>
9	Total interest payments (line 5 x line 8)		<u>\$10,146</u>

PPL ELECTRIC UTILITIES CORPORATION

Preferred Dividend Payments
As of December 31, 2003
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>		<u>Amount</u>
1	Measures of value at December 31, 2003 (C-1)		\$2,390,954
2	Preferred stock ratio (B-9)		1.74%
3	Embedded cost of preferred stock (B-9)		6.24%
4	Pro forma dividends (line 1 x line 2 x line 3)		<u>\$2,596</u>
5	Daily amount (line 4 ÷ 365)		<u>\$7</u>
6	Days to mid-point of dividend payments	45.0	
7	Less: Revenue lag days (C-4, page 2)	<u>45.5</u>	
8	Dividend payments lag days (line 6 - line 7)		<u>(0.5)</u>
9	Total preferred dividend payments (line 5 x line 8)		<u>(\$4)</u>

PPL ELECTRIC UTILITIES CORPORATION

Average Percent of Federal Income Tax Available After Payout

Line No.	Total	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Prior Year Available In Current Year													
1	Cumulative Collections	95.76%	98.27%	98.97%	99.37%	99.64%	99.83%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2	Cumulative Payments	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
3	Prior Year Available	-8.16%	-4.24%	-1.73%	-1.03%	-0.63%	-0.36%	-0.17%	0.00%	0.00%	0.00%	0.00%	0.00%
Current Year Available in Current Year													
4	Cumulative Collections	1.55%	8.16%	16.05%	23.86%	31.24%	38.69%	46.68%	55.26%	63.90%	71.95%	79.90%	88.19%
Cumulative Payments													
5	April 15 25%				12.50%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
6	June 15 25%						12.50%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
7	Sept 15 25%								12.50%	25.00%	25.00%	25.00%	25.00%
8	Dec 15 25%												12.50%
9	Current Year Available	50.43%	1.55%	8.16%	16.05%	11.36%	6.24%	1.19%	-3.32%	5.26%	1.40%	-3.05%	4.90%
10	Total - Prior Year and Current Year Available	42.27%	-2.69%	6.43%	15.02%	10.73%	5.88%	1.02%	-3.32%	5.26%	1.40%	-3.05%	4.90%
11	Average Percent Available	<u>3.52%</u>											

NOTE: Payments
 April 15 25%
 June 15 25%
 Sept 15 25%
 Dec 15 25%

PPL ELECTRIC UTILITIES CORPORATION

Average Percent of State Income Tax and PA Capital Stock Tax Available After Payout

Line No.		Total	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<u>Prior Year Available In Current Year</u>														
1	Cumulative Collections		95.76%	98.27%	98.97%	99.37%	99.64%	99.83%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2	Cumulative Payments		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
3	Prior Year Available	-8.16%	-4.24%	-1.73%	-1.03%	-0.63%	-0.36%	-0.17%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<u>Current Year Available in Current Year</u>														
4	Cumulative Collections		1.55%	8.16%	16.05%	23.86%	31.24%	38.69%	46.68%	55.26%	63.90%	71.95%	79.90%	88.19%
Cumulative Payments														
5	March 15 25%				12.50%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
6	June 15 25%							12.50%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
7	Sept 15 25%									12.50%	25.00%	25.00%	25.00%	25.00%
8	Dec 15 25%													12.50%
9	Current Year Available	25.43%	1.55%	8.16%	3.55%	-1.14%	6.24%	1.19%	-3.32%	5.26%	1.40%	-3.05%	4.90%	0.69%
10	Total - Prior Year and Current Year Available	17.27%	-2.69%	6.43%	2.52%	-1.77%	5.88%	1.02%	-3.32%	5.26%	1.40%	-3.05%	4.90%	0.69%
11	Average Percent Available	<u>1.44%</u>												

NOTE: Payments
 March 15 25%
 June 15 25%
 Sept 15 25%
 Dec 15 25%

PPL ELECTRIC UTILITIES CORPORATION

Average Percent of PA Gross Receipts Tax

Line No.	Total	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Prior Year Available In Current Year													
1	Cumulative Collections	95.76%	98.27%	98.97%	99.37%	99.64%	99.83%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2	Cumulative Payments	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
3	Prior Year Available	-8.16%	-4.24%	-1.73%	-1.03%	-0.63%	-0.36%	-0.17%	0.00%	0.00%	0.00%	0.00%	0.00%
Current Year Available in Current Year													
4	Cumulative Collections	1.55%	8.16%	16.05%	23.86%	31.24%	38.69%	46.68%	55.26%	63.90%	71.95%	79.90%	88.19%
5	Cumulative Payments March 15 100%			50.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
6	Current Year Available	-424.57%	1.55%	8.16%	-33.95%	-76.14%	-68.76%	-61.31%	-53.32%	-44.74%	-36.10%	-28.05%	-20.10%
7	Total - Prior Year and Current Year Available	-432.73%	-2.69%	6.43%	-34.98%	-76.77%	-69.12%	-61.48%	-53.32%	-44.74%	-36.10%	-28.05%	-20.10%
8	Average Percent Available	<u>-36.06%</u>											

NOTE: Payments
March 15 100%

PPL ELECTRIC UTILITIES CORPORATION

Average Percent of PA Utility Realty Tax

<u>Line No.</u>	<u>Total</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
Prior Year Available In Current Year													
1	Cumulative Collections	95.76%	98.27%	98.97%	99.37%	99.64%	99.83%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2	Cumulative Payments	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
3	Prior Year Available	-8.16%	-4.24%	-1.73%	-1.03%	-0.63%	-0.36%	-0.17%	0.00%	0.00%	0.00%	0.00%	0.00%
Current Year Available in Current Year													
4	Cumulative Collections	1.55%	8.16%	16.05%	23.86%	31.24%	38.69%	46.68%	55.26%	63.90%	71.95%	79.90%	88.19%
5	Cumulative Payments May 1 100%					100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
6	Current Year Available	-274.57%	1.55%	8.16%	16.05%	23.86%	-68.76%	-61.31%	-53.32%	-44.74%	-36.10%	-28.05%	-20.10%
7	Total - Prior Year and Current Year Available	-282.73%	-2.69%	6.43%	15.02%	23.23%	-69.12%	-61.48%	-53.32%	-44.74%	-36.10%	-28.05%	-20.10%
8	Average Percent Available	<u>-23.56%</u>											

NOTE: Payments
May 1 100%

PPL ELECTRIC UTILITIES CORPORATION

Revenues - Percent Weighted Amount Collected and Available

<u>Prior Year Revenues Collected and Available in Current Year</u>	<u>Total (a)</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
January	9.33%	9.33%	9.33%	9.33%	9.33%	9.33%	9.33%	9.33%	9.33%	9.33%	9.33%	9.33%	9.33%
February	8.37%	8.37%	8.37%	8.37%	8.37%	8.37%	8.37%	8.37%	8.37%	8.37%	8.37%	8.37%	8.37%
March	8.34%	8.34%	8.34%	8.34%	8.34%	8.34%	8.34%	8.34%	8.34%	8.34%	8.34%	8.34%	8.34%
April	7.29%	7.29%	7.29%	7.29%	7.29%	7.29%	7.29%	7.29%	7.29%	7.29%	7.29%	7.29%	7.29%
May	7.52%	7.52%	7.52%	7.52%	7.52%	7.52%	7.52%	7.52%	7.52%	7.52%	7.52%	7.52%	7.52%
June	8.19%	8.19%	8.19%	8.19%	8.19%	8.19%	8.19%	8.19%	8.19%	8.19%	8.19%	8.19%	8.19%
July	8.69%	8.54%	8.69%	8.69%	8.69%	8.69%	8.69%	8.69%	8.69%	8.69%	8.69%	8.69%	8.69%
August	8.98%	8.77%	8.82%	8.98%	8.98%	8.98%	8.98%	8.98%	8.98%	8.98%	8.98%	8.98%	8.98%
September	7.74%	7.50%	7.56%	7.60%	7.74%	7.74%	7.74%	7.74%	7.74%	7.74%	7.74%	7.74%	7.74%
October	7.88%	7.51%	7.63%	7.70%	7.74%	7.88%	7.88%	7.88%	7.88%	7.88%	7.88%	7.88%	7.88%
November	8.11%	7.47%	7.73%	7.85%	7.92%	7.97%	8.11%	8.11%	8.11%	8.11%	8.11%	8.11%	8.11%
December	9.56%	6.93%	8.80%	9.11%	9.26%	9.34%	9.39%	9.56%	9.56%	9.56%	9.56%	9.56%	9.56%
Total	100.00%	95.76%	98.27%	98.97%	99.37%	99.64%	99.83%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Revenues Collected and Available in Current Year													
January	9.33%	1.55%	6.77%	8.59%	8.89%	9.04%	9.11%	9.16%	9.33%	9.33%	9.33%	9.33%	9.33%
February	8.37%		1.39%	6.07%	7.71%	7.98%	8.11%	8.18%	8.22%	8.37%	8.37%	8.37%	8.37%
March	8.34%			1.39%	6.05%	7.68%	7.95%	8.08%	8.15%	8.19%	8.34%	8.34%	8.34%
April	7.29%				1.21%	5.29%	6.71%	6.95%	7.06%	7.12%	7.16%	7.29%	7.29%
May	7.52%					1.25%	5.45%	6.93%	7.17%	7.28%	7.35%	7.39%	7.52%
June	8.19%						1.36%	5.94%	7.54%	7.81%	7.93%	8.00%	8.04%
July	8.69%							1.44%	6.30%	8.00%	8.28%	8.42%	8.49%
August	8.98%								1.49%	6.51%	8.27%	8.56%	8.70%
September	7.74%									1.29%	5.61%	7.13%	7.38%
October	7.88%										1.31%	5.72%	7.26%
November	8.11%											1.35%	5.88%
December	9.56%												1.59%
Total	100.00%	1.55%	8.16%	16.05%	23.86%	31.24%	38.69%	46.68%	55.26%	63.90%	71.95%	79.90%	88.19%

(a) Total from Schedule C-4, page 12.

PPL ELECTRIC UTILITIES CORPORATION

Monthly Revenues as a Percent of Annual Revenues
2000 to 2002 Inclusive
 (Thousands of Dollars)

	2000		2001		2002		Three Year Total	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
January	\$ 201,345 (a)	10.31%	\$ 203,452	8.94%	\$ 211,573	8.90%	\$ 616,370	9.33%
February	173,346 (a)	8.88%	189,729	8.34%	189,561	7.98%	552,636	8.37%
March	153,556 (a)	7.87%	193,853	8.52%	203,849	8.57%	551,258	8.34%
April	129,183 (a)	6.62%	166,958	7.33%	185,151	7.79%	481,292	7.29%
May	141,113 (a)	7.23%	169,771	7.46%	185,768	7.82%	496,652	7.52%
June	161,390 (a)	8.27%	185,898	8.17%	193,752	8.15%	541,040	8.19%
July	161,956	8.30%	201,740	8.86%	210,461	8.86%	574,157	8.69%
August	160,707	8.23%	210,664	9.25%	221,560	9.32%	592,931	8.98%
September	148,109	7.59%	176,345	7.75%	186,809	7.86%	511,263	7.74%
October	155,657	7.97%	187,938	8.26%	176,871	7.44%	520,466	7.88%
November	161,494	8.27%	181,076	7.95%	192,910	8.12%	535,480	8.11%
December	204,107	10.46%	208,832	9.17%	218,384	9.19%	631,323	9.56%
Total	<u>\$ 1,951,963</u>	<u>100.00%</u>	<u>\$ 2,276,256</u>	<u>100.00%</u>	<u>\$ 2,376,649</u>	<u>100.00%</u>	<u>\$ 6,604,868</u>	<u>100.00%</u>

(a) Reflect pro forma adjustments to remove unregulated wholesale sales operations that were transferred to PPL EnergyPlus in PPL and PPL Electric's July 1, 2000 corporate realignment.

PPL ELECTRIC UTILITIES CORPORATION

Plant Materials and Operating Supplies
As of December 31, 2003
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Plant materials and operating supplies	\$ 25,694
2	Stores expense undistributed	<u>3,980</u>
3	Total materials and operating supplies	<u>\$ 29,674</u>

PPL ELECTRIC UTILITIES CORPORATION

Plant Materials and Operating Supplies
As of December 31, 2003
(Thousands of Dollars)

Line No.	Month	Amount
1	December 2002	\$ 27,021
2	January 2003	26,288
3	February 2003	26,484
4	March 2003	26,525
5	April 2003	26,196
6	May 2003	25,280
7	June 2003	25,486
8	July 2003	25,387
9	August 2003	24,809
10	September 2003	25,123
11	October 2003	25,147
12	November 2003	25,038
13	December 2003	<u>25,236</u>
14	Total Plant Materials and Operating Supplies	<u>\$ 334,020</u>
15	13-Month Average	<u>\$ 25,694</u>

PPL ELECTRIC UTILITIES CORPORATION

Stores Expense Undistributed
As of December 31, 2003
(Thousands of Dollars)

<u>Line No.</u>	<u>Month</u>	<u>Amount</u>
1	December 2002	\$ 3,734
2	January 2003	3,890
3	February 2003	3,929
4	March 2003	3,994
5	April 2003	3,971
6	May 2003	3,704
7	June 2003	2,958
8	July 2003	2,924
9	August 2003	3,562
10	September 2003	4,211
11	October 2003	4,787
12	November 2003	4,920
13	December 2003	<u>5,154</u>
14	Total Plant Materials and Operating Supplies	<u>\$ 51,738</u>
15	13-Month Average	<u>\$ 3,980</u>

PPL ELECTRIC UTILITIES CORPORATION

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Accumulated Deferred Taxes on Income
As of December 31, 2003
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>		<u>Amount</u>
	Contributions In Aid Of Construction (B-1)		
1	Transmission	\$ (14,663)	
2	Distribution	(47,031)	
3	Balance at December 31, 2003		\$ (61,694)
	Liberalized Depreciation		
	Transmission		
4	Class life depreciation system (B-1)	358	
5	Deduction of costs removing retired depreciable property (B-1)	109	
6	Balance at December 31, 2003		467
	Distribution		
7	Class life depreciation system (B-1)	1,038	
8	Deduction of costs removing retired depreciable property (B-1)	175	
9	Balance at December 31, 2003		1,213
	Accelerated Cost Recovery System (ACRS) (B-1)		
10	Transmission	35,192	
11	Distribution	292,628	
12	General	41,001	
13	Balance at December 31, 2003		368,821
	Repair Allowance (B-1)		
14	Transmission	490	
15	Distribution	7,879	
16	Balance at December 31, 2003		8,369
17	Total accumulated deferred taxes on income		<u>\$ 317,176</u>

PPL ELECTRIC UTILITIES CORPORATION

D – Operating Income Index

Section D – Operating Income

- D-1 Operating Income Pro Forma at Present Rates and Proposed Rates
- D-2 Adjustments to Income
- D-3 Adjustments to Operating Revenue
- D-4 Adjustment to Operating Revenues for Unbilled Revenue
- D-5 Adjustment to Wages and Benefits
- D-6 Adjustment for Rate Case Expense
- D-7 Adjustment for Interest Expense on Customer Deposits
- D-8 Adjustment for Increased Cost of Social Programs
- D-9 Adjustment for AMR Displacement Costs
- D-10 Adjustment for Hurricane Isabel Deferred Costs
- D-11 Adjustment to Annual Depreciation Expense
- D-12 Adjustments to Taxes Other Than Income
- D-13 Adjustment to Federal and State Income Taxes
- D-14 Adjustment to Deferred Income Taxes
- D-15 Adjustment to Amortization of Deferred Investment Tax Credit

PPL ELECTRIC UTILITIES CORPORATION

Operating Income
Pro Forma at Present and Proposed Rates
Year Ended December 31, 2003
(Thousands of Dollars)

Line No.		(1)	(2)	(3)	(4)	(5)	(6) PPUC Jurisdictional		(8)
		Total Amount Per Books	Less: CTC and POLR	T & D Operations Per Books	Pro Forma Adjustments (D-2)	T & D Pro Forma at Present Rates	Pro Forma at Present Rates (Exhibit JMK-1)	Rate Increase (D-13, Pg. 4)	Pro Forma at Proposed Rates
1	Operating Revenues	\$ 2,419,693	\$ (1,757,170)	\$ 662,523	\$ 5,626	\$ 668,149	\$ 511,849	\$ 153,847	\$ 665,696
	Operating Expenses								
2	Operation and Maintenance	2,000,151	(1,598,894)	401,257	12,501	413,758	318,670	0	318,670
3	Depreciation	102,604	0	102,604	4,706	107,310	89,227	0	89,227
4	Regulatory Debits/Credits	6,997	(6,997)	0	0	0	0	0	0
	Provision for Taxes								
5	Taxes Other Than Income	170,668	(115,020)	55,648	658	56,306	45,149	9,688	54,837
	Income Taxes								
6	Federal	(3,859)	(14,200)	(18,059)	(12,566)	(30,625)	(32,703)	45,415	12,712
7	State	2,471	(4,503)	(2,032)	(1,567)	(3,599)	(4,820)	14,401	9,581
8	Deferred Income Taxes	19,431	16,950	36,381	(10,480)	25,901	24,871	0	24,871
9	Investment Tax Credit	(2,768)		(2,768)	0	(2,768)	(1,925)	0	(1,925)
10	Total Taxes	185,943	(116,773)	69,170	(23,955)	45,215	30,572	69,504	100,076
11	(Gain)/Loss from Disposition of Utility Plant	(19)		(19)	19	0	0	0	0
12	Total Operating Expenses	2,295,676	(1,722,664)	573,012	(6,729)	566,283	438,469	69,504	507,973
13	Operating Income	\$ 124,017	\$ (34,506)	\$ 89,511	\$ 12,355	\$ 101,866	\$ 73,380	\$ 84,343	\$ 157,723

PPL ELECTRIC UTILITIES CORPORATION

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J.R. Schadt

Adjustments to Income
Year Ended December 31, 2003
(Thousands of Dollars)

<u>Line No.</u>	<u>Reference</u>	<u>Description</u>	<u>Amount</u>
		<u>Operating Revenues</u>	
1	D-3, page 1	Operating Revenue	<u>\$ 5,626</u>
		<u>Operating and Maintenance Expenses</u>	
2	D-5	Employee wages and benefits	10,748
3	D-6	Rate case expense	1,000
4	D-7	Interest expense on customer deposits	187
5	D-8	Social programs	4,618
6	D-9	Automated Meter Reading (AMR) displacement costs	(7,054)
7	D-10	Hurricane Isabel deferred costs	<u>3,002</u>
8		Total operation and maintenance expense	<u>12,501</u>
		<u>Depreciation</u>	
9	D-11	Annual depreciation expense	<u>4,706</u>
		<u>Provision for Taxes</u>	
		Taxes other than income	
10	D-12	Capital stock	58
11	D-12	Gross receipts	332
12	D-12	Public utility realty	(311)
13	D-5	Payroll taxes	579
		Income taxes	
14	D-13	Federal	(12,566)
15	D-13	State	(1,567)
16	D-14	Deferred income taxes	(10,480)
17	D-15	Investment tax credit - amortization	<u>0</u>
18		Total Taxes	(23,955)
19		Gain and losses on property dispositions	<u>19</u>
20		Total Operating Expenses	<u>(6,729)</u>
21		Total Adjustments to Income	<u>\$ 12,355</u>

PPL ELECTRIC UTILITIES CORPORATION

Adjustments to Operating Revenue
 Year Ended December 31, 2003
 (Thousands of Dollars)

Line No.	Description	(1) Total Per Books	(2) Less: CTC and POLR	(3) T&D Operations Per Books	(4) Pro Forma	(5) T&D Pro forma at Present Rates
1	Transmission revenue	\$ 133,765	\$	\$ 133,765	\$ 3,248	\$ 137,013
2	Distribution revenue	471,609		471,609	11,815	483,424
3	CTC revenue	107,569	(107,569)	0		0
4	Capacity and energy revenue	1,465,938	(1,465,938)	0		0
5	Tax surcharge revenue	31,700	(24,119)	7,581	(7,581)	0
6	Sales to affiliate	152,490	(152,490)	0		0
7	Total Rate Revenue	<u>2,363,071</u>	<u>(1,750,116)</u>	<u>612,955</u>	<u>7,482</u>	<u>620,437</u>
Other Electric Revenue						
8	Late Payment	7,717		7,717		7,717
9	Misc. Revenue	(125)		(125)		(125)
10	Rent	18,989		18,989		18,989
11	Other	21,131		21,131		21,131
12	Total Other	<u>47,712</u>	<u>-</u>	<u>47,712</u>	<u>-</u>	<u>47,712</u>
13	Operating Revenue (excl. unbilled)	2,410,783	(1,750,116)	660,667	7,482	668,149
14	Unbilled Revenue	8,910	(7,054)	1,856	(1,856)	0
15	Total Operating Revenue	<u>\$ 2,419,693</u>	<u>\$ (1,757,170)</u>	<u>\$ 662,523</u>	<u>\$ 5,626</u>	<u>\$ 668,149</u>

PPL Electric Utilities Corporation
12 month Period Ended December 31, 2003 Actual

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Line Number	Rate Schedule	Number of Customers	Sales (KWH)	Distribution Present Rate Revenue	Distribution EDI/IDI Credit	Transmission Present Rate Revenue	CTC Present Rate Revenue	ITC Present Rate Revenue	E&C Present Rate Revenue	Total Present Rate Revenue	State Tax Adjustment Surchage (STAS)	Total Revenue
1	RS	1,149,652	12,850,444,097	\$ 284,308,426	\$ -	\$ 48,368,328	\$ 31,120,894	\$ 146,223,188	\$ 556,657,677	\$ 1,066,678,313	\$ 13,507,831	\$ 1,080,186,144
2	RTS	13,969	402,850,844	\$ 3,308,318	\$ -	\$ 479,080	\$ 400,975	\$ 3,433,362	\$ 15,446,772	\$ 23,068,508	\$ 280,264	\$ 23,358,772
3	RTD	273	5,197,702	\$ 114,731	\$ -	\$ 19,595	\$ 14,185	\$ 63,882	\$ 197,111	\$ 409,504	\$ 5,148	\$ 414,652
4	GS-1	138,558	1,877,528,074	\$ 55,771,411	\$ -	\$ 10,750,670	\$ 7,161,293	\$ 26,683,389	\$ 98,387,981	\$ 198,754,744	\$ 2,504,311	\$ 201,259,055
5	GS-3	21,427	8,056,614,803	\$ 77,819,128	\$ (577,882)	\$ 33,232,763	\$ 21,952,190	\$ 96,251,182	\$ 348,254,759	\$ 576,932,140	\$ 7,229,178	\$ 584,161,318
6	LP-4	947	5,387,198,638	\$ 22,211,909	\$ (1,323,912)	\$ 17,907,369	\$ 16,456,903	\$ 50,601,492	\$ 195,869,945	\$ 301,723,707	\$ 3,786,409	\$ 305,510,116
7	IS-P	32	378,371,428	\$ 1,593,004	\$ -	\$ 1,363,998	\$ 213,150	\$ 3,096,143	\$ 12,376,747	\$ 18,643,042	\$ 238,308	\$ 18,881,350
8	LP-5	102	3,218,963,395	\$ 1,839,565	\$ (147,992)	\$ 9,211,710	\$ 8,187,521	\$ 24,550,455	\$ 110,419,280	\$ 154,060,549	\$ 2,018,443	\$ 156,078,992
9	IS-T	28	1,908,351,237	\$ 1,806,159	\$ -	\$ 8,796,936	\$ 21,769	\$ 16,562,421	\$ 51,508,708	\$ 76,495,991	\$ 978,997	\$ 77,474,988
10	LP-6	4	439,554,000	\$ 240,071	\$ -	\$ 1,336,244	\$ 297,504	\$ 5,360,903	\$ 17,101,150	\$ 24,335,873	\$ 306,556	\$ 24,642,429
11	LPEP	1	59,821,900	\$ 368,402	\$ -	\$ (40,009)	\$ 486,058	\$ 1,480,906	\$ 1,996,951	\$ 4,280,309	\$ 53,985	\$ 4,344,294
12	ISA	1	115,344,136	\$ 640,634	\$ -	\$ 486,951	\$ -	\$ 2,564,645	\$ 5,745,859	\$ 9,438,088	\$ 84,901	\$ 9,502,989
13	IS-1	4	1,725,020	\$ 32,723	\$ -	\$ 7,970	\$ 72	\$ 44,565	\$ 20,288	\$ 105,618	\$ 1,326	\$ 106,944
14	BL	32	6,180,146	\$ 213,256	\$ -	\$ 35,651	\$ 18,916	\$ 69,390	\$ 198,964	\$ 536,177	\$ 6,732	\$ 542,909
15	SA	0	23,724,139	\$ 3,194,214	\$ -	\$ 81,985	\$ 25,272	\$ 282,125	\$ 723,947	\$ 4,307,543	\$ 53,830	\$ 4,361,373
16	SM	108	5,043,104	\$ 712,626	\$ -	\$ 15,653	\$ (2)	\$ 72,820	\$ 157,260	\$ 958,357	\$ 12,076	\$ 970,433
17	SHS	1,100	62,233,928	\$ 12,869,574	\$ -	\$ 196,189	\$ 92,514	\$ 651,053	\$ 3,535,559	\$ 17,344,889	\$ 218,326	\$ 17,563,215
18	SE	80	19,506,269	\$ 718,559	\$ -	\$ 61,554	\$ 208	\$ 85,315	\$ 34,335	\$ 899,972	\$ 11,370	\$ 911,342
19	TS	9	380,088	\$ 23,779	\$ -	\$ 1,209	\$ 16	\$ 4,601	\$ 14,496	\$ 44,101	\$ 556	\$ 44,657
20	SI-1	3	93,790	\$ 15,774	\$ -	\$ 298	\$ -	\$ 1,915	\$ 3,290	\$ 21,276	\$ 268	\$ 21,544
21	GH-1	957	310,433,000	\$ 3,890,185	\$ -	\$ 1,002,192	\$ (123,117)	\$ 5,495,841	\$ 9,010,232	\$ 19,275,332	\$ 246,595	\$ 19,521,927
22	GH-2	2,488	71,152,109	\$ 1,030,834	\$ -	\$ 326,585	\$ 10,004	\$ 1,652,086	\$ 2,816,123	\$ 5,835,631	\$ 73,364	\$ 5,908,995
23	Standby(LP5-S)	6	8,863,000	\$ 28,445	\$ -	\$ 21,168	\$ 6,217	\$ 216,027	\$ 592,640	\$ 864,496	\$ 10,890	\$ 875,386
24	PRS		131,564,946	\$ 677,973	\$ -	\$ 59,583	\$ 8,361	\$ 75,246	\$ 5,538,886	\$ 6,360,049	\$ 80,137	\$ 6,440,185
25	Rate Revenue	1,328,781	35,339,319,793	\$ 473,227,700	\$ (2,049,786)	\$ 131,723,673	\$ 86,350,702	\$ 385,522,954	\$ 1,436,608,968	\$ 2,511,384,210	\$ 31,699,800	\$ 2,543,084,011
26												
27	Annualization Adjustment		0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
28												
29	Total PUC Tariff Revenue		35,339,319,793	\$ 473,227,700	\$ (2,049,786)	\$ 131,723,673	\$ 86,350,702	\$ 385,522,954	\$ 1,436,608,968	\$ 2,511,384,210	\$ 31,699,800	\$ 2,543,084,011
30												
31	Other Electric Revenues											
32	Late Payment			\$ 7,569,758	\$ -	\$ 146,946	\$ -	\$ -	\$ -	\$ 7,716,704	\$ -	\$ 7,716,704
33	Misc. Revenue			\$ (125,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (125,000)	\$ -	\$ (125,000)
34	Rent			\$ 18,789,932	\$ -	\$ 199,308	\$ -	\$ -	\$ -	\$ 18,989,240	\$ -	\$ 18,989,240
35	Other			\$ 1,989,476	\$ -	\$ 18,455,450	\$ -	\$ -	\$ -	\$ 20,444,926	\$ -	\$ 20,444,926
36	Total Other			\$ 28,224,166	\$ -	\$ 18,801,704	\$ -	\$ -	\$ -	\$ 47,025,870	\$ -	\$ 47,025,870
37												
38	Total Operating Revenue			\$ 501,451,866	\$ (2,049,786)	\$ 150,525,377	\$ 86,350,702	\$ 385,522,954	\$ 1,436,608,968	\$ 2,558,410,080	\$ 31,699,800	\$ 2,590,109,881

PPL Electric Utilities Corporation
12 month Period Ended December 31, 2003 Pro Forma, With Annualization Revenues

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Line Number	Rate Schedule	Number of Customers	Sales (KWH)	Distribution Present Rate Revenue	Distribution EDUI/DI Credit	Transmission Present Rate Revenue	CTC Present Rate Revenue	ITC Present Rate Revenue	E&C Present Rate Revenue	Total Present Rate Revenue	State Tax Adjustment Surcharge (STAS) 1.26%	Total Revenue
(Note 1)												
1	RS	1,149,652	12,850,444,097	\$ 264,308,426	\$ -	\$ 48,368,328	\$ 31,120,694	\$ 146,223,188	\$ 556,657,677	\$ 1,066,678,313	\$ 13,538,369	\$ 1,080,216,683
2	RTS	13,969	402,850,844	\$ 3,308,318	\$ -	\$ 479,080	\$ 400,975	\$ 3,433,382	\$ 15,446,772	\$ 23,068,508	\$ 290,863	\$ 23,359,171
3	RTD	273	5,197,702	\$ 114,731	\$ -	\$ 19,595	\$ 14,185	\$ 63,882	\$ 197,111	\$ 409,504	\$ 5,160	\$ 414,664
4	GS-1	138,558	1,877,528,074	\$ 55,771,411	\$ -	\$ 10,750,670	\$ 7,161,293	\$ 26,683,389	\$ 98,387,981	\$ 198,754,744	\$ 2,504,310	\$ 201,259,054
5	GS-3	21,427	8,056,614,603	\$ 77,819,128	\$ (577,882)	\$ 33,232,763	\$ 21,952,190	\$ 96,251,182	\$ 348,254,759	\$ 576,932,140	\$ 7,269,345	\$ 584,201,485
*6	LP-4	947	5,387,198,638	\$ 22,211,909	\$ (1,323,912)	\$ 17,907,369	\$ 16,456,903	\$ 50,601,492	\$ 195,869,945	\$ 301,723,707	\$ 3,801,719	\$ 305,525,425
*7	IS-P	32	378,371,428	\$ 1,593,004	\$ -	\$ 1,363,998	\$ 213,150	\$ 3,096,143	\$ 12,376,747	\$ 18,643,042	\$ 234,902	\$ 18,877,944
*8	LP-5	102	3,218,963,395	\$ 1,839,565	\$ (147,892)	\$ 9,211,710	\$ 8,187,521	\$ 24,550,455	\$ 110,419,290	\$ 154,060,549	\$ 1,941,163	\$ 156,001,712
*9	IS-T	28	1,908,351,237	\$ 1,606,159	\$ -	\$ 6,786,936	\$ 21,769	\$ 16,562,421	\$ 51,508,706	\$ 76,495,991	\$ 963,849	\$ 77,459,840
10	LP-6	4	439,554,000	\$ 240,071	\$ -	\$ 1,336,244	\$ 297,504	\$ 5,360,903	\$ 17,101,150	\$ 24,335,873	\$ 306,632	\$ 24,642,505
11	LPEP	1	59,921,900	\$ 366,402	\$ -	\$ (40,009)	\$ 486,058	\$ 1,480,906	\$ 1,996,951	\$ 4,290,309	\$ 54,058	\$ 4,344,366
*12	ISA	1	115,344,136	\$ 640,634	\$ -	\$ 486,951	\$ -	\$ 2,564,645	\$ 5,745,859	\$ 9,438,088	\$ 118,920	\$ 9,557,008
13	IS-1	4	1,725,020	\$ 32,723	\$ -	\$ 7,970	\$ 72	\$ 44,565	\$ 20,288	\$ 105,618	\$ 1,331	\$ 106,948
14	BL	32	6,160,146	\$ 213,256	\$ -	\$ 35,651	\$ 18,916	\$ 69,390	\$ 198,964	\$ 536,177	\$ 6,756	\$ 542,933
15	SA	0	23,724,139	\$ 3,194,214	\$ -	\$ 81,985	\$ 25,272	\$ 282,125	\$ 723,947	\$ 4,307,543	\$ 54,275	\$ 4,361,818
16	SM	108	5,043,104	\$ 712,626	\$ -	\$ 15,653	\$ (2)	\$ 72,820	\$ 157,260	\$ 958,357	\$ 12,075	\$ 970,432
17	SHS	1,100	62,233,928	\$ 12,869,574	\$ -	\$ 196,189	\$ 92,514	\$ 651,053	\$ 3,535,559	\$ 17,344,889	\$ 218,546	\$ 17,563,435
18	SE	80	19,506,269	\$ 718,559	\$ -	\$ 61,554	\$ 208	\$ 85,315	\$ 34,335	\$ 899,972	\$ 11,340	\$ 911,312
19	TS	9	380,088	\$ 23,779	\$ -	\$ 1,209	\$ 16	\$ 4,601	\$ 14,496	\$ 44,101	\$ 556	\$ 44,657
20	SI-1	3	93,790	\$ 15,774	\$ -	\$ 298	\$ -	\$ 1,915	\$ 3,290	\$ 21,276	\$ 268	\$ 21,544
21	GH-1	957	310,433,000	\$ 3,890,185	\$ -	\$ 1,002,192	\$ (123,117)	\$ 5,495,841	\$ 9,010,232	\$ 19,275,332	\$ 242,869	\$ 19,518,202
22	GH-2	2,488	71,152,109	\$ 1,030,834	\$ -	\$ 326,585	\$ 10,004	\$ 1,652,086	\$ 2,816,123	\$ 5,835,631	\$ 73,529	\$ 5,909,160
23	LPS-S	6	6,963,000	\$ 28,445	\$ -	\$ 21,168	\$ 6,217	\$ 216,027	\$ 592,640	\$ 864,496	\$ 10,893	\$ 875,389
*24	PRS		131,564,946	\$ 677,973	\$ -	\$ 59,583	\$ 8,361	\$ 75,246	\$ 5,538,886	\$ 6,360,049	\$ 80,137	\$ 6,440,185
25	Rate Revenue	1,329,781	36,339,319,783	\$ 473,227,700	\$ (2,049,786)	\$ 131,723,673	\$ 86,360,702	\$ 385,522,964	\$ 1,436,608,968	\$ 2,611,384,210	\$ 31,741,664	\$ 2,643,125,874
26	Annualization Adjustment		368,862,891	\$ 6,893,663	\$ -	\$ 1,480,204	\$ 1,196,030	\$ 4,330,741	\$ 16,236,349	\$ 29,136,987	\$ -	\$ 29,136,987
27	Total PUC Tariff Revenue		36,708,182,684	\$ 479,121,362	\$ (2,049,786)	\$ 133,203,877	\$ 87,546,732	\$ 389,853,696	\$ 1,452,845,317	\$ 2,540,521,197	\$ 31,741,664	\$ 2,572,262,861
28	Other Electric Revenues											
29	Late Payment			\$ 7,589,758	\$ -	\$ 146,946	\$ -	\$ -	\$ -	\$ 7,716,704	\$ -	\$ 7,716,704
30	Misc. Revenue			\$ (125,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (125,000)	\$ -	\$ (125,000)
31	Rent			\$ 18,789,932	\$ -	\$ 199,308	\$ -	\$ -	\$ -	\$ 18,989,240	\$ -	\$ 18,989,240
32	Other			\$ 1,989,476	\$ -	\$ 18,455,450	\$ -	\$ -	\$ -	\$ 20,444,926	\$ -	\$ 20,444,926
33	Total Other			\$ 28,224,166	\$ -	\$ 18,601,704	\$ -	\$ -	\$ -	\$ 47,026,870	\$ -	\$ 47,026,870
34	Total Operating Revenue			\$ 507,345,528	\$ (2,049,786)	\$ 162,006,581	\$ 87,546,732	\$ 389,853,696	\$ 1,452,845,317	\$ 2,587,547,067	\$ 31,741,664	\$ 2,619,288,731

Note 1: Col 6, page 2

PPL Electric Utilities Corporation
12 month Period Ended December 31, 2003 Pro Forma, STAS Roll-In

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Line Number	Rate Schedule	Distribution Present Rate Revenue	Distribution ED/IDI Credit	Transmission Present Rate Revenue	CTC Present Rate Revenue	ITC Present Rate Revenue	E&C Present Rate Revenue	Total Present Rate Revenue	State Tax Adjustment Surcharge (STAS)	Total Revenue
		(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)	(Note 6)		0.00%	
		(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)	(Note 6)		(Note 7)	
1	RS	\$ 287,986,935	\$ -	\$ 46,977,769	\$ 31,512,815	\$ 148,065,600	\$ 563,671,564	\$ 1,080,216,683	\$ -	\$ 1,080,216,683
2	RTS	\$ 3,350,003	\$ -	\$ 485,117	\$ 406,027	\$ 3,476,623	\$ 15,641,402	\$ 23,359,171	\$ -	\$ 23,359,171
3	RTD	\$ 116,177	\$ -	\$ 19,842	\$ 14,364	\$ 64,687	\$ 199,594	\$ 414,664	\$ -	\$ 414,664
4	GS-1	\$ 56,474,131	\$ -	\$ 10,886,128	\$ 7,251,525	\$ 27,019,600	\$ 99,627,669	\$ 201,259,054	\$ -	\$ 201,259,054
5	GS-3	\$ 78,792,368	\$ (577,882)	\$ 33,651,496	\$ 22,228,787	\$ 97,463,947	\$ 352,842,769	\$ 584,201,485	\$ -	\$ 584,201,485
6	LP-4	\$ 22,475,098	\$ (1,323,912)	\$ 18,133,002	\$ 16,664,260	\$ 51,239,071	\$ 198,337,906	\$ 305,525,425	\$ -	\$ 305,525,425
7	IS-P	\$ 1,613,076	\$ -	\$ 1,381,184	\$ 215,835	\$ 3,135,155	\$ 12,532,694	\$ 18,877,944	\$ -	\$ 18,877,944
8	LP-5	\$ 1,660,879	\$ (147,992)	\$ 9,327,778	\$ 8,290,684	\$ 24,858,791	\$ 111,810,573	\$ 156,001,712	\$ -	\$ 156,001,712
9	IS-T	\$ 1,626,397	\$ -	\$ 6,882,578	\$ 22,043	\$ 16,771,108	\$ 52,157,715	\$ 77,459,840	\$ -	\$ 77,459,840
10	LP-6	\$ 243,096	\$ -	\$ 1,353,081	\$ 301,253	\$ 5,428,450	\$ 17,316,624	\$ 24,642,505	\$ -	\$ 24,642,505
11	LPEP	\$ 371,018	\$ -	\$ (40,513)	\$ 492,182	\$ 1,499,566	\$ 2,022,113	\$ 4,344,366	\$ -	\$ 4,344,366
12	ISA	\$ 648,706	\$ -	\$ 493,087	\$ -	\$ 2,596,959	\$ 5,816,257	\$ 9,557,008	\$ -	\$ 9,557,008
13	IS-1	\$ 33,135	\$ -	\$ 8,070	\$ 73	\$ 45,126	\$ 20,544	\$ 106,948	\$ -	\$ 106,948
14	BL	\$ 215,943	\$ -	\$ 36,100	\$ 19,155	\$ 70,264	\$ 201,471	\$ 542,933	\$ -	\$ 542,933
15	SA	\$ 3,234,461	\$ -	\$ 83,018	\$ 25,591	\$ 285,680	\$ 733,068	\$ 4,361,818	\$ -	\$ 4,361,818
16	SM	\$ 721,605	\$ -	\$ 15,851	\$ (3)	\$ 73,736	\$ 159,242	\$ 970,432	\$ -	\$ 970,432
17	SHS	\$ 13,031,731	\$ -	\$ 198,661	\$ 93,680	\$ 659,256	\$ 3,580,107	\$ 17,563,435	\$ -	\$ 17,563,435
18	SE	\$ 727,613	\$ -	\$ 62,330	\$ 211	\$ 86,380	\$ 34,768	\$ 911,312	\$ -	\$ 911,312
19	TS	\$ 24,079	\$ -	\$ 1,224	\$ 16	\$ 4,659	\$ 14,679	\$ 44,657	\$ -	\$ 44,657
20	SI-1	\$ 15,972	\$ -	\$ 301	\$ -	\$ 1,939	\$ 3,332	\$ 21,544	\$ -	\$ 21,544
21	GH-1	\$ 3,939,201	\$ -	\$ 1,014,820	\$ (124,668)	\$ 5,565,088	\$ 9,123,761	\$ 19,518,202	\$ -	\$ 19,518,202
22	GH-2	\$ 1,043,822	\$ -	\$ 330,700	\$ 10,130	\$ 1,672,903	\$ 2,851,606	\$ 5,909,160	\$ -	\$ 5,909,160
23	Standby(LP5-S)	\$ 28,803	\$ -	\$ 21,434	\$ 6,295	\$ 218,749	\$ 600,107	\$ 875,389	\$ -	\$ 875,389
24	PRS	\$ 686,515	\$ -	\$ 60,333	\$ 6,466	\$ 76,194	\$ 5,608,676	\$ 6,440,165	\$ -	\$ 6,440,165
25	Rate Revenue	\$ 479,262,764	\$ (2,049,786)	\$ 133,383,391	\$ 87,438,721	\$ 390,380,643	\$ 1,464,710,241	\$ 2,643,125,874	\$ -	\$ 2,643,125,874
26										
27	Annualization Adjustment	\$ 5,893,663	\$ -	\$ 1,480,294	\$ 1,196,030	\$ 4,330,741	\$ 16,236,349	\$ 29,136,987	\$ -	\$ 29,136,987
28										
29	Total PUC Tariff Revenue	\$ 485,156,427	\$ (2,049,786)	\$ 134,863,685	\$ 88,634,751	\$ 394,711,284	\$ 1,470,946,590	\$ 2,672,262,861	\$ -	\$ 2,672,262,861
30										
31	Other Electric Revenues									
32	Late Payment	\$ 7,569,758	\$ -	\$ 146,946	\$ -	\$ -	\$ -	\$ 7,716,704	\$ -	\$ 7,716,704
33	Misc. Revenue	\$ (125,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (125,000)	\$ -	\$ (125,000)
34	Rent	\$ 18,789,932	\$ -	\$ 199,308	\$ -	\$ -	\$ -	\$ 18,989,240	\$ -	\$ 18,989,240
35	Other	\$ 1,989,476	\$ -	\$ 18,455,450	\$ -	\$ -	\$ -	\$ 20,444,926	\$ -	\$ 20,444,926
36	Total Other	\$ 28,224,166	\$ -	\$ 18,801,704	\$ -	\$ -	\$ -	\$ 47,025,870	\$ -	\$ 47,025,870
37										
38	Total Operating Revenue	\$ 513,380,593	\$ (2,049,786)	\$ 163,665,299	\$ 88,834,751	\$ 394,711,284	\$ 1,470,946,590	\$ 2,619,288,731	\$ -	\$ 2,619,288,731

Note 1: Col 5, page 3 x 1.0126
 Note 2: Col 6, page 2
 Note 3: Col 7, page 3 x 1.0126
 Note 4: Col 8, page 3 x 1.0126
 Note 5: Col 9, page 3 x 1.0126
 Note 6: Col 10, page 3 x 1.0126
 Note 7: STAS rolled in to Cois 3, 5, 6, 7 & 8

PPL Electric Utilities Corporation
12 month Period Ended December 31, 2003 Pro Forma, STAS Roll-In, No Shopping

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Line Number	Rate Schedule	Distribution Present Rate Revenue	Distribution EDI/IDI Credit	Transmission Present Rate Revenue	CTC Present Rate Revenue	ITC Present Rate Revenue	E&C Present Rate Revenue	Total Present Rate Revenue	State Tax Adjustment Surcharge (STAS) 0.00%	Total Revenue	Shopping Factor
		(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)	(Note 6)		(Note 7)		(Note 8)
1	RS	\$ 287,988,935	\$ -	\$ 49,075,921	\$ 31,512,815	\$ 148,065,600	\$ 564,801,166	\$ 1,081,444,437	\$ -	\$ 1,081,444,437	0.2%
2	RTS	\$ 3,350,003	\$ -	\$ 485,602	\$ 406,027	\$ 3,476,623	\$ 15,657,059	\$ 23,375,314	\$ -	\$ 23,375,314	0.1%
3	RTD	\$ 116,177	\$ -	\$ 18,842	\$ 14,364	\$ 64,687	\$ 199,594	\$ 414,664	\$ -	\$ 414,664	0.0%
4	GS-1	\$ 56,474,131	\$ -	\$ 10,996,089	\$ 7,251,525	\$ 27,019,600	\$ 100,834,009	\$ 202,375,355	\$ -	\$ 202,375,355	1.0%
5	GS-3	\$ 78,792,388	\$ (577,882)	\$ 35,799,464	\$ 22,228,787	\$ 97,463,947	\$ 375,151,882	\$ 608,858,566	\$ -	\$ 608,858,566	6.0%
6	LP-4	\$ 22,475,088	\$ (1,323,912)	\$ 19,497,852	\$ 18,064,260	\$ 51,239,071	\$ 213,266,566	\$ 321,818,934	\$ -	\$ 321,818,934	7.0%
7	IS-P	\$ 1,613,076	\$ -	\$ 1,381,184	\$ 215,835	\$ 3,135,155	\$ 12,532,894	\$ 18,877,944	\$ -	\$ 18,877,944	0.0%
8	LP-5	\$ 1,860,879	\$ (147,992)	\$ 9,818,713	\$ 8,290,684	\$ 24,859,791	\$ 117,895,340	\$ 162,377,414	\$ -	\$ 162,377,414	5.0%
9	IS-T	\$ 1,626,397	\$ -	\$ 8,882,578	\$ 22,043	\$ 16,771,108	\$ 52,157,715	\$ 77,459,840	\$ -	\$ 77,459,840	0.0%
10	LP-6	\$ 243,096	\$ -	\$ 1,353,081	\$ 301,253	\$ 5,428,450	\$ 17,318,624	\$ 24,642,505	\$ -	\$ 24,642,505	0.0%
11	LPEP	\$ 371,018	\$ -	\$ (40,513)	\$ 492,182	\$ 1,499,566	\$ 2,022,113	\$ 4,344,366	\$ -	\$ 4,344,366	0.0%
12	ISA	\$ 648,706	\$ -	\$ 493,087	\$ -	\$ 2,596,959	\$ 5,818,257	\$ 9,557,008	\$ -	\$ 9,557,008	0.0%
13	IS-1	\$ 33,135	\$ -	\$ 8,070	\$ 73	\$ 45,126	\$ 20,544	\$ 106,948	\$ -	\$ 106,948	0.0%
14	BL	\$ 215,943	\$ -	\$ 36,100	\$ 19,155	\$ 70,264	\$ 201,471	\$ 542,933	\$ -	\$ 542,933	0.0%
15	SA	\$ 3,234,461	\$ -	\$ 83,018	\$ 25,591	\$ 285,680	\$ 733,068	\$ 4,361,818	\$ -	\$ 4,361,818	0.0%
16	SM	\$ 721,605	\$ -	\$ 15,851	\$ (3)	\$ 73,738	\$ 159,242	\$ 970,432	\$ -	\$ 970,432	0.0%
17	SHS	\$ 13,031,731	\$ -	\$ 188,681	\$ 93,680	\$ 659,256	\$ 3,580,107	\$ 17,563,435	\$ -	\$ 17,563,435	0.0%
18	SE	\$ 727,613	\$ -	\$ 82,455	\$ 211	\$ 86,390	\$ 34,838	\$ 911,507	\$ -	\$ 911,507	0.2%
19	TS	\$ 24,079	\$ -	\$ 1,224	\$ 16	\$ 4,659	\$ 14,679	\$ 44,657	\$ -	\$ 44,657	0.0%
20	SI-1	\$ 15,972	\$ -	\$ 301	\$ -	\$ 1,939	\$ 3,332	\$ 21,544	\$ -	\$ 21,544	0.0%
21	GH-1	\$ 3,939,201	\$ -	\$ 1,075,021	\$ (124,669)	\$ 5,565,088	\$ 9,665,001	\$ 20,118,643	\$ -	\$ 20,118,643	5.6%
22	GH-2	\$ 1,043,822	\$ -	\$ 334,040	\$ 10,130	\$ 1,672,903	\$ 2,880,410	\$ 5,941,305	\$ -	\$ 5,941,305	1.0%
23	Standby(LPS-S)	\$ 28,803	\$ -	\$ 21,434	\$ 6,295	\$ 218,749	\$ 600,107	\$ 875,389	\$ -	\$ 875,389	0.0%
24	PRS	\$ 686,515	\$ -	\$ 80,333	\$ 8,466	\$ 76,194	\$ 5,608,676	\$ 6,440,185	\$ -	\$ 6,440,185	
25	Rate Revenue	\$ 479,262,764	\$ (2,049,786)	\$ 137,659,408	\$ 87,438,721	\$ 390,380,543	\$ 1,500,754,494	\$ 2,593,446,145	\$ -	\$ 2,593,446,145	
26											
27	Annualization Adjustment	\$ 5,893,663	\$ -	\$ 1,522,439	\$ 1,196,030	\$ 4,330,741	\$ 16,636,159	\$ 29,579,032	\$ -	\$ 29,579,032	
28											
29	Total PUC Tariff Revenue	\$ 485,156,427	\$ (2,049,786)	\$ 139,181,849	\$ 88,634,751	\$ 394,711,284	\$ 1,517,390,653	\$ 2,623,025,177	\$ -	\$ 2,623,025,177	
30											
31	Other Electric Revenues										
32	Late Payment	\$ 7,589,758	\$ -	\$ 146,946				\$ 7,716,704	\$ -	\$ 7,716,704	
33	Misc. Revenue	\$ (125,000)	\$ -	\$ -				\$ (125,000)	\$ -	\$ (125,000)	
34	Rent	\$ 18,989,932	\$ -	\$ 199,308				\$ 18,989,240	\$ -	\$ 18,989,240	
35	Other	\$ 1,989,476	\$ -	\$ 18,455,450				\$ 20,444,926	\$ -	\$ 20,444,926	
36	Total Other	\$ 28,224,166	\$ -	\$ 18,801,704				\$ 47,025,870	\$ -	\$ 47,025,870	
37											
38	Total Operating Revenue	\$ 513,380,593	\$ (2,049,786)	\$ 157,983,553	\$ 88,634,751	\$ 394,711,284	\$ 1,517,390,653	\$ 2,670,051,047	\$ -	\$ 2,670,051,047	

Note 1: Col 3, page 4
 Note 2: Col 6, page 2
 Note 3: Col 5, page 4 / (1-Col 12)
 Note 4: Col 6, page 4
 Note 5: Col 7, page 4
 Note 6: Col 8, page 4 / (1-Col 12)
 Note 7: STAS rolled in to Cols 3, 5, 6, 7 & 8
 Note 8: Percent customer shopping usage.

PPL Electric Utilities Corporation
12 month Period Ended December 31, 2003 Proposed Budget, No Shopping, With Present Transmission Revenues

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Line Number	Rate Schedule	Proposed Distribution Rate Revenue	Distribution EDI/IDI Credit	Present Transmission Rate Revenue	CTC Present Rate Revenue	ITC Present Rate Revenue	E&C Present Rate Revenue	Total Proposed Rate Revenue	State Tax Adjustment Surcharge (STAS) 0.0%	Total Revenue	Total Revenue Change	Total Percent Change
			(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)				(Note 6)	(Note 7)
1	RS	\$ 369,055,884	\$ -	\$ 49,075,921	\$ 31,512,815	\$ 148,065,800	\$ 564,801,166	\$ 1,182,511,386	\$ -	\$ 1,182,511,386	\$ 81,066,949	7.50%
2	RTS	\$ 3,887,032	\$ -	\$ 485,602	\$ 406,827	\$ 3,478,823	\$ 15,657,059	\$ 23,812,344	\$ -	\$ 23,812,344	\$ 537,029	2.30%
3	RTD	\$ 147,922	\$ -	\$ 19,842	\$ 14,364	\$ 84,687	\$ 189,594	\$ 446,410	\$ -	\$ 446,410	\$ 31,745	7.68%
4	GS-1	\$ 76,875,647	\$ -	\$ 10,996,069	\$ 7,251,525	\$ 27,019,800	\$ 100,834,009	\$ 222,776,871	\$ -	\$ 222,776,871	\$ 20,401,516	10.08%
5	GS-3	\$ 114,873,068	\$ -	\$ 35,799,464	\$ 22,228,787	\$ 97,463,947	\$ 375,151,882	\$ 645,317,148	\$ -	\$ 645,317,148	\$ 38,458,582	5.99%
6	LP-4	\$ 29,495,505	\$ -	\$ 19,497,852	\$ 16,664,280	\$ 51,239,071	\$ 213,268,568	\$ 330,163,254	\$ -	\$ 330,163,254	\$ 8,344,319	2.59%
7	IS-P	\$ 1,983,483	\$ -	\$ 1,381,184	\$ 215,835	\$ 3,135,155	\$ 12,532,894	\$ 19,248,351	\$ -	\$ 19,248,351	\$ 370,407	1.96%
8	LP-5	\$ 1,335,096	\$ -	\$ 9,818,713	\$ 8,290,884	\$ 24,859,791	\$ 117,895,340	\$ 161,999,824	\$ -	\$ 161,999,824	\$ (377,791)	-0.23%
9	IS-T	\$ 1,092,138	\$ -	\$ 6,882,578	\$ 22,043	\$ 16,771,108	\$ 52,157,715	\$ 76,925,582	\$ -	\$ 76,925,582	\$ (534,259)	-0.89%
10	LP-6	\$ 166,864	\$ -	\$ 1,353,081	\$ 301,253	\$ 5,428,450	\$ 17,316,824	\$ 24,566,272	\$ -	\$ 24,566,272	\$ (76,232)	-0.31%
11	LPEP	\$ 483,451	\$ -	\$ (40,513)	\$ 492,182	\$ 1,499,566	\$ 2,022,113	\$ 4,436,800	\$ -	\$ 4,436,800	\$ 92,433	2.13%
12	ISA	\$ 648,849	\$ -	\$ 493,087	\$ -	\$ 2,596,959	\$ 5,818,257	\$ 9,557,152	\$ -	\$ 9,557,152	\$ 144	0.00%
13	IS-1	\$ 42,096	\$ -	\$ 8,070	\$ 73	\$ 45,126	\$ 20,544	\$ 115,909	\$ -	\$ 115,909	\$ 8,961	8.38%
14	BL	\$ 271,267	\$ -	\$ 36,100	\$ 19,155	\$ 70,264	\$ 201,471	\$ 598,258	\$ -	\$ 598,258	\$ 55,324	10.19%
15	SA	\$ 3,617,279	\$ -	\$ 83,018	\$ 25,591	\$ 285,680	\$ 733,088	\$ 4,744,636	\$ -	\$ 4,744,636	\$ 382,818	8.78%
16	SM	\$ 805,481	\$ -	\$ 15,851	\$ (3)	\$ 73,738	\$ 159,242	\$ 1,054,309	\$ -	\$ 1,054,309	\$ 83,878	8.64%
17	SHS	\$ 14,825,178	\$ -	\$ 198,861	\$ 93,880	\$ 659,256	\$ 3,580,107	\$ 19,156,882	\$ -	\$ 19,156,882	\$ 1,593,447	9.07%
18	SE	\$ 770,659	\$ -	\$ 62,455	\$ 211	\$ 86,390	\$ 34,838	\$ 954,553	\$ -	\$ 954,553	\$ 43,046	4.72%
19	TS	\$ 27,600	\$ -	\$ 1,224	\$ 16	\$ 4,659	\$ 14,679	\$ 48,178	\$ -	\$ 48,178	\$ 3,521	7.89%
20	SI-1	\$ 17,885	\$ -	\$ 301	\$ -	\$ 1,939	\$ 3,332	\$ 23,457	\$ -	\$ 23,457	\$ 1,913	8.88%
21	GH-1	\$ 5,212,973	\$ -	\$ 1,075,021	\$ (124,869)	\$ 5,565,088	\$ 9,665,001	\$ 21,393,415	\$ -	\$ 21,393,415	\$ 1,273,772	6.33%
22	GH-2	\$ 1,564,754	\$ -	\$ 334,040	\$ 10,130	\$ 1,672,903	\$ 2,880,410	\$ 6,462,236	\$ -	\$ 6,462,236	\$ 520,932	8.77%
23	Standby(LP5-S)	\$ 60,776	\$ -	\$ 21,434	\$ 6,295	\$ 218,749	\$ 600,107	\$ 807,362	\$ -	\$ 807,362	\$ 31,973	3.65%
24	PRS	\$ 886,515	\$ -	\$ 80,333	\$ 8,486	\$ 76,184	\$ 5,608,676	\$ 6,440,185	\$ -	\$ 6,440,185	\$ -	0.00%
25	Rate Revenue	\$ 627,527,404	\$ -	\$ 137,659,409	\$ 87,438,721	\$ 390,380,843	\$ 1,500,754,494	\$ 2,743,760,571	\$ -	\$ 2,743,760,571	\$ 150,314,426	5.80%
26												
27	Annualization Adjustment	\$ 7,923,661	\$ -	\$ 1,522,439	\$ 1,198,030	\$ 4,330,741	\$ 16,636,189	\$ 31,809,031	\$ -	\$ 31,809,031	\$ 2,029,999	6.86%
28												
29	Total PUC Tariff Revenue	\$ 635,451,066	\$ -	\$ 139,181,849	\$ 88,634,751	\$ 394,711,284	\$ 1,517,390,683	\$ 2,775,369,602	\$ -	\$ 2,775,369,602	\$ 152,344,426	5.81%
30												
31	Other Electric Revenues											
32	Late Payment	\$ 8,301,500	\$ -	\$ 148,946	\$ -	\$ -	\$ -	\$ 8,448,446	\$ -	\$ 8,448,446	\$ 731,742	9.48%
33	Misc. Revenue	\$ (125,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (125,000)	\$ -	\$ (125,000)	\$ -	0.00%
34	Rent	\$ 18,789,932	\$ -	\$ 199,308	\$ -	\$ -	\$ -	\$ 18,989,240	\$ -	\$ 18,989,240	\$ -	0.00%
35	Other	\$ 1,989,476	\$ -	\$ 18,455,450	\$ -	\$ -	\$ -	\$ 20,444,926	\$ -	\$ 20,444,926	\$ -	0.00%
36	Total Other	\$ 28,958,908	\$ -	\$ 18,801,704	\$ -	\$ -	\$ -	\$ 47,787,612	\$ -	\$ 47,787,612	\$ 731,742	1.56%
37												
38	Total Operating Revenue	\$ 664,406,974	\$ -	\$ 157,983,553	\$ 88,634,751	\$ 394,711,284	\$ 1,517,390,683	\$ 2,823,127,214	\$ -	\$ 2,823,127,214	\$ 153,076,167	5.73%

Note 1: EDI/IDI credits eliminated in proposed budget.
 Note 2: Col 5, page 5
 Note 3: Col 6, page 5
 Note 4: Col 7, page 5
 Note 5: Col 8, page 5
 Note 6: Col 11 - Col 11, page 5
 Note 7: Col 12 / Col 11, page 5 (%)

PPL Electric Utilities Corporation
12 month Period Ended December 31, 2003 Proposed Budget, No Shopping, With Proposed Transmission Revenues

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Line Number	Rate Schedule	Total Revenue	Present Transmission Rate Revenue	Proposed Transmission Rate Revenue	Change in Transmission Rate Revenue	Total Proposed Revenue	Total Revenue Change	Total Percent Change
		(Note 1)	(Note 2)	(Note 3)	(Note 4)		(Note 5)	(Note 6)
1	RS	\$ 1,162,511,386	\$ 49,075,921	\$ 72,476,505	\$ 23,400,584	\$ 1,185,911,970	\$ 104,467,533	9.66%
2	RTS	\$ 23,812,344	\$ 485,602	\$ 2,272,079	\$ 1,786,476	\$ 25,698,820	\$ 2,323,506	9.94%
3	RTD	\$ 446,410	\$ 19,842	\$ 29,315	\$ 9,473	\$ 455,882	\$ 41,218	9.94%
4	GS-1	\$ 222,776,671	\$ 10,996,089	\$ 10,589,258	\$ (406,831)	\$ 222,370,040	\$ 19,994,685	9.88%
5	GS-3	\$ 845,317,148	\$ 35,789,464	\$ 45,439,307	\$ 9,639,844	\$ 654,956,992	\$ 46,098,426	7.57%
6	LP-4	\$ 330,163,254	\$ 19,487,852	\$ 30,383,800	\$ 10,885,948	\$ 341,049,202	\$ 19,230,268	5.97%
7	IS-P	\$ 19,248,351	\$ 1,381,184	\$ 2,134,015	\$ 752,831	\$ 20,001,182	\$ 1,123,238	5.95%
8	LP-5	\$ 161,999,624	\$ 9,818,713	\$ 18,154,954	\$ 8,336,240	\$ 170,335,864	\$ 7,958,450	4.90%
9	IS-T	\$ 76,825,582	\$ 6,882,578	\$ 10,783,101	\$ 3,880,523	\$ 80,806,105	\$ 3,346,265	4.32%
10	LP-6	\$ 24,566,272	\$ 1,353,081	\$ 2,479,085	\$ 1,126,004	\$ 25,692,276	\$ 1,049,771	4.26%
11	LPEP	\$ 4,436,800	\$ (40,513)	\$ 337,960	\$ 378,472	\$ 4,815,272	\$ 470,806	9.77%
12	ISA	\$ 9,557,152	\$ 493,087	\$ 493,087	\$ -	\$ 9,557,152	\$ 144	0.00%
13	IS-1	\$ 115,609	\$ 8,070	\$ 9,729	\$ 1,659	\$ 117,568	\$ 10,620	9.93%
14	BL	\$ 598,258	\$ 36,100	\$ 34,743	\$ (1,357)	\$ 596,901	\$ 53,967	9.94%
15	SA	\$ 4,744,636	\$ 83,018	\$ 133,804	\$ 50,786	\$ 4,795,422	\$ 433,804	9.94%
16	SM	\$ 1,054,309	\$ 15,851	\$ 28,443	\$ 12,592	\$ 1,066,901	\$ 96,469	9.94%
17	SHS	\$ 19,156,882	\$ 198,661	\$ 350,999	\$ 152,338	\$ 19,309,220	\$ 1,745,785	9.94%
18	SE	\$ 954,553	\$ 62,455	\$ 110,015	\$ 47,560	\$ 1,002,113	\$ 90,606	9.94%
19	TS	\$ 48,178	\$ 1,224	\$ 2,144	\$ 920	\$ 49,098	\$ 4,441	9.94%
20	SI-1	\$ 23,457	\$ 301	\$ 529	\$ 228	\$ 23,685	\$ 2,142	9.94%
21	GH-1	\$ 21,393,415	\$ 1,075,021	\$ 1,750,842	\$ 675,821	\$ 22,069,236	\$ 1,949,593	9.69%
22	GH-2	\$ 6,462,236	\$ 334,040	\$ 401,298	\$ 67,258	\$ 6,529,494	\$ 588,189	9.90%
23	Standby(LP5-S)	\$ 907,362	\$ 21,434	\$ 39,271	\$ 17,837	\$ 925,199	\$ 49,809	5.65%
24	PRS	\$ 6,440,185	\$ 60,333	\$ 60,333	\$ -	\$ 6,440,185	\$ -	0.00%
25	Rate Revenue	\$ 2,743,760,571	\$ 137,659,409	\$ 198,474,616	\$ 60,815,207	\$ 2,804,575,778	\$ 211,129,631	8.14%
26								
27	Annualization Adjustment	\$ 31,609,031	\$ 1,522,439	\$ 2,133,949	\$ 611,510	\$ 33,429,808	\$ 3,850,776	13.02%
28								
29	Total PUC Tariff Revenue	\$ 2,775,369,602	\$ 139,181,849	\$ 200,608,565	\$ 61,426,717	\$ 2,838,005,586	\$ 214,980,407	8.20%
30								
31	Other Electric Revenues							
32	Late Payment	\$ 8,448,448	\$ 148,946	\$ 161,151	\$ 14,205	\$ 8,462,651	\$ 745,947	9.67%
33	Misc. Revenue	\$ (125,000)	\$ -	\$ -	\$ -	\$ (125,000)	\$ -	0.00%
34	Rent	\$ 18,989,240	\$ 199,308	\$ 199,308	\$ -	\$ 18,989,240	\$ -	0.00%
35	Other	\$ 20,444,926	\$ 18,455,450	\$ 18,455,450	\$ -	\$ 20,444,926	\$ -	0.00%
36	Total Other	\$ 47,757,612	\$ 18,801,704	\$ 18,815,909	\$ 14,205	\$ 47,771,817	\$ 745,947	1.59%
37								
38	Total Operating Revenue	\$ 2,823,127,214	\$ 157,983,553	\$ 219,424,475	\$ 61,440,922	\$ 2,885,777,403	\$ 215,726,354	8.06%

Note 1: Col 11, Page 6
 Note 2: Col 5, page 6
 Note 3: Col 4, page 2 x 0.0564
 Note 4: Col 5 - Col 4
 Note 5: Col 7 - Col 11, page 5
 Note 6: Col 8 / Col 11, page 5 (%)

PPL Electric Utilities Corporation
12 month Period Ended December 31, 2003 Proposed Budget, With Shopping, With Present Transmission Revenues

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Line Number	Rate Schedule	Proposed Distribution Rate Revenue	Distribution EDI/IDI Credit	Present Transmission Rate Revenue	CTC Present Rate Revenue	ITC Present Rate Revenue	E&C Present Rate Revenue	Total Proposed Rate Revenue	State Tax Adjustment Surcharge (STAS)	Total Revenue	Total Revenue Change	Total Percent Change	Shopping Factor
			(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)		0.0%		(Note 6)	(Note 7)	(Note 9)
1	RS	\$ 389,055,884	\$ -	\$ 48,977,769	\$ 31,512,815	\$ 148,065,600	\$ 563,871,564	\$ 1,161,283,632	\$ -	\$ 1,161,283,632	\$ 81,066,949	7.50%	0.2%
2	RTS	\$ 3,887,032	\$ -	\$ 485,117	\$ 406,027	\$ 3,476,623	\$ 15,641,402	\$ 23,896,201	\$ -	\$ 23,896,201	\$ 537,029	2.30%	0.1%
3	RTD	\$ 147,922	\$ -	\$ 19,842	\$ 14,364	\$ 64,687	\$ 199,594	\$ 446,410	\$ -	\$ 446,410	\$ 31,745	7.66%	0.0%
4	GS-1	\$ 76,875,647	\$ -	\$ 10,886,128	\$ 7,251,525	\$ 27,019,600	\$ 99,827,669	\$ 221,660,570	\$ -	\$ 221,660,570	\$ 20,401,516	10.14%	1.0%
5	GS-3	\$ 114,673,069	\$ -	\$ 33,651,496	\$ 22,228,787	\$ 97,463,947	\$ 352,642,769	\$ 620,660,067	\$ -	\$ 620,660,067	\$ 36,458,582	6.24%	6.0%
6	LP-4	\$ 29,495,505	\$ -	\$ 18,133,002	\$ 16,664,280	\$ 51,239,071	\$ 198,337,906	\$ 313,869,744	\$ -	\$ 313,869,744	\$ 8,344,319	2.73%	7.0%
7	IS-P	\$ 1,983,483	\$ -	\$ 1,381,184	\$ 215,835	\$ 3,135,155	\$ 12,532,694	\$ 19,248,351	\$ -	\$ 19,248,351	\$ 370,407	1.96%	0.0%
8	LP-5	\$ 1,335,096	\$ -	\$ 9,327,778	\$ 8,290,684	\$ 24,859,791	\$ 111,810,573	\$ 155,623,921	\$ -	\$ 155,623,921	\$ (377,791)	-0.24%	5.0%
9	IS-T	\$ 1,092,138	\$ -	\$ 6,882,578	\$ 22,043	\$ 16,771,108	\$ 52,157,715	\$ 76,925,582	\$ -	\$ 76,925,582	\$ (534,259)	-0.69%	0.0%
10	LP-6	\$ 166,864	\$ -	\$ 1,353,081	\$ 301,253	\$ 5,428,450	\$ 17,316,624	\$ 24,566,272	\$ -	\$ 24,566,272	\$ (76,232)	-0.31%	0.0%
11	LPEP	\$ 463,451	\$ -	\$ (40,513)	\$ 492,182	\$ 1,499,566	\$ 2,022,113	\$ 4,436,800	\$ -	\$ 4,436,800	\$ 92,433	2.13%	0.0%
12	ISA	\$ 848,849	\$ -	\$ 493,087	\$ -	\$ 2,596,059	\$ 5,818,257	\$ 9,557,152	\$ -	\$ 9,557,152	\$ 144	0.00%	0.0%
13	IS-1	\$ 42,096	\$ -	\$ 8,070	\$ 73	\$ 45,126	\$ 20,544	\$ 115,909	\$ -	\$ 115,909	\$ 8,961	8.38%	0.0%
14	BL	\$ 271,287	\$ -	\$ 36,100	\$ 19,165	\$ 70,264	\$ 201,471	\$ 598,258	\$ -	\$ 598,258	\$ 55,324	10.19%	0.0%
15	SA	\$ 3,617,279	\$ -	\$ 83,018	\$ 25,591	\$ 285,680	\$ 733,068	\$ 4,744,636	\$ -	\$ 4,744,636	\$ 382,818	8.78%	0.0%
16	SM	\$ 805,481	\$ -	\$ 15,851	\$ (3)	\$ 73,738	\$ 159,242	\$ 1,054,309	\$ -	\$ 1,054,309	\$ 83,876	8.64%	0.0%
17	SHS	\$ 14,625,178	\$ -	\$ 198,661	\$ 93,880	\$ 659,256	\$ 3,580,107	\$ 19,156,882	\$ -	\$ 19,156,882	\$ 1,593,447	9.07%	0.0%
18	SE	\$ 770,659	\$ -	\$ 62,330	\$ 211	\$ 86,390	\$ 34,768	\$ 954,358	\$ -	\$ 954,358	\$ 43,046	4.72%	0.2%
19	TS	\$ 27,800	\$ -	\$ 1,224	\$ 16	\$ 4,659	\$ 14,679	\$ 48,178	\$ -	\$ 48,178	\$ 3,521	7.89%	0.0%
20	SI-1	\$ 17,885	\$ -	\$ 301	\$ -	\$ 1,938	\$ 3,332	\$ 23,457	\$ -	\$ 23,457	\$ 1,913	8.88%	0.0%
21	GH-1	\$ 5,212,973	\$ -	\$ 1,014,820	\$ (124,869)	\$ 5,565,088	\$ 9,123,781	\$ 20,791,973	\$ -	\$ 20,791,973	\$ 1,273,772	6.53%	5.6%
22	GH-2	\$ 1,564,754	\$ -	\$ 330,700	\$ 10,130	\$ 1,672,903	\$ 2,851,606	\$ 6,430,092	\$ -	\$ 6,430,092	\$ 520,932	8.82%	1.0%
23	Standby(LP5-S)	\$ 60,776	\$ -	\$ 21,434	\$ 6,295	\$ 218,749	\$ 800,107	\$ 907,362	\$ -	\$ 907,362	\$ 31,973	3.65%	0.0%
24	PRS	\$ 686,515	\$ -	\$ 60,333	\$ 8,466	\$ 76,194	\$ 5,608,676	\$ 6,440,185	\$ -	\$ 6,440,185	\$ -	0.00%	
25	Rate Revenue	\$ 627,527,404	\$ -	\$ 133,383,381	\$ 87,438,721	\$ 380,380,543	\$ 1,454,710,241	\$ 2,693,440,301	\$ -	\$ 2,693,440,301	\$ 150,314,426	5.91%	
26													
27	Annualization Adjustment	\$ 7,923,661	\$ -	\$ 1,480,204	\$ 1,196,030	\$ 4,330,741	\$ 16,236,349	\$ 31,166,985	\$ -	\$ 31,166,985	\$ 2,029,999	6.97%	
28													
29	Total PUC Tariff Revenue	\$ 635,451,066	\$ -	\$ 134,863,585	\$ 88,634,751	\$ 384,711,284	\$ 1,470,946,590	\$ 2,724,607,286	\$ -	\$ 2,724,607,286	\$ 152,344,425	5.92%	
30													
31	Other Electric Revenues												
32	Late Payment	\$ 8,301,500	\$ -	\$ 146,946	\$ -	\$ -	\$ -	\$ 8,448,446	\$ -	\$ 8,448,446	\$ 731,742	9.48%	
33	Misc. Revenue	\$ (125,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (125,000)	\$ -	\$ (125,000)	\$ -	0.00%	
34	Rent	\$ 18,789,932	\$ -	\$ 199,308	\$ -	\$ -	\$ -	\$ 18,989,240	\$ -	\$ 18,989,240	\$ -	0.00%	
35	Other	\$ 1,989,476	\$ -	\$ 18,455,450	\$ -	\$ -	\$ -	\$ 20,444,926	\$ -	\$ 20,444,926	\$ -	0.00%	
36	Total Other	\$ 28,955,908	\$ -	\$ 18,801,704	\$ -	\$ -	\$ -	\$ 47,757,612	\$ -	\$ 47,757,612	\$ 731,742	1.56%	
37													
38	Total Operating Revenue	\$ 664,406,974	\$ -	\$ 153,665,289	\$ 88,634,751	\$ 384,711,284	\$ 1,470,946,590	\$ 2,772,364,898	\$ -	\$ 2,772,364,898	\$ 153,076,167	5.84%	

Note 1: EDI/IDI credits eliminated in proposed budget.
 Note 2: Col 5, page 4
 Note 3: Col 6, page 4
 Note 4: Col 7, page 4
 Note 5: Col 8, page 4
 Note 6: Col 11 - Col 11, page 4
 Note 7: Col 12 / Col 11, page 4 (%)

PPL Electric Utilities Corporation
12 month Period Ended December 31, 2003 Proposed Budget, With Shopping, With Proposed Transmission Revenues

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Line Number	Rate Schedule	Total Revenue	Present Transmission Rate Revenue	Proposed Transmission Rate Revenue	Change in Transmission Rate Revenue	Total Proposed Revenue	Total Revenue Change	Total Percent Change	Shopping Factor
		(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)	(Note 6)	(Note 7)	(Note 8)
1	RS	\$ 1,161,283,632	\$ 48,977,769	\$ 72,331,552	\$ 23,353,783	\$ 1,184,637,414	\$ 104,420,732	9.67%	0.2%
2	RTS	\$ 23,896,201	\$ 485,117	\$ 2,269,807	\$ 1,784,690	\$ 25,660,891	\$ 2,321,719	9.94%	0.1%
3	RTD	\$ 446,410	\$ 19,842	\$ 29,315	\$ 9,473	\$ 455,882	\$ 41,218	9.94%	0.0%
4	GS-1	\$ 221,660,570	\$ 10,886,128	\$ 10,483,366	\$ (402,763)	\$ 221,257,807	\$ 19,998,753	9.94%	1.0%
5	GS-3	\$ 620,660,087	\$ 33,651,496	\$ 42,712,949	\$ 9,061,453	\$ 629,721,521	\$ 45,520,036	7.79%	6.0%
6	LP-4	\$ 313,869,744	\$ 18,133,002	\$ 28,256,934	\$ 10,123,932	\$ 323,993,676	\$ 18,468,251	6.04%	7.0%
7	IS-P	\$ 19,248,351	\$ 1,381,184	\$ 2,134,015	\$ 752,831	\$ 20,001,182	\$ 1,123,238	5.95%	0.0%
8	LP-5	\$ 155,623,921	\$ 9,327,778	\$ 17,247,206	\$ 7,919,428	\$ 163,543,349	\$ 7,541,638	4.83%	5.0%
9	IS-T	\$ 76,925,582	\$ 6,882,578	\$ 10,763,101	\$ 3,880,523	\$ 80,806,105	\$ 3,346,265	4.32%	0.0%
10	LP-6	\$ 24,566,272	\$ 1,353,081	\$ 2,479,085	\$ 1,126,004	\$ 25,892,276	\$ 1,049,771	4.26%	0.0%
11	LPEP	\$ 4,436,800	\$ (40,513)	\$ 337,960	\$ 378,472	\$ 4,815,272	\$ 470,906	10.64%	0.0%
12	ISA	\$ 9,557,152	\$ 493,087	\$ 493,087	\$ -	\$ 9,557,152	\$ 144	0.00%	0.0%
13	IS-1	\$ 115,909	\$ 8,070	\$ 9,729	\$ 1,659	\$ 117,568	\$ 10,620	9.93%	0.0%
14	BL	\$ 598,258	\$ 36,100	\$ 34,743	\$ (1,357)	\$ 596,901	\$ 53,967	9.94%	0.0%
15	SA	\$ 4,744,636	\$ 83,018	\$ 133,804	\$ 50,786	\$ 4,795,422	\$ 433,604	9.94%	0.0%
16	SM	\$ 1,054,308	\$ 15,851	\$ 28,443	\$ 12,592	\$ 1,066,901	\$ 96,469	9.94%	0.0%
17	SHS	\$ 19,156,882	\$ 198,661	\$ 350,999	\$ 152,338	\$ 19,309,220	\$ 1,745,785	9.94%	0.0%
18	SE	\$ 954,358	\$ 62,330	\$ 109,795	\$ 47,465	\$ 1,001,823	\$ 90,511	9.93%	0.2%
19	TS	\$ 46,176	\$ 1,224	\$ 2,144	\$ 920	\$ 49,098	\$ 4,441	9.94%	0.0%
20	SI-1	\$ 23,457	\$ 301	\$ 529	\$ 228	\$ 23,685	\$ 2,141	9.94%	0.0%
21	GH-1	\$ 20,791,973	\$ 1,014,820	\$ 1,652,795	\$ 637,975	\$ 21,429,949	\$ 1,911,747	9.79%	5.6%
22	GH-2	\$ 8,430,092	\$ 330,700	\$ 397,285	\$ 66,585	\$ 8,496,677	\$ 587,517	9.94%	1.0%
23	Standby(LP5-S)	\$ 907,362	\$ 21,434	\$ 39,271	\$ 17,837	\$ 925,199	\$ 49,810	5.69%	0.0%
24	PRS	\$ 6,440,185	\$ 60,333	\$ 60,333	\$ -	\$ 6,440,185	\$ -	0.00%	
25	Rate Revenue	\$ 2,693,440,301	\$ 133,383,381	\$ 192,358,246	\$ 58,974,865	\$ 2,752,415,166	\$ 209,289,282	8.23%	
26									
27	Annualization Adjustment	\$ 31,166,985	\$ 1,480,204	\$ 2,077,635	\$ 597,431	\$ 31,764,417	\$ 2,627,430	9.02%	
28									
29	Total PUC Tariff Revenue	\$ 2,724,607,286	\$ 134,863,585	\$ 194,435,882	\$ 59,572,296	\$ 2,784,179,572	\$ 211,916,712	7.90%	
30									
31	Other Electric Revenues								
32	Late Payment	\$ 8,448,446	\$ 146,946	\$ 161,151	\$ 14,205	\$ 8,462,651	\$ 745,947	9.67%	
33	Misc. Revenue	\$ (125,000)	\$ -	\$ -	\$ -	\$ (125,000)	\$ -	0.00%	
34	Rent	\$ 18,989,240	\$ 199,308	\$ 199,308	\$ -	\$ 18,989,240	\$ -	0.00%	
35	Other	\$ 20,444,926	\$ 18,455,450	\$ 18,455,450	\$ -	\$ 20,444,926	\$ -	0.00%	
36	Total Other	\$ 47,757,612	\$ 18,601,704	\$ 18,615,909	\$ 14,205	\$ 47,771,817	\$ 745,947	1.59%	
37									
38	Total Operating Revenue	\$ 2,772,364,898	\$ 153,665,289	\$ 213,251,791	\$ 59,586,491	\$ 2,831,951,389	\$ 212,662,658	8.12%	

Note 1: Col 11, page 7
 Note 2: Col 5, page 7
 Note 3: Col 5, page 6 x (1-col 10)
 Note 4: Col 5 - Col 4
 Note 5: Col 3 + Col 6
 Note 6: Col 7 - Col 11, page 4
 Note 7: Col 6 / Col 11, page 4 (4%)
 Note 8: Percent customer shopping usage.

PPL ELECTRIC UTILITIES CORPORATION

Adjustment to Operating Revenues for Unbilled Revenue
Year Ended December 31, 2003
(Thousands of Dollars)

This adjustment was made to normalize distribution and transmission operating revenue for the test period by eliminating unbilled revenue.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Unbilled revenue- transmission	\$ 513
2	Unbilled revenue- distribution	1,343
3	Total decrease in transmission and distribution operating revenue	<u>\$ (1,856)</u>

PPL ÉLECTRIC UTILITIES CORPORATION

Adjustment to Wages and Benefits
Year Ended December 31, 2003
(Thousands of Dollars, except wages per employee)

This adjustment was made to reflect the average number of transmission and distribution-related employees and the level of wages and benefits in effect at the end of the year.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Average monthly T & D-related wages to expense per employee	\$ 3,353
2	T & D-related personnel employed at the end of the year	2,353
3	Annualized T & D-related total wages to expense(line 1 x line 2 x 12 months)	94,675
4	Less: Actual T & D-related wages to expense for the year ended December 31, 2003	<u>86,407</u>
5	Increase in wages to expense (line 3 - line 4)	8,268
6	Increase in benefits expense (line 5 x 30%)	2,480
7	Increase in payroll taxes (line 5 x 7%)	579
8	Increase in T&D-related wages, taxes and benefits expenses (line 5 + line 6 + line 7)	<u>\$ 11,327</u>

PPL ELECTRIC UTILITIES CORPORATION

Adjustment for Rate Case Expense
Year Ended December 31, 2003
(Thousands of Dollars)

Rate case expenditures are charged to expense when incurred. The Company's claim for distribution rate case expense is based on a normalized amount as shown below.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Total distribution rate case expense	<u>\$ 2,000</u>
2	Normalized amount (line 1 / 2 years)	\$ 1,000
3	Less: <i>Distribution rate case expense per books</i>	<u>0</u>
4	Increase in distribution operating expense	<u>\$ 1,000</u>

PPL ELECTRIC UTILITIES CORPORATION

Adjustment for Interest Expense on Customer Deposits
Year Ended December 31, 2003
(Thousands of Dollars)

The Commission, in its Final Order at Docket No. R-80031114, determined that it was appropriate to include the interest expense on customer deposits in PPL Electric's operation and maintenance expense when the deposits are used as a reduction to rate base. The interest on these deposits is computed at an interest rate calculated in accordance with Rule 2 - Requirement for Service set forth in the Company's Tariff- Electric Pa. P.U.C. No. 201.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Customer deposits	\$ 16,039
2	Interest rate	<u>1.169%</u>
3	Increase in transmission and distribution expense (line 1 x line 2)	<u>\$ 187</u>

PPL ELECTRIC UTILITIES CORPORATION

Adjustment for Social Programs
Year Ended December 31, 2003
(Thousands of Dollars)

This adjustment was made to increase distribution operating expense to reflect the Company's proposed level of spending on social programs.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	On Track	\$ 14,700
2	WRAP	6,700
3	Community Betterment Initiative	1,000 (1)
4	Demand Side Response Programs	200
5	Sustainable Energy Fund	3,689
6	Total amount of distribution expense	<u>26,289</u>
7	Less: Amount per books	21,671
8	Increase in distribution operating expense	<u><u>\$ 4,618</u></u>

(1) The Company proposes funding the Community Betterment Initiative at \$2 million with the cost shared equally between ratepayers and shareowners.

PPL ELECTRIC UTILITIES CORPORATION

Adjustment for AMR Displacement Costs
Year Ended December 31, 2003
(Thousands of Dollars)

In September 2003, PPL Electric recorded a \$8.8 million charge to cover the anticipated displacement costs of 94 employees to be separated as part of the automated meter reader (AMR) implementation project. These costs are based on an actuarial study for those employees separated in 2003 and throughout 2004. The savings to customers as a result of this displacement program is included in the \$6.0 million as shown on Future 1 Schedule D-5. The Company proposes to recover these displacement costs over a 5- year period.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Total AMR displacement costs	<u>\$ 8,818</u>
2	Increase in distribution operating expense (Line 1/5 years)	\$ 1,764
3	Less: Amount per books	8,818
4	Decrease in distribution operating expense	<u>\$ (7,054)</u>

PPL ELECTRIC UTILITIES CORPORATION

Adjustment for Hurricane Isabel Deferred Costs
Year Ended December 31, 2003
(Thousands of Dollars)

On January 16, 2004, the Commission granted the Company's petition to defer for accounting and financial reporting purposes the distribution operating expenses incurred to restore service to customers as a result of Hurricane Isabel. Pursuant to this decision, the Company established a regulatory asset of \$15.0 million, which it proposes to amortize over a 5- year period.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Total Hurricane Isabel regulatory asset	<u>\$ 15,012</u>
2	Increase in distribution operating expense (Line 1/ 5 years)	\$ 3,002
3	Less: Amount per books	0
4	Increase in distribution operating expense	<u>\$ 3,002</u>

PPL ELECTRIC UTILITIES CORPORATION

Adjustment to Annual Depreciation Expense
Year Ended December 31, 2003
(Thousands of Dollars)

<u>Line No.</u>	<u>Depreciation - Electric Plant In Service (1)</u>	<u>Amount</u>
1	Intangible Plant	\$ 4,722
2	Transmission Plant	17,330
3	Distribution Plant	73,877
4	General Plant	11,381
5	Total	<u>107,310</u>
6	Less: Depreciation expense per books	102,604
7	Increase in depreciation expense	<u><u>\$ 4,706</u></u>

(1) Includes negative net salvage of \$4,054

PPL ELECTRIC UTILITIES CORPORATION

Adjustment to Taxes Other Than Income
Year Ended December 31, 2003
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
	<u>PA Capital Stock Tax</u>	
	Adjustment to reflect current taxable value	
1	Estimated Tax applicable to T&D operations at 7.24 mills (D-12, page 2)	\$ 10,549
2	Less: Capital stock tax on T&D operations per books	<u>10,491</u>
3	Increase in expense	<u>\$ 58</u>
	<u>PA Gross Receipts Tax</u>	
	Adjustment to provide for gross receipts tax on pro forma revenue at present rates	
4	Gross receipts tax recoverable through base rates (D-12, page 3)	\$ 37,061
5	Less: Gross receipts tax on T&D operations per books	<u>36,729</u>
6	Increase in expense	<u>\$ 332</u>
	<u>PA Public Utility Realty</u>	
	Adjustment to reflect current taxable value	
7	Public utility realty tax recoverable through base rates (D-12, page 4)	\$ 3,251
8	Less: Public utility realty tax on T&D operations per books	<u>3,562</u>
9	Decrease in expense	<u>\$ (311)</u>

PPL ELECTRIC UTILITIES CORPORATION

Capital Stock Tax at Present Rates
Year Ended December 31, 2003
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	PA Capital Stock Tax= $50\%((5 \text{ Year Average Net Income}/.095)+(75\%(\text{Net Worth}))$	
	Net Income	
2	1999	\$ 477,299
3	2000	277,364
4	2001	124,282
5	2002	43,633
6	2003	<u>28,470</u>
7	Total	<u>\$ 951,048</u>
8	Average	<u>\$ 190,210</u>
9	Net worth at December 31, 2003	<u>\$ 1,272,042</u>
10	PA Capital stock value = $.5((\$190,210/.095) + (.75 \times \$1,272,042)) =$	\$1,478,121
11	Statutory Exemption	<u>125</u>
12	Value of Capital Stock less Statutory Exemption	1,477,996
13	Apportionment Percentage	<u>0.995148</u>
14	PA Capital Stock Taxable Value	<u>\$1,470,825</u>
15	PA Capital Stock Tax at 7.24 mills	\$ 10,649
16	Less PA Education tax credit	<u>(100)</u>
17	Pa Capital Stock Tax	<u>\$ 10,549</u>

PPL ELECTRIC UTILITIES CORPORATION

Gross Receipts Tax (GRT) at Present Rates
Year Ended December 31, 2003
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Pro Forma Revenue</u>	<u>Applicable GRT Rate (Mills)</u>	<u>Amount</u>
1	Tariff Revenue Total Tariff Revenue (D-3, page 1, line 7)	\$ 620,437	59	\$ 36,606
2	Other Electric Revenue Late payment	7,717	59	455
3	Other electric revenue	39,995	-	
4	Total Other	<u>\$ 47,712</u>		
5	Total gross receipts tax on pro forma revenue at present rates			<u>\$ 37,061</u>

PPL ELECTRIC UTILITIES CORPORATION

Public Utility Realty Tax (PURTA) at Present Rates
Year Ended December 31, 2003
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	State Taxable Value (per Notice of Determination dated August 1, 2003)	\$ 105,090
2	Rate @ 30.9390 mills (per Notice of Determination dated August 1, 2003)	<u>0.030939</u>
3	Tax Amount	<u>\$ 3,251</u>

PPL ELECTRIC UTILITIES CORPORATION
 Computation of Income Taxes - Electric
 Year Ended December 31, 2003
 (Thousands of Dollars)

Line No.	Description	Total Amount Per Books	Less: CTC and POLR	T&D Operations Per Books	Pro forma Adjustments	T&D Pro forma at Present Rates
1	Operating Revenues	\$2,419,693	\$ (1,757,170)	\$ 662,523	\$ 5,626	\$ 668,149
	Operating Expenses					
2	Operation and maintenance	2,000,151	(1,598,894)	401,257	12,501	413,758
3	Depreciation and amortization	102,604	0	102,604	4,706	107,310
4	Regulatory Debits and Credits	6,997	(6,997)	0		0
5	Taxes Other than Income	170,668	(115,020)	55,648	658	56,306
6	Income Taxes - Federal	(3,859)	(14,200)	(18,059)	(12,566)	(30,625)
7	Income Taxes - State	2,471	(4,503)	(2,032)	(1,567)	(3,599)
8	Deferred Income Taxes	19,431	16,950	36,381	(10,480)	25,901
9	Investment Tax Credit - Amortization	(2,768)		(2,768)		(2,768)
10	Gains and Losses on Property Dispositions	(19)		(19)	19	0
11	Total Operating Expense	<u>2,295,676</u>	<u>(1,722,664)</u>	<u>573,012</u>	<u>(6,729)</u>	<u>566,283</u>
12	Operating Income	124,017	(34,506)	89,511	12,355	101,866
13	Less: Interest Expense	98,870		98,870	(15,778)	83,092
						0
14	Net Operating Income	<u>25,147</u>	<u>(34,506)</u>	<u>(9,359)</u>	<u>28,133</u>	<u>18,774</u>
	Income Tax Adjustments					
15	Federal Income Tax	(3,859)	(14,200)	(18,059)	(12,566)	(30,625)
16	State Income Tax	2,471	(4,503)	(2,032)	(1,567)	(3,599)
17	Deferred Income Taxes	19,431	16,950	36,381	(10,480)	25,901
18	Pension and supplemental retirements	1,660		1,660		1,660
19	Health care cost PMC amortization	5,203	(5,203)	0		0
20	Contributions in aid of construction	23,017		23,017		23,017
21	Environmental Clean-up	(1,006)		(1,006)		(1,006)
22	Clearing Accounts	(499)		(499)		(499)
23	Depreciation Charged to Clearing	574		574		574
24	Amortization leased equipment	16,282		16,282		16,282
25	Book Depreciation	102,604	0	102,604		102,604
26	Tax Depreciation	(202,872)	0	(202,872)		(202,872)
27	Investment tax credit amortization	(2,768)	0	(2,768)		(2,768)
28	Removal costs	(11,738)		(11,738)		(11,738)
29	Adjust-Sales of Property	(5,136)		(5,136)		(5,136)
30	ESOP dividend paid in cash	(4,533)		(4,533)		(4,533)
31	Reacquired debt costs	(1,314)		(1,314)		(1,314)
32	Post - retirement/employment benefits	(2,044)		(2,044)		(2,044)
33	Business Meals Not Deductible	487		487		487
34	Adjust Gross receipts Tax- Cash basis	(809)		(809)		(809)
35	Adjust Other Taxes	(775)	775	0		0
36	Vacation Pay	846		846		846
37	Competitive Transition Charge	5,378	(5,378)	0		0
38	Bad debts & Property damage	514		514		514
39	Taxes Capitalized	(814)		(814)		(814)
40	Obsolete Inventory	212		212		212
41	Fin45 Rent Amortization	806		806		806
42	Consumer Education	(315)		(315)		(315)
43	Administrative & General Capitalized	970		970		970
44	Severance Pay	(97)		(97)		(97)
45	Section 481 Adjustment- Ash Basin/SF Interest	(1,245)	1,245	0		0
46	FAS 150 Preferred Stock S/F Interest	255	(255)	0		0
47	Hurricane Isabel Deferral	(15,012)		(15,012)		(15,012)
48	Software Amortization	(157)		(157)		(157)
49	Income Tax Adjustments	<u>(74,283)</u>	<u>(10,569)</u>	<u>(84,852)</u>	<u>(24,613)</u>	<u>(109,465)</u>
50	Taxable Net Income Before Special Deductions	<u>\$ (49,136)</u>	<u>\$ (45,075)</u>	<u>\$ (94,211)</u>	<u>\$ 3,520</u>	<u>\$ (90,691)</u>

PPL ELECTRIC UTILITIES CORPORATION
 Computation of Income Taxes - Electric
 Year Ended December 31, 2003
 (Thousands of Dollars)

Line No.	Description	Total Amount Per Books	Less: CTC and POLR	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	\$ (49,136)	\$ (45,075)	\$ (94,211)	\$ 3,520	\$ (90,691)
	PA Special Deductions					
2	Tax Preference Income	(184)		(184)		(184)
3	Dividends Paid Credit	(408)		(408)		(408)
4	Bonus Depreciation Adjustment	55,254		55,254		55,254
5	PA Taxable Income	5,526	(45,075)	(39,549)	3,520	(36,029)
6	PA Tax @ 9.99%	552	(4,503)	(3,951)	352	(3,599)
7	PA Education Credit	0		0		0
8	Accrual for Potential Deficiency	1,650		1,650	(1,650)	0
9	Prior Return Tax Return Adjustments	269		269	(269)	0
10	Total PA Income Tax	<u>\$ 2,471</u>	<u>\$ (4,503)</u>	<u>\$ (2,032)</u>	<u>\$ (1,567)</u>	<u>\$ (3,599)</u>
<u>Federal Income Tax Calculation</u>						
11	Taxable Net Income Before Special Deductions	\$ (49,136)	\$ (45,075)	\$ (94,211)	\$ 3,520	\$ (90,691)
	Federal Special Deductions					
12	PA Income Tax Less Education Credit	(552)	4,503	3,951	(352)	3,599
13	Dividends Paid Credit	(408)		(408)		(408)
14	Federal Taxable Income	(50,096)	(40,572)	(90,668)	3,168	(87,500)
15	Federal Tax @ 35%	(17,534)	(14,200)	(31,734)	1,109	(30,625)
16	Accrual for Potential Deficiency	(750)		(750)	750	0
17	Prior Return Tax Return Adjustments	14,425		14,425	(14,425)	0
18	Total Federal Income Tax	<u>\$ (3,859)</u>	<u>\$ (14,200)</u>	<u>\$ (18,059)</u>	<u>\$ (12,566)</u>	<u>\$ (30,625)</u>

PPL ELECTRIC UTILITIES CORPORATION
Adjustment to Interest Deduction for Income Tax Purposes
Year Ended December 31, 2003
(Thousands of Dollars)

This adjustment provides for the annualized interest on claimed measures of value at December 31, 2003.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Measures of value at December 31, 2003 (C-1)	\$ 2,390,954
2	Long-term debt ratio (B-9)	53.88%
3	Embedded cost of long-term debt (B-9)	6.45%
4	Annualized interest (line 1 x line 2 x line 3)	83,092
5	Less: Interest expense on T&D operations (D-13, page 1)	<u>98,870</u>
6	Decrease in interest deduction (line 4 - line 5)	<u>\$ (15,778)</u>

PPL ELECTRIC UTILITIES CORPORATION
Operating Revenue and Applicable Tax
Related to Proposed Rate Increase
Year Ended December 31, 2003
(Thousands of Dollars)

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Additional operating revenue from proposed rate increase	\$ 153,847
	Less:	
2	PA gross receipts tax (line 1 x 59 mills)	9,077
3	PA Capital stock tax (line 8 x 7.24 mills)	<u>611</u>
4	Taxable income for PA Corporate net income tax	144,159
5	PA corporate net income tax (line 4 x 9.99%)	<u>14,401</u>
6	Taxable income for Federal income tax	129,758
7	Federal income tax (line 6 x 35%)	<u>45,415</u>
8	Operating income	<u><u>\$ 84,343</u></u>

PPL ELECTRIC UTILITIES CORPORATION

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Adjustment to Deferred Income Taxes
As of December 31, 2003
(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	\$ 5,432	\$ 0	\$ 5,432	\$ (428)	\$ 5,004
Distribution Property	33,738		33,738	(1,383)	32,355
General Property	2,440	(16)	2,424	(1,379)	1,045
Prior Year Tax Return Adjustments	23	(13,638)	(13,615)	13,615	0
Class Life:					
Transmission Property		(491)	(491)		(491)
Distribution Property		(1,521)	(1,521)		(1,521)
Removal Costs:					
Transmission Property		(77)	(77)		(77)
Distribution Property		(184)	(184)		(184)
Repair Allowance:					
Transmission Property		(40)	(40)		(40)
Distribution Property		(639)	(639)		(639)
Contributions in Aid Of Construction:					
Transmission Property		(4,035)	(4,035)		(4,035)
Distribution Property		(5,516)	(5,516)		(5,516)
Prior Year Tax Return Adjustments	2,367		2,367	(2,367)	0
Total					
Transmission Property	5,432	(4,643)	789	\$ (428)	361
Distribution Property	33,738	(7,860)	25,878	(1,383)	24,495
General Property	2,440	(16)	2,424	(1,379)	1,045
Prior Year Tax Return Adjustments	2,390	(13,638)	(11,248)	11,248	0
Total	<u>\$ 44,000</u>	<u>\$ (26,157)</u>	<u>\$ 17,843</u>	<u>\$ 8,058</u>	<u>25,901</u>
Less: Deferred income taxes on T&D operations per books					<u>36,381</u>
Decrease in deferred income taxes					<u>\$ (10,480)</u>

PPL ELECTRIC UTILITIES CORPORATION

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Adjustment to Provision For Deferred Income Taxes
As of December 31, 2003
(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	\$ 24,171
2	Tax depreciation computed on a straight-line tax basis	<u>9,613</u>
3	Excess ACRS and MACRS/(straight-line) tax depreciation	<u>14,558</u>
	Distribution Property	
4	Tax depreciation computed under ACRS and MACRS	143,099
5	Tax depreciation computed on a straight-line tax basis	<u>49,972</u>
6	Excess ACRS and MACRS/(straight-line) tax depreciation	<u>93,127</u>
	General Property	
7	Tax depreciation computed under ACRS and MACRS	29,397
8	Tax depreciation computed on a straight-line tax basis	<u>26,399</u>
9	Excess ACRS and MACRS/(straight-line) tax depreciation	<u>2,998</u>
10	Net excess ACRS and MACRS/(straight-line) tax depreciation	<u>\$ 110,683</u>
11	Tax Rate Provisions - 35% Reversals - Average Rate Assumption Method	
12	Net annual deferred tax debit / (credit)	<u>\$ 38,404</u>
	Less: Net provision on T&D operations per books	
13	Provision for deferred taxes - debit	41,633
14	Provision for deferred taxes - credit	<u>(13,654)</u>
15		<u>27,979</u>
16	Increase in deferred income tax provision	<u>\$ 10,425</u>

PPL ELECTRIC UTILITIES CORPORATION

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Adjustment to Amortization of
Deferred Investment Tax Credit
Year Ended December 31, 2003
(Thousands of Dollars)

Line No.	Description	4% Investment Tax Credit	10% Investment Tax Credit	Total
Transmission Property:				
1	1971	10	0	\$ 10
2	1972	43	0	43
3	1973	55	0	55
4	1974	14	0	14
5	1975	38	24	62
6	1976	19	89	108
7	1977	0	33	33
8	1978	0	26	26
9	1979	0	33	33
10	1980	0	118	118
11	1981	0	211	211
12	1982	0	61	61
13	1983	0	2	2
14	1984	0	24	24
15	1985	0	17	17
16	1986	0	13	13
17	1987	0	9	9
18	1988	0	2	2
19	1989	0	0	0
20	1990	0	0	0
Total Transmission Property				<u>841</u>
Distribution Property:				
21	1971	13	0	13
22	1972	99	0	99
23	1973	102	0	102
24	1974	40	0	40
25	1975	87	57	144
26	1976	39	180	219
27	1977	0	117	117
28	1978	0	114	114
29	1979	0	163	163
30	1980	0	160	160
31	1981	0	161	161
32	1982	0	147	147
33	1983	0	79	79
34	1984	0	84	84
35	1985	0	117	117
36	1986	0	120	120
37	1987	0	28	28
38	1988	0	12	12
39	1989	0	3	3
40	1990	0	5	5
Total Distribution Property				<u>1,927</u>
41	Total Amount of Amortization			2,768
42	Less: Amortization on T&D operations per books			<u>2,768</u>
43	Decrease in Amortization			<u>\$ -</u>