PPL ELECTRIC UTILITIES CORP
Form DEF 14C
April 28, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14C

Information Statement Pursuant to Section 14(c) of the Securities Exchange Act of 1934

Check the appropriate box:

o Preliminary Information Statement

o Confidential, for Use of the Commission Only (as permitted by Rule 14c-5(d)(2))

þ Definitive Information Statement.

PPL Electric Utilities Corporation

(Name of Registrant as Specified in Its Charter)

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þ No fee required.

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(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

PPL Electric Utilities Corporation

Notice of Annual Meeting
May 21, 2009

and

Information Statement
(including appended
2008 Financial Statements)

PPL ELECTRIC UTILITIES CORPORATION
Two North Ninth Street
Allentown, Pennsylvania 18101

Notice of Annual Meeting of Shareowners

Time and Date	9:00 a.m., Eastern Daylight Time, on Thursday, May 21, 2009.
Place	Offices of PPL Electric Utilities Corporation Two North Ninth Street Allentown, Pennsylvania
Items of Business	To elect the directors listed herein
	To consider such other business as may properly come before the Annual Meeting and any adjournments or postponements thereof.
Record Date	You can vote if you are a shareowner of record on February 27, 2009.
Proxy Voting	Proxies are not being solicited from shareowners because a quorum exists for the Annual Meeting based on the PPL Electric Utilities Corporation stock held by its parent, PPL Corporation. PPL Corporation owns all of the outstanding shares of common stock, and as a result, 99% of the voting shares of PPL Electric Utilities Corporation. PPL Corporation intends to vote all of these shares in favor of the election of PPL Electric Utilities Corporation s nominees as directors.

By Order of the Board of Directors,

Elizabeth Stevens Duane
Secretary

April 28, 2009

Important Notice Regarding the Availability of Materials
for the Shareowner Meeting to Be Held on May 21, 2009:

This Information Statement is available at
http://www.pplweb.com/PPLElectricInfoStatement

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PPL ELECTRIC UTILITIES CORPORATION
Two North Ninth Street
Allentown, Pennsylvania 18101

Information Statement

Annual Meeting of Shareowners
May 21, 2009
9:00 a.m. (Eastern Daylight Time)

We are providing this Information Statement in connection with the Annual Meeting of Shareowners of PPL Electric Utilities Corporation, or the company, to be held on May 21, 2009, and at any adjournment or postponement of the Annual Meeting. PPL Corporation, the parent of PPL Electric Utilities Corporation, owns all of the shares of the company s outstanding common stock, which represents 99% of the company s outstanding voting shares. As a result, a quorum exists for the Annual Meeting based on PPL Corporation s stock ownership. **ACCORDINGLY, WE ARE NOT ASKING THE SHAREOWNERS FOR A PROXY, AND SHAREOWNERS ARE REQUESTED NOT TO SEND US A PROXY.** We first released this Information Statement to shareowners on or about April 28, 2009.

GENERAL INFORMATION

What am I voting on?

There is one proposal scheduled to be voted on at the meeting, which is the election of the six directors listed herein for a term of one year.

Who can vote?

Holders of PPL Electric Utilities Corporation common stock, 41/2% Preferred Stock and Series Preferred Stock as of the close of business on the record date, February 27, 2009, may vote at the Annual Meeting. Each share of common stock, 41/2% Preferred Stock and Series Preferred Stock is entitled to one vote on each matter properly brought before the Annual Meeting.

What is the difference between holding shares as a shareowner of record and as a beneficial owner?

If your shares are registered directly in your name with PPL Electric Utilities Corporation s transfer agent, Wells Fargo Bank, N.A., you are considered, with respect to those shares, the shareowner of record. The Notice of Annual Meeting and Information Statement have been sent directly to you by PPL Electric Utilities Corporation.

If your shares are held in a stock brokerage account or by a bank or other holder of record, you are considered the beneficial owner of shares held in street name. The Notice of Annual Meeting and Information Statement has been forwarded to you by your broker, bank or other holder of record who is considered, with respect to those shares, the shareowner of record.

How do I vote?

As we are not asking shareowners for a proxy by mail, you may come to the Annual Meeting and cast your vote there by ballot. Please bring your admission ticket with you to the Annual Meeting. You may request directions to the Annual Meeting by contacting Investor Services at 1-800-345-3085.

Abstentions and broker non-votes are not counted as either yes or no votes.

We do not expect that any other matters will be brought before the Annual Meeting.

Who can attend the Annual Meeting?

If you are a shareowner of record, your admission ticket is enclosed with the Notice of Annual Meeting and Information Statement. You will need to bring your admission ticket, along with picture identification, to the meeting. If you own shares in street name, please bring your most recent brokerage statement, along with picture identification, to the meeting. The company will use your brokerage statement to verify your ownership of 41/2% Preferred Stock or Series Preferred Stock and admit you to the meeting.

What constitutes a quorum?

As of the record date of February 27, 2009, there were a total of 66,873,245 shares of PPL Electric Utilities Corporation outstanding and entitled to vote, consisting of 66,368,056 shares of common stock all owned by PPL Corporation, 247,524 shares of 41/2% Preferred Stock and 257,665 shares of Series Preferred Stock. The 2,500,000 outstanding shares of Preference Stock are not entitled to vote. In order to conduct the Annual Meeting, a majority of the outstanding shares entitled to vote must be present in order to constitute a quorum. Abstentions and broker non-votes will be counted as present and entitled to vote for purposes of determining a quorum. A broker non-vote occurs when a broker, bank or other holder of record who holds shares for another person has not received voting instructions from the beneficial owner of the shares and, under New York Stock Exchange, or NYSE, listing standards, does not have discretionary authority to vote on a proposal.

What vote is needed for the directors to be elected?

Shareowners have the unconditional right of cumulative voting. Shareowners may vote in this manner by multiplying the number of shares registered in their respective names on the record date by the total number of directors to be elected at the Annual Meeting and casting all of such votes for one nominee or distributing them among any two or more nominees. The nominees who receive the highest number of votes, up to the number of directors to be elected, will be elected. Authority to vote for any individual nominee can be withheld by striking a line through that person s name in the list of nominees on the ballot. Shares will be voted for the remaining nominees on a pro rata basis.

How does the company keep voter information confidential?

To preserve voter confidentiality, we voluntarily limit access to shareowner voting records to designated employees of PPL Services Corporation. These employees sign a confidentiality agreement that prohibits them from disclosing the manner in which a shareowner has voted to any employee of company affiliates or to any other person (except to the Judges of Election or the person in whose name the shares are registered), unless otherwise required by law.

What is householding, and how does it affect me?

Beneficial owners of PPL Electric Utilities Corporation 41/2% Preferred Stock and Series Preferred Stock held in street name may receive a notice from their broker, bank or other holder of record stating that only one Information Statement and/or other shareowner communications and notices will be delivered to multiple security holders sharing an address. This practice, known as householding, will reduce the company s printing, shipping, and postage costs. If any beneficial owner wants to revoke consent to this practice and wishes to receive his or her own documents and other communications, however, then he or she must contact the broker, bank or other holder of record with a notice of revocation. Any shareowner may obtain a copy of such documents from the company at the address and phone number listed on the back cover page of this Information Statement.

PROPOSAL: ELECTION OF DIRECTORS

The nominees this year are Dean A. Christiansen, David G. DeCampli, Paul A. Farr, Robert J. Grey, James H. Miller and William H. Spence, all of whom are currently serving as directors. The Board of Directors has no reason to believe that any of the nominees will become unavailable for election, but, if any nominee should become unavailable prior to the meeting, PPL Corporation intends to vote its shares of PPL Electric Utilities Corporation common stock for the election of such other person as the Board of Directors may recommend in place of that nominee.

The Board of Directors
recommends that shareowners vote FOR this Proposal

Nominees for Directors:

DEAN A. CHRISTIANSEN, 49, is a Principal of Acacia Capital, Inc., a New York-based corporate finance firm he co-founded in 1990, providing mergers and acquisition, corporate finance, and equity and debt placement advisory services to the middle market. From August 2004 to June 2008, Mr. Christiansen also served as Managing Director of Sales and Marketing for Capital Markets Engineering & Trading LLC, a New York-based structured finance and fixed income securities financing boutique he helped organize. In addition, from October 2000 to July 2003, he served as President and Director of Lord Securities Corporation of New York, a corporate governance and financial administrative services company with operations world-wide. Mr. Christiansen received a degree in government from the University of Notre Dame and has completed additional studies in Aerospace engineering. He is also a member of the board of PPL Transition Bond Company, LLC. Mr. Christiansen has been a director since 2001.

DAVID G. DeCAMPLI, 51, is President of the company. Before being named to his current position in April 2007, Mr. DeCampli served as Senior Vice President-Transmission and Distribution Engineering and Operations of the company since December 2006. Prior to joining the company in December 2006, Mr. DeCampli served in the following positions for Exelon Energy Delivery, a retail energy marketer specializing in the supply of natural gas and electricity, in Chicago: as Vice President-Asset Investment Strategy and Development from April 2004; as Vice President and Chief Integration Officer from June 2003; as Vice President-Distribution Operations from April 2002; and as Vice President-Merger Implementation & Operations Strategy from October 2000. He also previously held various other engineering and management positions at PECO Energy. Mr. DeCampli earned a bachelor s degree in electrical engineering from Drexel University and a master s in organizational dynamics from the University of Pennsylvania. He has been a director since 2007.

PAUL A. FARR, 41, is Executive Vice President and Chief Financial Officer of the company s parent, PPL Corporation. Prior to assuming his current position in April of 2007, Mr. Farr was named Senior Vice President-Financial of PPL Corporation in August 2005, Vice President and Controller in August 2004 and served as Controller until January 2006. Prior to serving in his PPL Corporation positions, Mr. Farr served as Senior Vice President of PPL Global, LLC, a subsidiary of PPL Corporation that owns and operates electricity businesses in the United Kingdom, from January 2004, as well as Vice President-International Operations from June 2002 and Vice President since October 2001. Mr. Farr also served for several years as the chief financial officer of PPL Montana, LLC, and in other management positions at PPL Global. Before joining PPL in 1998, Mr. Farr served as an international project finance manager at Illinova Generating Company, as an international tax manager for Price Waterhouse LLP and as an international tax senior at Arthur Andersen. Mr. Farr earned a bachelor s degree in accounting from Marquette University and a master s degree in management from Purdue University. He is a certified public accountant and also serves on the boards of PPL Energy Supply, LLC and PPL Transition Bond Company, LLC. Mr. Farr has been a director since 2007.

ROBERT J. GREY, 58, serves as Senior Vice President, General Counsel and Secretary of the company s parent, PPL Corporation, and is on the board of PPL Energy Supply, LLC. Mr. Grey earned his bachelor s degree from Columbia University, a law degree from Emory University and a Master of Laws degree from George Washington University. Before being named as Senior Vice President, General Counsel and Secretary of PPL Corporation and the company in 1996, a position he served with the company until July 2000, Mr. Grey served as Vice President, General Counsel and Secretary. Before joining the company in 1995, Mr. Grey served as General Counsel for Long Island Lighting Company and was a partner with the law firm of Preston Gates & Ellis, now known as Kirkpatrick & Lockhart Preston Gates Ellis LLP. He has been a director since 2000.

JAMES H. MILLER, 60, is Chairman, President and Chief Executive Officer of the company s parent, PPL Corporation. Prior to his current appointment in October of 2006, Mr. Miller was named President of PPL Corporation in August 2005; Chief Operating Officer in September 2004, a position he held until the end of June 2006; and Executive Vice President in January 2004. He also served as President of PPL Generation, LLC, a PPL subsidiary that operates power plants in the United States. He also serves on the boards of PPL Corporation and PPL Energy Supply, LLC. Mr. Miller earned a bachelor s degree in electrical engineering from the University of Delaware and served in the U.S. Navy nuclear program. Before joining PPL Generation, LLC in February 2001, Mr. Miller served as Executive Vice President and Vice President, Production of USEC, Inc. from 1995 and prior to that time as President of ABB Environmental Systems, President of UC Operating Services, President of ABB Resource Recovery Systems and in various engineering and management positions at the former Delmarva Power and Light Co. Mr. Miller has been a director since 2001.

WILLIAM H. SPENCE, 52, is Executive Vice President and Chief Operating Officer of the company s parent, PPL Corporation. Prior to joining PPL in June 2006, Mr. Spence had 19 years of service with Pepco Holdings, Inc., an energy delivery company in the Mid-Atlantic region, and its heritage companies, Delmarva Power and Conectiv. He served as Senior Vice President of Pepco Holdings from August 2002 and as Senior Vice President of Conectiv Holdings since September 2000. He joined Delmarva Power in 1987 in that company s regulated gas business, where he held various management positions before being named Vice President of Trading in 1996. Mr. Spence also serves on the board of PPL Energy Supply, LLC. Mr. Spence earned a bachelor s degree in petroleum and natural gas engineering from Penn State University and a master s degree in business administration from Bentley College. Mr. Spence has been a director since 2006.

GOVERNANCE OF THE COMPANY

Board of Directors

Attendance. The Board of Directors held one Board meeting and acted by unanimous written consent 14 times during 2008. Each director attended the meeting held by the Board during 2008, except for Mr. Farr who was unable to attend the meeting. Directors are expected to attend all meetings of the Board, its Executive Committee and shareowners. All of our directors attended the 2008 Annual Meeting of Shareowners, except for Mr. Farr.

Communications with the Board. Shareowners or other parties interested in communicating with the Board of Directors may write to the following address:

Board of Directors
c/o Corporate Secretary s Office
PPL Electric Utilities Corporation
Two North Ninth Street
Allentown, Pennsylvania 18101

The Secretary of the company forwards all correspondence to the respective Board members, with the exception of commercial solicitations, advertisements or obvious junk mail. Concerns relating to accounting, internal controls or auditing matters are to be brought immediately to the attention of the company s Office of Business Ethics and Compliance and are handled in accordance with procedures established by the Audit Committee of PPL Corporation with respect to such matters.

Code of Ethics. The company s parent maintains its *Standards of Conduct and Integrity,* which are applicable to all Board members and employees of the company and its subsidiaries, including the principal executive officer, the principal financial officer and the principal accounting officer of the company. You can find the full text of the *Standards* in the Corporate Governance section of PPL Corporation s Web site *(www.pplweb.com/about/corporate+governance.htm).* The *Standards* are also available in print, without charge, to any shareowner who requests a copy.

Board Committees

The company does not have standing audit, nominating or compensation committees of the Board of Directors.

Executive Committee. During the periods between Board meetings, the Executive Committee s function is to act on behalf of the Board on appropriate matters that do not require full Board approval under the Pennsylvania Business Corporation Law or the company s articles of incorporation and bylaws. This Committee did not meet during 2008. The members of the Executive Committee are Mr. Miller (chair), and Messrs. DeCampli and Farr.

Nominations. The Board of Directors of the company makes the nominations for election of directors for the company and does not have a separate standing nominating committee. As PPL Corporation owns all of the outstanding shares of the company s common stock, which represents 99% of the company s outstanding voting shares, PPL Corporation has a quorum and voting power for the purpose of election of directors of the company, and PPL Corporation recommends to the Board of Directors of the company all of the nominees for directors of the company. Therefore, the Board of Directors of the company acts upon these recommendations and actions of PPL Corporation.

Because the company does not list any common equity securities with the NYSE and is a direct consolidated subsidiary of PPL Corporation, the company is not required to have a majority of independent directors nor an audit committee or audit committee financial expert. Most of the directors nominated are officers of PPL Corporation and its subsidiaries, including the company. In addition, because the Amended and Restated Articles of Incorporation require the company to have at all times a director who is independent, the Board of Directors nominates one independent director for election to the Board of Directors, based on the independence requirements set forth in the Amended and Restated Articles of Incorporation. The current independent director, Mr. Christiansen, was chosen by the company s board upon the recommendation of PPL Corporation. Because PPL Corporation controls the vote and the nomination of directors of the company, the company has not recently received any director recommendations from owners of voting preferred stock of the company. Shareowners interested in recommending nominees for directors should submit their recommendations in writing to: the Corporate Secretary s Office, PPL Electric Utilities Corporation, Two North Ninth Street, Allentown, Pennsylvania 18101. In order to be considered, nominations by shareowners must be received by the company 75 days prior to the 2010 Annual Meeting and must contain the information required by the Bylaws, such as the name and address of the shareowner making the nomination and of the proposed nominees and other information concerning the shareowner and the nominee.

In considering the candidates recommended by PPL Corporation, the Board of Directors seeks individuals who possess strong personal and professional ethics, high standards of integrity and values, independence of thought and judgment and who have senior corporate leadership experience, including within PPL Corporation. The company believes that prior business experience is valuable and provides a necessary basis for consideration of the many complicated issues associated with the company s business and the impact of related decisions on PPL Corporation and other shareowners, customers, employees and the general public. In addition, the Board of Directors seeks individuals who have a broad range of demonstrated abilities and accomplishments beyond corporate leadership. These abilities include the skill and expertise sufficient to provide sound and prudent guidance with respect to all of the company s operations and interests. After completing the evaluation process, the Board of Directors votes on whether to approve the nominees. Each nominee to be elected who is named in this Information Statement was recommended by PPL Corporation in accordance with the practices described above.

Compensation Processes and Procedures. The Compensation, Governance and Nominating Committee, or CGNC, of the Board of Directors of the company s parent, PPL Corporation, determines compensation for all officers who are deemed to be executive officers of PPL Corporation. This group includes all of the named executive officers who are included in the Summary Compensation Table on page 22, except for David G. DeCampli before he was named president of the company in April 2007. Specifically, the CGNC has strategic and administrative responsibility for a broad range of issues, including ensuring that executive officers are compensated effectively and in a manner consistent with the company s stated compensation strategy. The CGNC also oversees the administration of executive compensation plans, including the design of, and performance measures and award opportunities for, the executive incentive programs, and some employee benefits. The CGNC has the authority to make restricted stock, restricted stock unit, performance unit and option awards of PPL Corporation stock under the PPL Incentive Compensation Plan, or ICP. The Board of Directors of PPL Corporation appoints each member of the CGNC and has determined that each is an independent director.

The CGNC periodically reviews executive officer compensation to ensure that compensation is consistent with PPL Corporation s compensation philosophies, company and personal performance, changes in market practices, and changes in an individual s responsibilities. At the CGNC s first regular in-person meeting each year, which it holds in January, the CGNC reviews the performance of PPL Corporation executive officers, including the company s named executive officers, and makes awards for the just-completed fiscal year.

To assist in its efforts to meet the objectives outlined above, the CGNC has retained Towers Perrin, a nationally known executive compensation and benefits consulting firm, to advise it on a regular basis on executive compensation and benefit programs. Towers Perrin provides additional information to the CGNC so that it can determine whether the executive compensation programs of PPL Corporation and the company are reasonable and consistent with competitive practices. Representatives of Towers Perrin regularly participate in CGNC meetings and provide advice as to compensation trends and best practices, plan design and competitive market comparisons.

Annually, the CGNC requests Towers Perrin to develop an analysis of current competitive compensation practices and levels. This analysis begins with a general review at the committee s July meeting and continues with a detailed analysis of competitive pay levels and practices at its year-end meeting. The CGNC uses this analysis when it assesses performance and considers salary levels and incentive awards at its January meeting following the performance year.

Senior management of PPL Corporation and each of its subsidiaries, including the company, develop the business plan and recommend to the CGNC the related goals for the annual cash incentive program and the long-term incentive program for the upcoming year, based on industry and market conditions and other factors. All of the incentive goals are reviewed and approved by the CGNC.

The CGNC has the authority to review and approve annually the compensation structure, including goals and objectives, of the president of the company and other executive officers who are deemed to be executive officers of PPL Corporation and are subject to Section 16 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, including all of the executive officers named in this Information Statement. The chief executive officer of PPL Corporation reviews with the CGNC his evaluation of the performance and leadership of: (1) the executive officers who report directly to him; (2) the presidents of the major business lines who report to the chief operating officer, which includes the president of the company, with input from the chief operating officer; and (3) the treasurer and controller of PPL and the company, with input from the chief financial officer. The CGNC approves the annual compensation, including salary, incentive compensation and other remuneration of such executive officers.

Compensation of Directors

Directors who are employees of the company or its affiliates do not receive any separate compensation for service on the Board of Directors or its Executive Committee. The company pays Lord Securities Corporation an annual fee of $7,000 for providing the services of the company s independent director, Dean A. Christiansen.

STOCK OWNERSHIP

As noted above, all of the outstanding shares of common stock of the company are owned by PPL Corporation. No directors or executive officers of the company own any shares of PPL Electric Utilities Corporation preferred, series preferred or preference stock.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

To our knowledge, our directors and executive officers, and all holders of more than 10% of either 41/2% Preferred Stock or Series Preferred Stock, met all filing requirements under Section 16(a) of the Exchange Act during 2008.

TRANSACTIONS WITH RELATED PERSONS

The Board of Directors of the company s parent, PPL Corporation, adopted a written related-person transaction policy in January 2007 to recognize the process its Board will use in identifying potential conflicts of interest arising out of financial transactions, arrangements or relations between PPL Corporation or its subsidiaries, including the company, and any related persons. This policy applies to any transaction or series of transactions in which PPL Corporation or a subsidiary, including the company, is a participant, the amount exceeds $120,000 and a related person has a direct or indirect material interest. A related person includes not only the company s directors and executive officers, but also others related to them by specified family relationships, as well as shareowners who own more than 5% of any class of PPL Corporation s voting securities.

Under the policy, each related-person transaction must be reviewed and approved or ratified by the disinterested independent members of the Board of PPL Corporation, other than any employment relationship or transaction involving an executive officer and any related compensation, which must be approved by PPL Corporation s Compensation, Governance and Nominating Committee, or CGNC. PPL Corporation collects information about potential related-person transactions in annual questionnaires completed by directors and executive officers, including those of the company. PPL Corporation also reviews any payments made by PPL Corporation or its subsidiaries, including the company, to each director and executive officer and their immediate family members, and to or from those companies that either employ a director or an immediate family member of any director or executive officer. PPL Corporation s Office of General Counsel determines whether a transaction requires review by the Board of PPL Corporation or the CGNC. Transactions that fall within the definition of the policy are reported to the Board of PPL Corporation or the CGNC. The disinterested independent members of the Board of PPL Corporation, or the CGNC, as applicable, review and consider the relevant facts and circumstances and determine whether to approve, deny or ratify the related-person transaction. Since January 1, 2008, there have been no related-person transactions involving the company that were required either to be approved under the policy or reported under the related-person transaction rules of the Securities and Exchange Commission, or SEC, except for compensation for executive officers of the company that has been approved by the CGNC.

EXECUTIVE COMPENSATION

Compensation Committee Report

The Board of Directors has reviewed the following Compensation Discussion and Analysis and discussed it with management. Based on its review and discussions with management, the Board authorized the Compensation Discussion and Analysis to be incorporated by reference into the company s Annual Report on Form 10-K for the year ended December 31, 2008 and included in this Information Statement.

Board of Directors

Dean A. Christiansen
David G. DeCampli
Paul A. Farr
Robert J. Grey
James H. Miller
William H. Spence

Compensation Discussion and Analysis (CD&A)

The Compensation, Governance and Nominating Committee of the PPL Corporation Board of Directors, referred to throughout this CD&A as the Committee, is responsible for overseeing the executive compensation program and approves all executive compensation awards to those officers who are deemed to be executive officers of PPL Corporation. This group includes all of the named executive officers of the company. The Board of Directors of the company concurs with the decisions of the Committee.

Of the named executive officers who are included in the Summary Compensation Table on page 22, two of the named executive officers, James E. Abel and J. Matt Simmons, Jr., are not paid separately as officers of the company but are employees of PPL Services Corporation, an affiliate of PPL Corporation and of the company. Mr. DeCampli is an employee of the company. The company is a participating employer and has adopted all of the executive compensation plans offered by PPL Corporation to officers of the major operating subsidiaries of PPL Corporation as well as the officers of PPL Corporation. Each named executive officer participates in the executive compensation plans for their particular company, but all of the benefits offered and the terms of each plan are the same for all participating companies.

2008 Summary

Compensation awarded to our executive officers is composed of base salary, annual short-term cash incentives, and mid- and long-term stock-based incentives. Over 60% of total direct compensation of all of the executive officers each year is at risk.

2008 reflected our ongoing commitment to a pay-for-performance philosophy, where executive compensation is linked to performance of PPL Corporation and its subsidiaries, including the company, and to individual performance.

2008 was a challenging year for PPL Corporation, with net income and earnings, including earnings for the company, falling short of targeted goals.

Substantial reductions in total direct compensation with respect to our named executive officers for 2008, a year when key business objectives were not achieved, demonstrates that our program design is appropriately aligned with and tied to our business results.

Equity-based awards will continue to play an important role in this difficult economic environment because they reward named executive officers for the achievement of long-term business objectives and provide incentives for the creation of shareowner value.

An equity award based on total shareowner return of PPL Corporation was added to the mix of incentive awards granted in 2008, in order to focus executive performance on medium-term financial performance relative to industry peers.

Objectives of PPL s Executive Compensation Program

The executive compensation program of PPL Corporation and its subsidiaries, including the company and collectively referred to throughout this CD&A as PPL, is designed to recruit, retain and motivate executive leadership and align compensation with PPL s performance. Because executive officer performance has the potential to affect PPL s profitability, the elements of our executive compensation program are intended to further

PPL s business objectives by encouraging and retaining leadership excellence and expertise, rewarding our executive officers for sustained financial and operating performance, and aligning executive rewards with value creation for our shareowners over both the short and long term.

A key component of the program is direct compensation salary and a combination of annual cash and stock-based incentive awards which is intended to provide an appropriate, competitive level of compensation, to reward recent performance results and to motivate longer-term contributions to achieving PPL s strategic business objectives. The Committee evaluates the direct compensation program as a whole and seeks to deliver a balance of current cash compensation and stock-based compensation. The program also balances a level of fixed compensation paid regularly salary with incentive compensation that varies with the performance of PPL. The incentive compensation program focuses executive awards on annual and longer-term performance and, for executive officers including the named executive officers in the Summary Compensation Table on page 22, provides the major portion of direct compensation in the form of PPL Corporation stock, ensuring that management and shareowner interests are aligned.

Other elements of the executive compensation program provide: the ability for executives to accumulate capital, predominantly in the form of equity to align executive interests with those of PPL Corporation s shareowners; a level of retirement income; and, in the event of special circumstances like termination of employment in connection with a change in control of PPL Corporation, special severance protection to help ensure executive retention during the change in control process and to ensure executive focus on serving the company and shareowner interests without the distraction of possible job and income loss.

To ensure appropriate alignment with business strategy and objectives and shareowner interests, the Committee regularly reviews the executive compensation program and each of its components.

Compensation Elements

Our executive compensation program consists of: (1) direct compensation; (2) indirect compensation; and (3) special compensation.

Direct Compensation

Broadly stated, the direct compensation program is intended to reward:

- Expertise and experience through competitive salaries;
- Short-term financial and operational performance through annual cash incentive awards, which are tied to specific, measurable objectives;
- Achievement of sustained financial results through performance-based restricted stock unit awards;
- Medium-term financial performance through peer-group relative performance-based performance unit awards; and
- Stock price growth through awards of stock options.

The direct compensation program includes salary, an annual cash incentive award and stock-based, long-term incentive awards. Stock-based incentive awards are granted in three forms of equity: restricted stock units, performance units and stock options.

In general, PPL offers a direct compensation program that is intended to be competitive with that of companies of similar size and complexity, which are also the companies with which PPL competes for talent. The Committee and the company target direct compensation to be generally at the median of the competitive market. Each year, competitive data are developed by the Committee s compensation consultant, Towers Perrin, based on companies of similar size in terms of revenue scope both in the energy services industry and general industry companies other than energy services or financial services companies. In developing this competitive data, Towers Perrin uses its published compensation surveys (typically their current-year Executive Compensation Database and Long-Term Incentive Report (approximately 800 corporate participants), Energy Services Industry Executive Compensation Database (approximately 100 corporate participants) and Benchmark Compensation Survey of Energy Trading and Marketing Positions (approximately 65 corporate participants)). When possible and appropriate, analyses are performed to size-adjust the survey data to achieve a closer correlation with the appropriate revenue scope for the applicable PPL business position. The result of these analyses produces a market reference point we refer to as the PPL competitive data, which we believe appropriately reflects the competitive marketplace in which we compete for executive talent. General industry data determine the PPL competitive data used for staff positions and for setting incentive levels; energy industry data are used as the PPL competitive data reference point for salaries of business line positions.

PPL competitive data are used as a tool for evaluating salary levels as well as to set target incentive levels. For example, salary amounts are determined based on the PPL competitive data provided by the compensation consultant s analyses for a particular position and the PPL Corporation chief executive officer s assessment, with input from PPL Corporation s chief operating officer and chief financial officer as appropriate, and the Committee s assessment of the individual s expertise and experience. Total direct compensation in relation to other executives, as well as prior year individual performance and performance of the business line for which the executive is responsible, are also taken into consideration in determining any adjustment in pay level.

In addition to assessing competitive pay levels, Towers Perrin reports to the Committee regularly, and in particular at each July meeting, on recent and emerging compensation trends they perceive in the energy services industry.

The majority of direct compensation for executive officers consists of incentive compensation that varies with the performance of PPL. A portion of incentive compensation is intended to reward annual or short-term performance; the rest consists of restricted stock units and performance units, which are intended to promote medium-term performance, and stock options, which are intended to promote longer-term stock price growth.

Table 1 below illustrates our allocation of direct compensation for the company s named executive officers for 2008, which is shown as a percentage of total direct compensation. For example, the salary of the president is targeted to represent less than 34% of total direct compensation. Incentive compensation annual and long-term is targeted to represent more than 65% of the president s direct pay, with about 50% stock-based and linked to longer-term financial performance.

TABLE 1

Elements of Targeted Compensation as a Percentage of Total Direct Compensation 2008*

	Percentage of Total Direct Compensation		
Direct Compensation Element	**President**	**Treasurer**	**Vice President and Controller**
Salary	33.9%	40.8%	40.8%
Target Annual Cash Incentive Award	16.9%	16.3%	16.3%
Target Long-term Incentive Awards	49.2%	42.9%	42.9%

* Percentages based on target award levels as a percentage of total direct compensation. Values of restricted stock units, performance units and stock option awards shown in the Summary Compensation Table in this Information Statement reflect compensation expense recognized in 2008 for financial reporting purposes rather than fair market values calculated using the number of shares or options actually awarded. See Tax and Accounting Considerations SFAS 123(R) at the end of this CD&A at page 21 for further details on how equity awards are expensed.

Base Salary

The Committee sets base salaries to reward expertise and experience. Salaries are not at risk in the sense that, once established, they are paid regularly and are not contingent on attainment of specific objectives. Salaries are established annually based on individual and, where applicable, business line performance and market comparisons. We adjust executive salaries based on the expertise and experience of each executive, prior year individual performance and performance of the business line for which the executive is responsible. Additionally, the critical need for a particular executive s skill, overall assessment of an executive s pay in relation to others within the company and level of pay relative to the PPL competitive data are considered in determining an individual s base salary.

Generally, the company seeks to align salaries to the median of the companies in the PPL competitive data. Salaries are considered paid competitively if they are within 15% of the PPL competitive data, or within the PPL competitive range for a particular position. For example, if the median of PPL competitive data for the president position is $375,000, we consider appropriate market compensation for this position as ranging between $320,000 and $450,000, or 15% less than and 15% greater than the market reference point of $375,000.

Because target incentive award levels are set as a percentage of base salary, increases in salary also affect annual cash incentive award and equity incentive award opportunities.

In January of each year, the Committee reviews base salary levels for all PPL Corporation executive officers, including the named executive officers.

At its meeting on January 24, 2008, the Committee approved base salaries for the named executive officers as follows:

TABLE 2

2008 Salary Adjustments by Position
(effective January 1, 2008)

Name and Position	Prior Salary	PPL Competitive Range	2008 Salary	% Change
D. G. DeCampli President	$ 305,000	$331,500-$448,500	$ 350,000	14.8%
J. E. Abel* Treasurer	$ 275,100	$225,000-$305,000	$ 284,000	3.2%
J. M. Simmons, Jr.* Vice President and Controller	$ 250,000	$238,000-$322,000	$ 265,000	6.0%

* Messrs. Abel and Simmons were compensated for their positions served at PPL Corporation, and not as officers of the company.

The Committee increased Mr. DeCampli s salary upon promotion to president in 2007 and further adjusted his salary based on his sustained, effective performance and in recognition that his pay was towards the lower end of the PPL competitive range.

Mr. Abel s salary was increased to reflect continued effective performance as Vice President-Finance and Treasurer of PPL Corporation.

Mr. Simmons salary was increased to reflect his effective performance in the same position for PPL Corporation and the fact that his salary was low relative to the PPL competitive range.

<u>Annual Cash Incentive Awards</u>

The annual cash incentive award program is designed to reward annual performance compared to business objectives established at the beginning of the year. Unlike salary, where payment is a fixed amount paid regularly, this compensation element is at risk because awards are based on achievement of prescribed business results. Awards may vary from the target award (that is, the result at which payouts would be at 100% of the target) to the threshold or minimum payment of 50% of target or to the program maximum of 150% of target established for each position. No payment will be made if the results are below the 50% payment threshold.

The Committee makes annual cash incentive awards to executive officers under the shareowner-approved PPL Corporation Short-Term Incentive Plan, or the Short-Term Incentive Plan. The awards are based on objective corporate financial and operational measures. Specific written performance objectives and business objectives are established by management and approved by the Committee during the first quarter of each calendar year. The Committee establishes target award levels, set as a percentage of salary for each executive, based on a review of the

PPL competitive data and an internal comparison of executive positions.

The Committee set the following target award levels for the positions listed for the 2008 annual cash incentive awards under the Short-Term Incentive Plan:

TABLE 3

Annual Cash Incentive Targets by Position for 2008

Position	Targets as % of Salary
President	50%
Treasurer*	40%
Vice President and Controller*	40%

* Targets for these positions based on positions served at PPL Corporation.

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The basis for the 2008 annual cash incentive awards was adjusted following a comprehensive review of the program at the end of 2007 and the beginning of 2008. The Committee adjusted the program in two ways: (1) to change the objectives to be more focused on quantifiable measures with a greater emphasis for executive officers on corporate earnings per share, or EPS, achievement; and (2) to restructure the weighting of the EPS, business line and individual objectives.

As a result of the changes approved for 2008, the number of objectives was greatly reduced for purposes of calculating amounts available to pay annual cash incentive awards with a primary emphasis on EPS achievement. An individual performance factor was introduced for the presidents of the principal operating subsidiaries, including the company. Additional discretionary factors will be considered when assessing individual performance and award allocation for presidents of principal operating subsidiaries and other staff.

To implement these changes, the Committee at its January 2008 meeting revised the weighting of goal results in determining 2008 cash incentive awards. Awards for presidents of principal operating subsidiaries, including the president of the company, are now weighted 60% EPS, 20% on the results of their business line and 20% based on individual performance. In 2007, the awards for presidents were based on 40% EPS and 60% on all business line results, with their particular business line more heavily weighted than other business lines, and no individual performance factor.

The introduction of an individual performance component for determining cash incentive awards for the president of the company allows more discretion for Committee and PPL Corporation CEO judgment and provides a means to reward or penalize presidents for safety and environmental performance, corporate initiatives or strategic goal attainment. (Simultaneously with changes to the weighting of goal results for the annual cash incentive program, the Committee made several changes to the long-term incentive program, noted below on page 13, including elimination of a strategic goal-based award. Performance in connection with strategic initiatives can be the basis for all or a portion of the individual component of the annual cash award.)

The corporate financial goal for 2008, which was a fully diluted EPS target described in detail below, represented 60% of the total award for the president of the company. Business line operating results comprised 20% of the president s award opportunity. Awards for the treasurer, and the vice president and controller, are now weighted 50% EPS, 20% on individual performance and the remaining 30% is allocated to various operational objectives of the four principal operating subsidiaries of PPL Corporation and include business line net income, marketing and trading gross margin, generation availability, operation and maintenance expense and capital expenditure amounts, safety and environmental performance and other measures critical to the success of the business lines, all of which are described in detail below.

The following table summarizes the weightings allocated to financial and operational results, by executive officer position, for determining 2008 annual cash incentive awards:

TABLE 4

Annual Cash Incentive Weightings Applied to Financial and Operational Results

Category	President	Treasurer	Vice President and Controller

Financial Results	60%	50%	50%
Operational Results			
PPL Generation		8%	8%
PPL EnergyPlus		8%	8%
PPL Electric Utilities	20%	7%	7%
PPL Global		7%	7%
Individual performance	20%	20%	20%

At its January 2009 meeting, the Committee reviewed 2008 performance results to determine whether the named executive officers had met pre-established 2008 performance objectives. Annual cash incentive awards are determined as summarized below by multiplying the financial results and, where applicable, operational results and individual performance, by the weightings in Table 4 above to determine the total performance result for each position. The total performance result is then multiplied by the target award opportunity as detailed in Table 3 above and then multiplied by salary as of December 31, 2008, the end of the performance period.

In determining individual performance for the annual cash incentive awards for the president of the company, the Committee considers the recommendations of the PPL Corporation chief executive officer. In developing his recommendations, the chief executive officer consults with the PPL Corporation chief operating officer who establishes individual objectives at the beginning of the year and conducts a performance review at the end of the performance year on each executive. The performance review includes an assessment conducted by the chief operating officer with input from the Corporate Leadership Council members and the vice president-Human Resources and Services. The assessment contains two dimensions an assessment of attainment of overall objectives for the year, as well as an assessment of values behaviors and key attributes.

results	X	weights (Table 4)	X	target award % (Table 3)	X	year-end salary (Table 2)	=	annual cash incentive award

As a result, the Committee approved the following annual cash incentive awards, which are reflected in the Summary Compensation Table in the column headed Non-Equity Incentive Plan Compensation.

TABLE 5

Annual Cash Incentive Awards for 2008 Performance

Name	Salary Basis for Award	Total Goal Results	2008 Annual Cash Award
D. G. DeCampli	$ 350,000	44.5%(1)	$ 77,900
J. E. Abel(2)	284,000	40.3%(3)	45,800
J. M. Simmons, Jr.(2)	265,000	43.3%(4)	45,900

(1) Includes individual results achieved at 125% of target performance.

(2) Paid by PPL Services Corporation for positions served at PPL Corporation.

(3) Includes individual results achieved at 110% of target performance.

(4) Includes individual results achieved at 125% of target performance.

As noted above, the total goal results are based on a combination of corporate financial results, operational results and individual performance. The financial and operational objectives, described in detail below, are based on PPL s business plan. The financial objectives are set to meet management s objectives and financial market expectations, and the operational objectives are established to support financial results for both the short and longer term.

Although awards may range from zero to 150% of target, we generally expect awards, in the aggregate, to range from 90% to 110% of target. Awards for the positions of the named executive officers over the last five years have ranged from 40.3% to 139.6% of target for the named executive officers.

Financial Results. Target EPS for the annual cash incentive program was $2.43 per share for 2008, with a 150% payout maximum of $2.55 and a 50% payout threshold of $2.19. Results below $2.19 result in a zero payout on this portion of the incentive goal. The target EPS used for goal purposes is corporate ongoing earnings.

The EPS achieved for purposes of the annual cash incentive program for 2008 was $2.02 per share, which is below the payment threshold, resulting in zero attainment for the financial results portion.

Operational Results. Operating objectives are detailed, quantifiable objectives set specifically for each business line annually. The operational objectives are structured to attain the target EPS for the year, while at the same time promoting near-term activities that benefit the operating assets in future years. Because the target EPS is a challenging goal relative to the previous year s target, many of the supporting operational objectives require difficult-to-reach elements in order to produce operating results that render the target EPS. The company s operational objectives for 2008 for the company s named executive officers included: earnings before interest and taxes (EBIT); 2008 milestones for the Mobile Operations Management Project, including capital expenditures, efficiencies, schedule and operational improvements; and execution of the Rate Cap Mitigation Strategy, including among other items, an improvement in the Roper Poll of customers index.

Operational results for Messrs. Abel and Simmons are based on the combined operating results of PPL Corporation s four major subsidiaries.

Results compared to target for the four major PPL business subsidiaries for 2008 were: the company 97.5%; PPL Generation 36.8%; PPL EnergyPlus 35%; and PPL Global 143.6%. The company s goals are described above. The goals for the other units are based on EBIT, net income and cash flow and, for PPL Generation, commercial availability of its generating plants, and for PPL EnergyPlus, gross margin, and for PPL Global s United Kingdom electric company, customer service measures.

Changes to the Annual Cash Incentive Program for 2009

At its December 2008 and January 2009 meetings, the Committee conducted a review of the incentive compensation program design in light of the challenges experienced by the company during 2008. The Committee concluded that the incentive compensation program was operating appropriately. The substantially reduced annual cash incentive awards for all three named executive officers demonstrated that PPL s program design appropriately responds to PPL s business results.

At its March 26, 2009 meeting, in addition to approving the performance goals for 2009, the Committee approved two changes to the annual cash incentive program effective for the 2009 performance period. The Committee (1) extended the performance range of the program to provide for a 200% potential, maximum payout if performance is proportionately higher than the current maximum payout of 150% of the target, and (2) implemented a program cutoff. The change to the payment range aligns the program with competitive practice where the typical payment range is 50% to 200% of the target. The cutoff will eliminate any annual cash incentive payments for executives and employees if performance on the EPS goal is 20% lower than the target for the 2009 performance period. Previously, even if EPS goal performance did not exceed the threshold, operating unit results may have produced an annual cash incentive award for executives and employees other than the members of the Corporate Leadership Council of PPL Corporation.

Long-term Incentive Awards (Equity Awards)

PPL grants long-term incentive awards to align the interests of the executive officers with those of PPL Corporation shareowners. Long-term incentive awards for executive officers, including the named executive officers, are made annually under the shareowner-approved PPL Corporation Incentive Compensation Plan.

At its January 2008 meeting, the Committee modified the long-term incentive program for 2008: (1) to eliminate the strategic goal-based restricted stock unit award included in the program in prior years; (2) to introduce a performance unit award based on relative, total shareowner return; and (3) to rebalance the value of each form of equity award within the total long-term incentive opportunity. The strategic goal-based restricted stock unit award had been a tool to focus on specific goals during the restructuring of the electric industry over the past decade. Although the goal had specific objectives and milestones, the evaluation of the performance was somewhat subjective. The new performance unit goal is a quantifiable goal with results determined by PPL Corporation s stock price growth and dividend payments over a three-year period compared to specific industry peers. Within the long-term incentive program, the medium-term focus of the performance unit award balances the internally focused performance measures of the restricted stock unit award and the longer-term, stock price growth focus of the stock option award to provide a balanced focus on shareowner value creation for our executive officers.

Based on the Committee s assessment of market practice, particularly the prevalence of relative, total shareowner return-based programs in the industry, and the Committee s view that the balance of three types of equity awards properly focused executives on internal and external performance factors as well as medium-term and longer-term performance, the Committee rebalanced the mix of long-term incentives from the prior 65% restricted stock unit and 35% stock option mix. Under the revised mix, restricted stock units based on sustained financial and operational performance represent 40% of an executive s total long-term incentive opportunity; the performance unit award represents 20% of the award opportunity; and stock options represent 40% of the award opportunity, as further detailed in Table 6 below.

The long-term incentive program is designed to reward mid- and long-term performance and is composed of three awards:

Restricted stock unit awards for sustained financial and operational performance;

Performance unit awards for three-year performance relative to PPL Corporation s industry peers based on total PPL Corporation shareowner return stock price growth and dividends; and

Stock option awards for stock price growth.

General

PPL grants restricted stock unit awards based on the achievement of targeted business results. Restricted stock unit awards provide executives the right to receive an equivalent number of shares of PPL Corporation common stock after a restriction or holding period. These grants are therefore at risk because awards may vary from zero to the program maximum of 150% of target. Restricted stock unit awards are also at risk compensation because the awards are denominated in shares of PPL Corporation stock and are subject to vesting and potential forfeiture, and the ultimate value realized by the executives is directly related to PPL s stock price performance.

Restricted stock unit awards made in 2009, for 2008 performance, have a three-year restriction period, with restrictions scheduled to lapse in 2012. During the restriction period, each restricted stock unit entitles the executive to receive quarterly payments from the company equal to the quarterly dividends per share of PPL Corporation stock, thereby recognizing both current income generation and stock price appreciation or depreciation in line with PPL Corporation shareowners.

Starting in 2008, PPL also began to grant performance units, a total shareowner return-based performance unit award under which executives receive a target number of performance units at the beginning of the performance period with the actual amount of shares of common stock earned at the end of the performance period dependent on the three-year total shareowner return results of PPL Corporation compared to the total return of companies in the S&P Electric Utilities Index. Total shareowner return reflects the combined impact of changes in stock price plus dividends paid over the performance period. The performance unit awards provide executives the right to receive a number of shares of PPL Corporation common stock based on PPL total shareowner return relative to industry peers. Performance units are granted at the beginning of a three-year performance period and are payable in shares of PPL Corporation common stock following the performance period. Cash or stock dividend equivalent amounts payable on PPL Corporation common shares are converted into additional performance units and are payable in shares of PPL Corporation common stock at the end of the performance period based on the determination by the Committee of whether the performance goals have been achieved. These grants are at risk because total shares distributed at the end of the performance period, including shares distributed in respect of the performance unit grant itself and all reinvested cash or stock dividend equivalents, may vary from zero to the program maximum of 200% of target and are subject to potential forfeiture. The ultimate value realized by the executives is directly related to PPL s total shareowner return relative to its industry peers and to PPL Corporation s stock price performance.

PPL also grants stock options. Stock options are granted at an exercise price equal to the closing price of PPL Corporation stock on the grant date and will normally not be exercised by the holder if the stock price does not increase after the grant date. As a result, stock option awards are designed to reward executives for increases in PPL Corporation s stock price.

Stock options granted in 2008 become exercisable over three years one-third at the end of each anniversary of the grant date and are exercisable for ten years from the grant date, subject to earlier expiration following specified periods after termination of employment.

Under the terms of PPL s Incentive Compensation Plan, restricted stock units, performance units and unvested stock options are forfeited if the executive voluntarily leaves PPL and generally become vested if the executive retires from PPL prior to the scheduled vesting date. However, any stock options granted within 12 months prior to an executive officer s retirement date will be forfeited. See Termination Benefits Long-term Incentive Awards for a description of conditions of the provisions and expiration dates applicable to awards.

From time to time, as an additional incentive to encourage and reward an executive s superior performance and service with PPL and to retain key talent, we may also grant additional restricted stock under PPL s Incentive Compensation

Plan. No such additional awards were made to the named executive officers in 2008.

Structure of Awards

For 2008, the Committee introduced the performance unit component of the long-term incentive program. The Committee also rebalanced the value of the three stock-based components to the following percentages of an executive s total long-term incentive opportunity: 40% restricted stock units; 20% performance units; and 40% stock options. This decision was based on changes recognized in market practice and on the Committee s view of the appropriate balance of the three forms of stock-based compensation.

Target award levels for each component of the long-term incentive program seek to maintain executive focus on PPL s business objectives, to balance the internal compensation levels of executive positions and to reflect the PPL competitive data.

The target award levels for the named executive officers were set as a percentage of salary for 2008 and are provided below:

TABLE 6

Long-term Incentive Award Targets

Position	Restricted Stock Units	(Targets as % of Salary) Performance Units	Stock Options	Total
President	58%	29%	58%	145%
Treasurer	42%	21%	42%	105%
Vice President and Controller	42%	21%	42%	105%

Restricted Stock Unit Awards

A restricted stock unit award is made by the Committee after the end of each year, based on the most recent three-year average financial results of the annual cash incentive program. Grants are subject to a three-year restriction period:

target award %	X	salary	X	3-year average EPS results	¸	market price of PPL stock as of award date	=	number of units granted

This award is designed to reward sustained financial performance.

Performance Unit Awards

A grant of performance units is made each year at each executive s target award level:

target award %	X	salary	¸	market price of PPL stock as of award date	=	number of units granted

At the end of the performance period, PPL Corporation total shareowner return, or TSR, for the three-year period will be compared to the total return of companies in the S&P Electric Utilities Index. The Committee will determine whether the performance goals are satisfied. Upon certification that the performance goals have been satisfied, the performance units and reinvested dividend equivalents will vest and will be paid based on the following table:

Percentile Rank (PPL TSR Performance, Relative to Companies in Index)	**Payout (Expressed as a % of Target Award)**
85^{th} Percentile or above	200% (the Maximum Award)
50^{th} Percentile	100% (the Target Award)
40^{th} Percentile	50%
Below 40^{th} Percentile	0%

This award is designed to reward performance relative to PPL Corporation s industry peers. Performance units are payable in shares of PPL Corporation common stock, and the reinvested cash dividend equivalents and any stock dividend equivalents are payable in additional shares of PPL Corporation common stock, each after the three-year performance period and after the Committee has determined that the performance goals are satisfied.

Stock Option Awards

A grant of stock options is made each year at each executive s target award level:

target award %	X	salary	¸	option value as of award date	=	number of options granted

This award is designed to promote stock price growth.

The value of the long-term incentive awards as of the grant date, based on the targets, delivers a level of total direct compensation intended to pay executive officers at a level that compares to the median of the PPL competitive data. The ultimate value of long-term incentive awards to executives is tied to the future value of PPL s total shareowner return stock price growth and dividends. To the extent total shareowner value increases, executives may realize values that exceed the values as determined on the grant date. Similarly, should shareowner value decline, executive compensation levels for these awards could fall below the grant values, possibly to zero.

Awards for 2008

At its January 2008 meeting, the Committee approved performance unit and stock option awards for 2008.

At its meeting in January 2009, the Committee reviewed and certified the performance results for the 2008 cash incentive compensation award. These results impact the following restricted stock unit award made in January 2009 for 2008 performance:

> Restricted stock unit award for sustained financial results: the 2008 annual cash incentive results for executives were averaged with similar results for 2007 and 2006, which were based solely on EPS achievement and formed the basis for the award made in 2009 for performance over the preceding three years. The average results were 90.3%, which represent the average of 2008-0%, 2007-139.63% and 2006-131.3%.

The Committee also approved restricted stock unit awards for 2008 performance. These awards are set forth in the table below. The amount recognized as an expense by PPL in 2008 for the performance unit and stock option awards granted in 2008 is included in the Summary Compensation Table. However, because the restricted stock unit awards for 2008 performance were not recorded as an expense until after they were granted in January 2009, any amount recorded as an expense for such awards will not be reflected in the Summary Compensation Table until next year, and the grants will not be reflected in the Grants of Plan-Based Awards table until next year. See Tax and Accounting Considerations SFAS 123(R) at the end of this CD&A at page 21 for further details on how equity awards are expensed.

TABLE 7

Long-Term Incentive Awards for 2008

	(Awards in Dollars)		
Name	**Restricted Stock Units[(1)]**	**Performance Units[(2)]**	**Stock Options[(2)]**

D. G. DeCampli	$ 183,300	$ 88,450	$ 154,788
J. E. Abel	107,700	57,771	101,100
J. M. Simmons, Jr.	100,500	52,500	91,876

(1) Includes restricted stock awards granted in January 2009 for 2008 performance.

(2) Includes performance units and stock options granted in January 2008.

Changes to the Long-term Incentive Program for 2009

At its December 2008 and January 2009 meetings, the Committee conducted a review of the incentive compensation program design in light of the challenges experienced by the company during 2008. The Committee generally concluded that the incentive compensation program was performing appropriately.

Perquisites and Other Benefits

Officers of PPL, including the named executive officers, are eligible for company-paid financial planning services. These services include financial planning, tax preparation support and a one-time payment for estate documentation preparation. These services are provided in recognition of time constraints on busy executives and their more complex compensation program that requires professional financial and tax planning. PPL believes that good financial planning by experts reduces the amount of time and attention that executive officers must spend on such issues and maximizes the net financial reward to the employee of compensation received from the company. Such planning also helps ensure that the objectives of PPL s compensation programs are met and not frustrated by unexpected tax or other consequences.

The value of all perquisites for 2008 is summarized in Note 7 to the Summary Compensation Table.

Indirect Compensation

Officers of PPL, including the named executive officers, participate in benefit programs offered to all company employees. In addition, officers are eligible for the executive benefit plans described below.

The company s retirement income benefits are designed to provide a competitive level of income replacement in retirement for career executives. The primary retirement income program for executives consists of two plans: (1) the PPL Retirement Plan, a tax-qualified, defined benefit pension plan available to employees of the company generally; and (2) the PPL Supplemental Executive Retirement Plan, or SERP, a nonqualified defined benefit pension plan available for officers of the company.

We have established a retirement income target for the PPL Retirement Plan and SERP for executives at 55% of pay (defined as five-year average total cash compensation) for a career employee with 30 years of service. Additional details on these plans are provided under Executive Compensation Tables Pension Benefits in 2008.

The company believes that its SERP benefits are competitive relative to companies with which it competes for talent and are necessary to retain executives and to recruit new executives to join the company.

The primary capital accumulation opportunities for executives are: (1) stock gains under PPL s long-term incentive program and employee stock ownership plan; and (2) voluntary savings opportunities that, for 2008, included savings through the tax-qualified employee savings plan, which is a 401(k) plan (the PPL Deferred Savings Plan), and the PPL Officers Deferred Compensation Plan, which is a nonqualified deferred compensation arrangement.

Under the PPL Deferred Savings Plan, the company provides matching cash contributions of up to 3% of the participating employee s pay (defined as salary plus annual cash incentive award) up to contribution limits imposed by federal tax rules. Participating employees are vested in the company matching contributions after one year of service. This plan provides a selection of core investment options, including publicly available mutual funds, institutionally managed funds and lifestyle funds available from a mutual fund provider (for 2008, the lifestyle funds were Fidelity Investments Freedom Funds). The plan investment options also include a brokerage account option that allows participants to select from a broad range of publicly available mutual funds, including those of the plan trustee as well as competitor funds. Participants may request distribution of their accounts at any time following termination of employment.

The PPL Officers Deferred Compensation Plan permits participants to defer up to all but $75,000 of their base salary and up to all of their annual cash incentive awards. A hypothetical account is established for each participant who elects to defer, and the participant selects one or more investment choices that generally mirror those that are available generally to employees under the PPL Deferred Savings Plan. For additional details on the Officers Deferred Compensation Plan, see Executive Compensation Tables Nonqualified Deferred Compensation in 2008 table on page 30. Matching contributions are made under this plan on behalf of participating officers to make up for matching contributions that would have been made on behalf of such officers under the PPL Deferred Savings Plan but for the imposition of certain maximum statutory limits imposed on qualified plan benefits (for example, annual limits on eligible pay and contributions). Executive officers who reach the maximum limits in the PPL Deferred Savings Plan are generally eligible for matching contributions under this plan. There is no vesting requirement for the company matching contributions. Retirement benefits and capital accumulation contributions under the Officers Deferred Compensation Plan are not affected by any long-term incentive or equity awards.

PPL Corporation also has a tax-qualified employee stock ownership plan, the PPL Corporation Employee Stock Ownership Plan, or ESOP, to which PPL Corporation makes an annual contribution. Historically, PPL Corporation has contributed a dollar amount to the ESOP that is equal to the tax benefit it receives for a tax deduction on dividends paid on PPL Corporation common stock held by the trustee of the ESOP. Contributions are then allocated among the ESOP participants based on the following two measures: (1) the amount of total dividends paid on the participant s account; and (2) a pro rata amount based on salary up to a median salary amount. The total allocation cannot exceed 5% of a participant s compensation. The ESOP trustee invests exclusively in PPL Corporation s common stock. All named executive officers participate in the ESOP, as well as employees of PPL s major business lines. Shares held for a minimum of 36 months are available for withdrawal, and participants may request distribution of their account at any time following termination of employment. There is no vesting period for contributions made under the ESOP. The participant has the option of receiving the actual shares of common stock or the cash equivalent of such shares at the time of withdrawal or distribution.

Special Compensation

In addition to the annual direct and indirect compensation described above, the company provides special compensation under certain specific situations.

Hiring and Retention. As part of the executive recruiting process, the company makes offers of employment to new executive candidates that will attract talent to the company and compensate these candidates for compensation they may lose when terminating employment with their prior employer.

Generally, annual compensation for new executive officers is consistent with that of current executives in similar positions. Incentive awards for the year of hire are generally prorated for the period of service during the executive s initial year of employment and made after the end of the year, when awards are made for other executives. One-time awards may be made in restricted stock or restricted stock units to replace awards a new executive may be losing from a former employer or as part of a sign-on award to encourage an executive to join the company. Forward-looking incentive awards, including performance unit and stock option awards, are made to new hires for the year of hire on a pro rata basis.

In limited circumstances, generally involving mid-career hirings, the company may enter into retention agreements with key executives to encourage their long-term employment with the company. These agreements typically involve the grant of restricted stock on which the restrictions lapse after a period of time that may vary on a case-by-case basis. During the term of the restrictions, the executive receives dividends or dividend equivalents. The intention is to retain key executives for the long term and to focus the executive s attention on stock price growth during the retention period. Neither the company nor PPL Corporation has entered into any retention agreements with any of our named executive officers.

Individual awards vary based on an executive s level, company service and the need for retention and/or the market demand for an executive s talent. The amount of an award is typically a multiple of salary converted to restricted stock as of the grant date.

Severance. We have not entered into traditional employment agreements with executives, including the named executive officers. There are no specific agreements pertaining to length of employment that would commit PPL to pay an executive for a specific period. All executives are employees-at-will whose employment is conditioned on performance and subject to termination by PPL at any time.

We do not maintain a general severance policy for executives. Separation benefits are determined, as needed, on a case-by-case basis. However, as discussed below, there is a structured approach to separation benefits for involuntary (and select voluntary or good reason as defined in Change-in-Control Arrangements below on page 31) terminations of employment in connection with a change in control of PPL Corporation.

The company has entered into agreements with certain executives, typically in connection with a mid-career hiring situation and as part of our offer of employment, in which we have promised a year s salary in severance pay in the event the executive is terminated by the company for reasons other than cause. Severance benefits payable under these arrangements are conditioned on the executive agreeing to release the company from any liability arising from the employment relationship. Additional details on current arrangements for named executive officers are discussed under Termination Benefits below at page 32.

<u>Change-in-Control Protections.</u> PPL believes executive officers who are terminated without cause or who resign for good reason (as defined in Change-in-Control Arrangements below at page 31) in connection with a change in control of PPL Corporation should be provided separation benefits. These benefits are intended to ensure that executives focus on serving the company and shareowner interests without the distraction of possible job and income loss.

The major components of the company s change-in-control protections are:

- accelerated vesting of outstanding equity awards in order to protect executives equity-based award value from an unfriendly acquirer;
- severance benefits; and
- trusts to fund promised obligations in order to protect executive compensation from an unfriendly acquirer.

The company s change-in-control benefits are consistent with the practices of companies with whom PPL competes for talent and assist in retaining executives and recruiting new executives to the company.

Accelerated Vesting of Equity Awards. As of the close of a transaction that results in a change in control of PPL Corporation, all outstanding equity grants awarded as part of the company s compensation program (excluding restricted stock and restricted stock units issued pursuant to retention agreements) become available to executives. As a result, the vesting and exercisability of stock awards and option awards granted as part of the long-term incentive program accelerate in other words, restrictions on all outstanding restricted stock units lapse, a pro rata portion of performance units become payable and all unexercisable stock options become exercisable. Stock options granted prior to 2007 are exercisable for 36 months following a qualifying termination of employment in connection with a change in control; options granted in 2007 and after are, after a change in control, exercisable for the remaining term of the stock option.

Severance Benefits. PPL has entered into severance agreements with each of the named executive officers that provide benefits to the executives upon specified terminations of employment in connection with a change in control of PPL Corporation. The benefits provided under these agreements replace any other severance benefits provided to these officers by PPL Corporation or any prior severance agreement. Additional details on the terms of these severance agreements are described in Change-in-Control Arrangements at page 31.

Rabbi Trust. PPL has entered into trust arrangements that currently cover the SERP, the PPL Officers Deferred Compensation Plan and the severance agreements. These arrangements provide that specified trusts are to be funded when a change in control occurs. See Change-in-Control Arrangements at page 31 for a description of change-in-control events.

The trusts are currently unfunded but would become funded upon the occurrence of a potential change in control of PPL Corporation. The trust arrangements provide for immediate funding of benefits upon the occurrence of a potential change in control, and further provide that the trusts can be revoked and the contributions returned if a change in control in fact does not occur. There are no current plans to fund any of the trusts.

Timing of Awards

The Committee determines the timing of incentive awards for executive officers of PPL Corporation, including the named executive officers of the company.

Incentive awards for executive officers, including annual cash incentive awards and long-term incentive awards, are made as soon as practical following the performance period for performance-based cash and restricted stock unit awards and early in the year for forward-looking performance unit and stock option awards. It has been PPL s long-time practice to make annual cash incentive awards and stock-based grants at the January Committee meeting, which occurs the day before the January PPL Corporation Board of Directors meeting on the fourth Friday of January.

PPL does not have, nor does PPL plan to have, any program, plan or practice to time equity grants with the release of material non-public information other than the practice of making such awards annually and regularly at the January Committee meeting.

For awards made in 2008, the market price for restricted equity award grants was the closing price of PPL Corporation common stock on the date of grant. The exercise prices for stock option awards are based on the closing price on the day of the grant.

Off-cycle restricted stock, restricted stock unit, performance unit or stock option grants, if provided to newly hired executives as part of the hiring package, are made from time to time, normally as of the new executive s hiring date. Prices for such stock awards are determined as of the day of hire or, if later, the day the Committee approves the grant, based on the closing price as of the date of grant.

Restricted stock and stock option grants to eligible employees other than executive officers are made in conjunction with our annual salary review process, which is usually conducted in January and February each year. Employee salary adjustments and annual cash incentive award payments are made in the first paycheck in March. Restricted stock unit grants are made effective March 1. The number of stock units granted to eligible employees is determined as the employee s target percentage times salary divided by the PPL Corporation stock market price determined in the same manner as for executive officer awards. Stock options granted to employees other than executive officers are granted at the same time and same exercise price as for executive officers.

Ownership Guidelines

Meaningful ownership of PPL Corporation common stock by executives has always been an important part of PPL s compensation philosophy. In 2003, the Committee adopted specific ownership requirements under the Executive Equity Ownership Program (Equity Guidelines). The Equity Guidelines provide that executive officers should maintain levels of ownership of company Common Stock ranging in value from two times to five times base salary for PPL Corporation executive officers, with the levels for the company s named executive officers, as follows:

Executive Officer	**Multiple of Base Salary**
Presidents of major operating subsidiaries (including Mr. DeCampli)	2x
Vice Presidents of PPL companies (including Messrs. Abel and Simmons)	1x

Executive officers must attain their minimum Equity Guidelines level by the end of their fifth anniversary at that level. If an executive does not attain the guideline level within the applicable period, he or she must not sell any shares and will be required to retain shares acquired upon the exercise of stock options or upon the lapsing of restrictions on restricted stock, restricted stock units or performance units, in each case net of required tax withholding, in PPL Corporation common stock until the guideline level is achieved. In addition, annual cash incentives awarded after that date may be in restricted stock unit grants until actual ownership meets or exceeds the guideline level.

To assist executive officers in achieving or surpassing their minimum ownership amount, the Committee adopted the Cash Incentive Premium Exchange Program (Premium Exchange Program), which expired in January 2009. Under this program, executives could elect to defer all or a portion of their annual cash incentive award and receive instead restricted stock units equal to 140% of the amount so deferred (an Exchange). The restricted stock units are subject to a three-year vesting period. Executive officers forfeit the 40% premium amount if they terminate employment during the restriction period. A pro rata portion of the premium is payable for executive officers who retire after attaining age 60. The full premium is payable if employment is terminated during the restriction period due to the death or disability of the executive officer. The full premium is also payable in connection with a change in control of PPL Corporation.

The Equity Guidelines and the Premium Exchange Program encourage increased stock ownership on the part of the executive officers, which further aligns the interests of management and shareowners. All named executive officers were in compliance with the Equity Guidelines as of December 31, 2008.

Tax and Accounting Considerations

Section 162(m). Section 162(m) of the Internal Revenue Code of 1986, as amended, or the Internal Revenue Code, generally provides that publicly held corporations may not deduct in any taxable year specified compensation in excess of $1,000,000 paid to the chief executive officer and the next three most highly compensated executive officers (excluding the principal financial officer). Performance-based compensation in excess of $1,000,000 is deductible if specified criteria are met, including shareowner approval of applicable plans. In this regard, the PPL Corporation Short-term Incentive Plan is designed to enable PPL to make cash awards to officers that are deductible under

Section 162(m). Similarly, the PPL Corporation Incentive Compensation Plan enables PPL to make stock option awards that are deductible under Section 162(m). Restricted stock awards granted based on sustained financial and operational results may also qualify as performance-based compensation under the terms of Section 162(m). The Committee generally seeks ways to limit the impact of Section 162(m). However, the Committee believes that the tax deduction limitation should not compromise PPL s ability to establish and implement incentive programs that support the compensation objectives discussed above. Accordingly, achieving these objectives and maintaining required flexibility in this regard may result in compensation that is not deductible for federal income tax purposes.

Sections 280G and 4999. PPL has entered into separation agreements with each of the named executive officers that provide benefits to the executives upon specified terminations of employment in connection with a change in control of PPL Corporation. The agreement with Mr. DeCampli provides for tax protection in the form of a gross-up payment to reimburse the executive for any excise tax under Internal Revenue Code Section 4999, as well as any additional income and employment taxes resulting from such reimbursement. Code Section 4999 imposes a 20% non-deductible excise tax on the recipient of an excess parachute payment, and Code Section 280G disallows the tax deduction to the payor of any amount of an excess parachute payment. Payments as a result of a change in control must equal or exceed three times the executive s base amount in order to be considered excess parachute payments, and then the lost deduction and excise tax is imposed on the parachute payments that exceed the executive s base amount. The intent of the tax gross-up is to provide a benefit without a tax penalty to PPL executives who are displaced in the event of a change in control. PPL believes the provision of tax protection for the adverse tax consequences imposed on the executive under these rules is consistent with market practice, is an important executive retention component of PPL s program and is consistent with PPL s compensation objectives. The separation agreements for Messrs. Abel and Simmons do not provide for any gross-up payments, but they do permit PPL Corporation to adjust any payments to be made to them so that the severance payments will be reduced, to the extent necessary, so that the severance payments, together with all other potential parachute payments to the executive, will not trigger an excise tax, unless paying the full severance benefits would result in a greater net after-tax benefit to the executive.

Section 409A. The Committee also considers the impact of Section 409A of the Internal Revenue Code on PPL s compensation programs. Section 409A was enacted as part of the American Jobs Creation Act of 2004 and substantially impacts the federal income tax rules applicable to nonqualified deferred compensation arrangements, as defined in the Section. In general, Section 409A governs when elections for deferrals of compensation may be made, the form and timing permitted for payment of such deferred amounts, and the ability to change the form and timing of payments initially established. Section 409A imposes sanctions for failure to comply, including inclusion in current income, a 20% penalty tax and interest on the recipient employee. PPL operates its covered arrangements in a manner intended to avoid the adverse tax treatment under Section 409A. PPL has amended its executive compensation plans in a manner intended to comply with IRS final regulations.

SFAS 123(R). In December 2004, the Financial Accounting Standard Board issued Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment, which is known as SFAS 123(R) and prescribes the accounting for all stock-based awards. PPL adopted SFAS 123(R) effective January 1, 2006. SFAS 123(R) requires PPL to recognize compensation cost for stock-based awards over the applicable service period using a fair value method. PPL uses: (1) the market price of its common stock at the date of grant to value its restricted stock and restricted stock unit awards; (2) a Monte Carlo pricing model that considers historic volatility over three years using daily stock price observations for PPL and all companies that are in the S&P Electric Utilities Index to determine the fair value of each of its performance unit awards; and (3) the Black-Scholes stock option pricing model to determine the fair value of its stock option awards. The adoption of SFAS 123(R) did not have a significant impact on the accounting for PPL s stock-based awards, as PPL began expensing stock options on January 1, 2003 under the fair value method and the expense recognition for restricted stock and restricted stock units was not significantly changed.

For additional information on PPL s accounting methods and assumptions for stock-based awards, refer to Notes 1 and 12 of the company s financial statements in the Annual Report on Form 10-K for the year ended December 31, 2008, as filed with the SEC.

PPL s stock-based compensation plans allow for accelerated vesting upon an employee s retirement. As a result, PPL recognizes the expense immediately for employees who are retirement eligible when stock-based awards are granted. For employees who are not retirement eligible when stock-based awards are granted, PPL amortizes the awards on a straight-line basis over the shorter of the vesting period or the period up to the employee s attainment of retirement age. PPL considers retirement eligible as the early retirement age of 55.

Because the SEC requires that the value of stock-based awards that are included in the Summary Compensation Table in this Information Statement be based on SFAS 123(R) expense recognition, and because of the accelerated vesting that is based on an employee s age as described above, amounts disclosed in these tables differ from amounts calculated for compensation purposes and described in this CD&A.

In addition, because the restricted stock unit awards granted for 2008 performance were not granted until January 2009, any expense for these awards will be reflected beginning in next year s, and not this year s, Summary Compensation Table and next year s, and not this year s, Grants of Plan-Based Awards table, and will not tie directly to the values determined by PPL s compensation grant methodology. For example, the restrictions on an annual grant of restricted stock units lapse after three years. The grant date value is determined using the methodology described as of the award date. Under SFAS 123(R), the grant is accounted for as an expense over the period of time the restrictions are in place. Therefore, unless the executive officer is considered retirement eligible, only a portion of the annual grant value is expensed in the grant year. Even though the grant is for 2008 performance, because it was granted in January 2009, no expense related to the awards will appear in the Summary Compensation Table until next year. Also expensed in each grant year is a portion of prior grants on which restrictions have not lapsed. If the executive officer who receives the award is age 55 or older, 100% of the award is expensed in the year of the grant because the officer is eligible for retirement.

Executive Compensation Tables

The following table summarizes all compensation for the company s principal executive officer, our principal financial officer and our next most highly compensated executive officer for the last three fiscal years, or our named executive officers. We do not have any other executive officers of the company. Messrs. Abel and Simmons were not paid separately as officers of the company but are employees of, and are paid by, PPL Services Corporation. Mr. DeCampli joined the company on December 4, 2006 as Senior Vice President-Transmission and Distribution Engineering and Operations and was named president of the company on April 1, 2007. Mr. Simmons joined PPL on January 30, 2006. Restricted stock, restricted stock unit and performance unit awards and stock options are for shares of PPL Corporation common stock.

SUMMARY COMPENSATION TABLE

cipal	Year	Salary[1]	Bonus[2]	Stock Awards[3]	Option Awards[4]	Non-Equity Incentive Plan Compensation[5]	Change in Pension Value and Nonqualified Deferred Compensation Earnings[6]	All Other Compensation(
npli	2008	$ 348,249		$ 285,353	$ 107,004	$ 77,900	$ 69,625	$ 15,282
	2007	293,462		79,571	54,321	188,200	48,283	196,436
	2006	10,192	$ 225,000	5,546		117,000		24,699
	2008	283,655		231,799	102,068	45,800	125,949	11,688
	2007	274,742		153,826	178,345	146,400	238,601	10,158
	2006	263,466		152,819	141,426	135,100	206,408	8,465
, Jr.	2008	264,416		158,676	120,968	45,900	44,378	10,257
nd Controller	2007	249,040		78,281	88,420	135,000	29,333	14,949
	2006	199,040	100,000	38,402	38,773	107,500	24,886	171,434

(1) Salary includes cash compensation deferred to the PPL Officers Deferred Compensation Plan. The following officers deferred salary in the amounts and years indicated: Mr. DeCampli ($52,237 in 2008 and $28,327 in 2007) and Mr. Abel ($8,510 in 2008 and $8,242 in 2007).

(2) Reflects one-time cash sign-on bonuses for Mr. DeCampli when he joined the company on December 4, 2006 and Mr. Simmons when he joined PPL Corporation as Vice President and Controller on January 30, 2006.

(3) This column represents the compensation expense recognized for financial statement reporting purposes on all outstanding shares of restricted stock, restricted stock units and performance units in accordance with SFAS 123(R), other than restricted stock unit awards granted in lieu of the annual cash incentive award foregone by the named executive officer. See Note 5 below. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. No forfeitures of restricted stock, restricted stock units or performance units actually occurred during 2008, 2007 or 2006. Because Mr. Abel was eligible for retirement, the grant date fair values of his awards have been fully expensed. This column also includes the value of the premium restricted stock units granted in January for 2008 and 2007 associated with the exchanges made by Mr. DeCampli of his cash incentive compensation awarded in January 2009 for 2008 performance and in January 2008 for 2007 performance under the Premium Exchange Program. See description of the Premium Exchange Program in Compensation Discussion and Analysis (CD&A) Ownership Guidelines. For shares of restricted stock and restricted stock units granted in 2006 and earlier years, grant date fair value is calculated using the average of the high and low sale prices of PPL Corporation s common stock on the date of grant. Beginning in 2007, grant date fair value is calculated using the closing sale price on the date of grant. For additional information on the assumptions made in the valuation, refer to Note 12 to the company s financial statements in the Annual Report on Form 10-K for the year ended December 31, 2008, as filed with the SEC. See the Grants of Plan-Based Awards During 2008 table below for information on awards made in 2008. These amounts reflect PPL s accounting expense for these restricted stock and restricted stock unit awards and do not correspond to the actual value that will be recognized by the named executive officers.

(4) This column represents the compensation expense dollar amount recognized for financial statement reporting purposes for stock options granted to each of the named executive officers in the indicated year as well as, in most cases, prior fiscal years, in accordance with SFAS 123(R). Pursuant to SEC rules, the

amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. No forfeitures of any stock options actually occurred during 2008, 2007 or 2006. As Mr. Abel was eligible for retirement, the grant date fair value of his stock option awards has been fully expensed. For additional information on the valuation assumptions with respect to the 2008 stock option grants, refer to Note 12 to the company s financial statements in the Annual Report on Form 10-K for the year ended December 31, 2008, as filed with the SEC. For information on the valuation assumptions with respect to option grants made prior to 2008, refer to the Note entitled Stock-Based Compensation in the company s financial statements in the Annual Report on Form 10-K for the respective year-end. See the Grants of Plan-Based Awards During 2008 table for information on options granted in 2008. These amounts reflect the accounting expense for these stock option awards and do not correspond to the actual value that will be recognized by the named executive officers.

(5) This column represents annual cash incentive awards granted in January 2009, 2008 and 2007 under PPL s Short-term Incentive Plan for performance under PPL s annual cash incentive award program in 2008, 2007 and 2006, respectively. Mr. DeCampli elected to exchange $77,900 of his cash awarded in January 2009, for 2008 performance, as well as $188,200 of his cash awarded in January 2008, for 2007 performance, for restricted stock units under the Premium Exchange Program. See description of the Premium Exchange Program in CD&A Ownership Guidelines. The value of these awards is included in this column and not in the Stock Awards column. The grants of restricted stock units under the Premium Exchange Program for the cash awards foregone by Mr. DeCampli in January 2009 will be reflected in next year s Grants of Plan-Based Awards table.

(6) This column represents the sum of the changes in the present value of accumulated benefit in the PPL Retirement Plan and PPL Supplemental Executive Retirement Plan during 2008, 2007 and 2006, as applicable, for each of the named executive officers. No change in value is shown for Mr. DeCampli in 2006 because he was not eligible to participate in these plans until January 1, 2007. See the Pension Benefits in 2008 table on page 28 for additional information. No above-market earnings under the PPL Officers Deferred Compensation Plan are reportable for 2008, 2007 or 2006. See the Nonqualified Deferred Compensation in 2008 table on page 30 for additional information.

(7) The table below reflects the components of this column for 2008, which include PPL s matching contribution for each individual s 401(k) plan contributions under the PPL Deferred Savings Plan, annual allocations under the PPL Employee Stock Ownership Plan, and perquisites, including financial planning and tax preparation services.

Name	401(k) Match	ODCP Employer Contributions	ESOP Allocation	Financial Planning	Benefits Paid	Board Fees	Total
D. G. DeCampli	$ 6,900	$ 3,548	$ 347	$ 4,450	$ 37(a)		$ 15,282
J. E. Abel	6,900	1,610	2,228			$ 950(b)	11,688
J. M. Simmons, Jr.	6,900		356	3,000			10,257

(a) One-time safety team award.

(b) Fees earned by Mr. Abel for serving as a director of Safe Harbor Water Power Corporation, of which an affiliate of PPL Corporation owns an interest.

GRANTS OF PLAN-BASED AWARDS DURING 2008

The following table provides information about equity and non-equity awards granted to the named executive officers in 2008, specifically: (1) the grant date; (2) estimated possible payouts under the 2008 annual cash incentive award program; (3) estimated future payouts for performance units awarded to the named executive officers in 2008; (4) the number of shares of PPL Corporation common stock underlying all other stock awards, which consist of restricted stock units awarded to the named executive officers in 2008 for 2007 performance under PPL s Incentive Compensation Plan, as well as the full number of restricted stock units granted pursuant to the Premium Exchange Program described in the CD&A Ownership Guidelines ; (5) all option awards, which consist of the number of shares of PPL Corporation common stock underlying stock options awarded to the named executive officers; (6) the exercise price of the stock option awards, which was calculated using the closing sale price of PPL Corporation stock on the date of grant; and (7) the grant date fair value of each equity award computed under SFAS 123(R).

Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards[1] Threshold	Target	Maximum	Estimated Future Payouts Under Equity Incentive Plan Awards[2] Threshold	Target	Maximum	All Other Stock Awards: Number of Shares of Stock or Units[3]	All Other Option Awards: Number of Securities Underlying Options[4]	Exerc or Bas Price Opti Awarc ($/Sl
3/28/2008	$ 87,500	$ 175,000	$ 262,500						
1/24/2008							12,400		
1/24/2008								20,560	47.5
1/24/2008				930	1,860	3,720			
3/28/2008	56,800	113,600	170,400						
1/24/2008							4,480		
1/24/2008								13,430	47.5
1/24/2008				605	1,210	2,420			
3/28/2008	53,000	106,000	159,000						
1/24/2008							4,070		
1/24/2008								12,210	47.5
1/24/2008				550	1,100	2,200			

(1) This column shows the potential payout range under the 2008 annual cash incentive award program. For additional information, see CD&A Compensation Elements Direct Compensation Annual Cash Incentive Awards at page 10. The cash incentive payout range is from 50% to 150% of target; however, if the actual performance falls below the 50% level, the payout would be zero. The actual 2008 payout is found in the Summary Compensation Table on page 22 in the column entitled Non-Equity Incentive Plan Compensation.

(2)

This column shows the potential payout range for the performance units granted in 2008. For additional information, see CD&A Compensation Elements Direct Compensation Long-term Incentive Awards (Equity Awards) at page 13. The payout range for performance unit awards is from 50% to 200% of target; however, if the actual performance falls below the 40% level, the payout would be zero. The performance period is three years. At the end of the performance period, PPL Corporation total shareowner return for the three-year period is compared to the total return of companies in the S&P Electric Utilities Index. The Compensation, Governance and Nominating Committee of PPL Corporation will determine at the end of the performance period whether the performance goals are satisfied. Upon certification that the performance goals have been satisfied, the applicable number of performance units, as well as stock or reinvested cash dividend equivalents, will vest and will be paid according to the performance goals.

(3) This column shows the number of restricted stock units granted in 2008 to the named executive officers. In general, restrictions will lapse on January 24, 2011, three years from the date of grant. During the restricted period, each restricted stock unit entitles the individual to receive quarterly payments from PPL Corporation equal to the quarterly dividends on one share of PPL Corporation stock.

This column also shows 3,960 restricted stock units granted to Mr. DeCampli who exchanged a portion of his cash incentive compensation awarded in January 2008 for 2007 performance under the Premium Exchange Program (called Exchanged Units) and 1,580 premium restricted stock units granted in January 2008 as a result of the Exchanges made (called Premium Units). The Exchanged Units are not reflected in the Stock Awards column of the Summary Compensation Table because the cash incentive award is reflected in full in the Summary Compensation Table for 2007. The Premium Units are included in the Summary Compensation Table for 2008 to the extent they were expensed during 2008.

(4) This column shows the number of stock options granted in 2008 to the named executive officers. These options vest and become exercisable in three equal annual installments, beginning on January 24, 2009, which is one year after the grant date.

(5) This column shows the exercise price for the stock options granted in 2008, which was the closing sale price of PPL Corporation common stock on the date the Compensation, Governance and Nominating Committee of PPL Corporation granted the options.

(6) This column shows the full grant date fair value under SFAS 123(R) of performance units, restricted stock units, and stock options granted to the named executive officers in 2008. Generally, the full grant date fair value is the amount that PPL Corporation would expense in its financial statements over the award s vesting schedule. Because Mr. Abel was eligible for retirement, the full grant date fair value of his stock awards was expensed in 2008. For restricted stock units, grant date fair value is calculated using the closing sale price of PPL Corporation stock on the grant date of $47.55. For performance units, grant date fair value is calculated using a Monte Carlo pricing model value on the grant date of $49.68. For stock options, grant date fair value is calculated using the Black-Scholes value on the grant date of $7.60. For additional information on the valuation assumptions for stock options, see Note 12 to the company s financial statements in the Annual Report on Form 10-K for the year ended December 31, 2008, as filed with the SEC. These amounts reflect the accounting expense, and do not correspond to the actual value that will be recognized by the named executive officers when restrictions lapse on the restricted stock units, when the performance goals are certified for the performance units or when the options are exercised.

OUTSTANDING EQUITY AWARDS AT FISCAL-YEAR END 2008

The following table provides information on all unexercised stock option awards, as well as all unvested restricted stock and restricted stock unit awards and unearned and unvested performance units for each named executive officer as of December 31, 2008. Each stock option grant is shown separately for each named executive officer, and the restricted stock or restricted stock units that have not vested, as well as the unearned performance units that have not vested, are shown in the aggregate. The vesting schedule for each grant is shown following this table, based on the option, stock award or performance unit award grant date. The market value of the stock awards is based on the closing market price of PPL Corporation stock as of December 31, 2008, which was $30.69. For additional information about the stock option and stock awards, see CD&A Compensation Elements Direct Compensation Long-term Incentive Awards (Equity Awards) at page 13.

		Option Awards					Stock Awards			
ame	Grant Date[1]	Number of Securities Underlying Unexercised Options (#) Exercisable [2]	Number of Securities Underlying Unexercised Options (#) Unexercisable [2]	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested[3] (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested [4] (#)	E In A Ma P V Ur S U (I Ha V
eCampli	1/25/07	8,370	16,740		35.12	1/24/2017				
	1/24/08		20,560		47.55	1/23/2018				
							22,830	$ 700,653		
	1/24/08								930	$
el	1/27/05	10,060			26.66	1/26/2015				
	1/26/06	9,700	9,700		30.14	1/25/2016				
	1/25/07	8,397	16,793		35.12	1/24/2017				
	1/24/08		13,430		47.55	1/23/2018				
							14,470	444,084		
	1/24/08								605	
mmons, Jr.	1/26/06	8,703			30.14	1/25/2016				
	1/25/07		14,213		35.12	1/24/2017				

1/24/08	12,210	47.55	1/23/2018			
				11,580	355,390	
1/24/08						550

(1) For a better understanding of this table, we have included an additional column showing the grant date of the outstanding stock options and the first-time issuance of the performance units.

(2) Under the terms of PPL Corporation s Incentive Compensation Plan, all stock options for the named executive officers vest, or become exercisable, in three equal annual installments over a three-year period from the grant date. As of December 31, 2008, the vesting dates of unvested stock option awards for the named executive officers are as follows:

		Vesting Dates					
	Grant		2009		2010		
Name	**Date**	**1/24**	**1/25**	**1/26**	**1/24**	**1/25**	**1/24/11**
D. G. DeCampli	1/25/07		8,370			8,370	
	1/24/08	6,854			6,853		6,853
J. E. Abel	1/26/06			9,700			
	1/25/07		8,396			8,397	
	1/24/08	4,477			4,476		4,477
J. M. Simmons, Jr.	1/26/06			8,703			
	1/25/07		7,106			7,107	
	1/24/08	4,070			4,070		4,070

(3) The dates that restrictions lapse for each restricted stock or restricted stock unit award granted to the named executive officers are as follows:

		Dates Restrictions Lapse					
	Grant	2009			2010		
Name	Date	1/26	3/1	12/4	1/25	3/1	1/24/11
D. G. DeCampli	12/4/06			6,060		4,370	
	3/01/07						
	1/24/08						12,400
J. E. Abel	1/26/06	4,590					
	3/01/06		1,020				
	1/25/07				4,380		
	1/24/08						4,480
J. M. Simmons, Jr.	1/24/06	4,120					
	1/25/07				3,390		
	1/24/08						4,070

(4) The number of performance units disclosed for each officer represents the threshold amounts as disclosed in the Grants of Plan-Based Awards During 2008 table, rather than the target amounts, because PPL Corporation s total relative shareowner return was below the 40th percentile as compared to its industry peers during 2008, the first year of the three-year performance period. These performance units are payable in shares of PPL Corporation common stock following the performance period. While the performance period ends on December 31, 2010, the performance units do not vest until the Compensation, Governance and Nominating Committee certifies that the performance goals have been achieved. The number of performance units that vest at the time of certification may be more or less than the number of threshold awards reflected in this table, depending on whether or not the performance goals have been achieved.

OPTION EXERCISES AND STOCK VESTED IN 2008

The following table provides information, for each of the named executive officers, on (1) stock option exercises during 2008, including the number of shares acquired upon exercise and the value realized, and (2) the number of shares acquired upon the vesting during 2008 of stock awards in the form of restricted stock units and the value realized, each before payment of any applicable withholding tax and broker commissions.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise	Value Realized on Exercise[1]	Number of Shares Acquired on Vesting	Value Realized on Vesting[2]
D. G. DeCampli				
J. E. Abel			4,980	$ 232,018

J. M. Simmons, Jr.	24,514	$ 449,869

(1) Amounts reflect the difference between the exercise price of the stock option and the market price at the time of exercise.

(2) Amounts reflect the market value of the shares of PPL Corporation common stock underlying the restricted stock units on the day the restrictions lapsed.

PENSION BENEFITS IN 2008

The following table sets forth information on the pension benefits for the named executive officers under each of the following pension plans:

PPL Retirement Plan. The PPL Retirement Plan is a funded and tax-qualified defined benefit retirement plan that covers approximately 5,866 active employees as of December 31, 2008. As applicable to the named executive officers, the plan provides benefits based primarily on a formula that takes into account the executive s earnings for each fiscal year. Benefits under the PPL Retirement Plan for eligible employees are determined as the greater of the following two formulas:

The first is a career average pay formula of 2.25% of annual earnings for each year of credited service under the plan.

The second is a final average pay formula as follows:

1.3% of final average earnings up to the average Social Security Wage Base ($53,952 for 2008)

plus
1.7% of final average earnings in excess of the average Social Security Wage Base

multiplied by
the sum of years of credited service (up to a maximum of 40 years).

Under the final average pay formula, final average earnings equal the average of the highest 60 months of pay during the last 120 months of credited service. The Social Security Wage Base is the average of the taxable social security wage base for the 35 consecutive years preceding an employee s retirement date or, for employees retiring at the end of 2008, $53,952. The executive s annual earnings taken into account under each formula include base salary, plus cash incentive awards, less amounts deferred under the PPL Officers Deferred Compensation Plan, but may not exceed an IRS-prescribed limit applicable to tax-qualified plans ($230,000 for 2008).

The benefit an employee earns is payable starting at retirement on a monthly basis for life. Benefits are computed on the basis of the life annuity form of pension, with a normal retirement age of 65. Benefits are reduced for retirement prior to age 60 for employees with 20 years of credited service and reduced prior to age 65 for other employees. Employees vest in the PPL Retirement Plan after five years of credited service. In addition, the plan provides for joint and survivor annuity choices and does not require employee contributions.

Benefits under the PPL Retirement Plan are subject to the limitations imposed under Section 415 of the Internal Revenue Code. The Section 415 limit for 2008 is $185,000 per year for a single life annuity payable at an IRS-prescribed retirement age.

PPL Supplemental Executive Retirement Plan. PPL Corporation offers the PPL Supplemental Executive Retirement Plan, or SERP, to approximately 25 active officers as of December 31, 2008, including the named executive officers, to provide for retirement benefits above amounts available under the PPL Retirement Plan described above. The SERP is unfunded and is not qualified for tax purposes. Accrued benefits under the SERP are subject to claims of PPL Corporation s creditors in the event of bankruptcy.

The SERP formula is 2.0% of final average earnings for the first 20 years of credited service plus 1.5% of final average earnings for the next 10 years. Earnings include base salary and annual cash incentive awards. Final average earnings is the average of the highest 60 months of earnings during the last 120 months of credited service.

Benefits are computed on the basis of the life annuity form of pension, with a normal retirement age of 65. Generally, absent a specifically authorized exception, such as upon a qualifying termination in connection with a change in control, no benefit is payable under the SERP if the executive officer has less than 10 years of service. Benefits under the SERP are paid, in accordance with a participant s advance election, as a single sum or as an annuity, including choices of a joint and survivor or years-certain annuity. At age 60, or at age 50 with 10 years of service, accrued benefits are vested and may not be reduced by an amendment to the SERP or termination by PPL. After the completion of 10 years of service, participants are eligible for death benefit protection.

The Company does not have a policy for granting additional years of service. A grant of additional years of service to any executive officer must be approved by PPL Corporation s Compensation, Governance and Nominating Committee, or the Committee. The total SERP benefit cannot increase beyond 30 years of service for any participant.

Name	Plan Name	Number of Years Credited Service(1)	Present Value of Accumulated Benefit(2)(3)	Payments During Last Fiscal Year
D. G. DeCampli	PPL Retirement Plan	2.1	$ 45,114	
	SERP	2.1	75,969	
J. E. Abel	PPL Retirement Plan	34.3	1,191,425	
	SERP	27.9	795,783	
J. M. Simmons, Jr.	PPL Retirement Plan	2.9	57,172	
	SERP	2.9	41,425	

(1) See PPL Supplemental Executive Retirement Plan above for a description of the years of service. No additional years of service have been granted to the named executive officers under the SERP.

(2) The accumulated benefit is based on service and earnings (base salary and annual cash incentive award) considered by the plans for the period through December 31, 2008. The present value has been calculated assuming that the named executive officers will remain in service until age 60, the age at which retirement may occur without any reduction in benefits, provided for the PPL Retirement Plan, the employee has at least 20 years of service, and the benefit is payable under the available forms of annuity consistent with the assumptions as described in Note 13 to the financial statements in the company s Annual Report on Form 10-K for the year ended December 31, 2008. As described in such Note, the interest assumption is 6.5%. The post-retirement mortality assumption is based on the most recently available retirement plan table published by the Society of Actuaries, known as RP 2000, which is a widely used table for determining accounting obligations of pension plans. Only Mr. Abel is vested in the SERP as of December 31, 2008.

(3) The present values in the table are theoretical figures prescribed by the SEC for disclosure and comparison. The table below illustrates the actual benefits payable under the SERP for the listed events assuming termination of employment occurred as of December 31, 2008.

SERP Payments upon Termination as of December 31, 2008(a)

Named Executive Officer	Retirement	Death	Disability
D. G. DeCampli(b)			
J. E. Abel	$ 1,060,242	$ 426,809	$1,060,242
J. M. Simmons, Jr.(b)			

(a) Each named executive officer has elected to receive benefits payable under the SERP as a lump-sum payment, subject to applicable law. The amounts shown in this table represent the values that would have become payable based on a December 31, 2008 termination of employment. Actual payment would be made following December 31, subject to plan rules and in compliance with Section 409A of the Internal Revenue Code.

(b) Messrs. DeCampli and Simmons are not eligible to retire and are not vested under the SERP. Messrs. DeCampli and Simmons are also not vested in the PPL Retirement Plan, meaning that, if they left the company on December 31, 2008 under any circumstance, they would not be eligible for any benefit. The PPL Retirement Plan benefit is first payable at age 55 on a reduced basis.

NONQUALIFIED DEFERRED COMPENSATION IN 2008

The PPL Officers Deferred Compensation Plan allows participants to defer all but $75,000 of their base salary and up to all of their annual cash incentive awards. In addition, PPL made matching contributions to this plan during 2008 of up to 3% of an executive s cash compensation (salary plus annual cash incentive award) to match executive contributions that would have been made to PPL s tax-qualified deferred savings plan, which is a 401(k) plan, also known as the PPL Deferred Savings Plan, except for certain Internal Revenue Service-imposed limitations on those contributions. This plan is unfunded and is not qualified for tax purposes. All benefits under this plan are subject to the claims of PPL Corporation s creditors in the event of bankruptcy. A hypothetical account is established for each participant who elects to defer, and the participant selects one or more deemed investment choices that generally mirror those that are available generally to employees under the PPL Deferred Savings Plan at Fidelity Investments. Earnings and losses on each account are determined based on the performance of the investment funds selected by the participant. PPL maintains each account as a bookkeeping entry. During 2008, the named executive officers notionally invested in one or more of the following Fidelity funds, with the annual return shown for each fund: Columbia Acorn Z (-38.55%); Fidelity Balanced (-31.31%); Fidelity Freedom 2015 (-27.15%); Fidelity Growth Company Fund (-40.90%); MSIFT Value Adviser Fund (-36.59%); Spartan International Index Fund (-41.43%); Spartan Total Market Index (-37.18%); Spartan US Equity Index Fund (-37.03%); and a stable value fund managed by Fidelity (4.57%).

In general, the named executive officers cannot withdraw any amounts from their deferred accounts under this plan until they either leave or retire from a PPL company. PPL s Corporate Leadership Council, which consists of PPL s chief executive officer, chief financial officer, chief operating officer and general counsel, has the discretion to make a hardship distribution if there is an unforeseeable emergency that causes a severe financial hardship to the participant. Participants may elect one or more annual installments for a period up to 15 years, provided that the participant complies with the election and timing rules of Section 409A of the Internal Revenue Code. No withdrawals or distributions were made by the named executive officers in 2008.

Name	Executive Contributions in Last FY[(1)]	Registrant Contributions in Last FY[(2)]	Aggregate Earnings in Last FY[(3)]	Aggregate Withdrawals/ Distribution	Aggregate Balance at Last FYE[(4)]
D. G. DeCampli	$ 52,237	$ 3,548	$ (23,871)		$ 62,446
J. E. Abel	8,510	1,610	(9,406)		39,642
J. M. Simmons, Jr.					

(1) All amounts deferred by Messrs. DeCampli and Abel during 2008 are included in the Salary column of the Summary Compensation Table.

(2) Amounts in this column are PPL matching contributions during 2008 and are included in the Summary Compensation Table under the heading All Other Compensation.

(3) Any aggregate earnings for 2008 are not reflected in the Summary Compensation Table because such earnings are not deemed to be above-market earnings.

(4) Represents the total balance of each named executive officer s account as of December 31, 2008. Of the totals in this column, the following amounts have been reported in the Summary Compensation Table for previous years.

Name	Executive Contributions	Registrant Contributions	Total
D. G. DeCampli	$ 28,327	$ 1,748	$ 30,075
J. E. Abel	8,242	1,426	9,668
J. M. Simmons, Jr.	0		0

Change-in-Control Arrangements

PPL Corporation has entered into severance agreements with each of the named executive officers, which provide benefits to these officers upon qualifying terminations of employment in connection with a change in control of PPL Corporation. A change in control is defined as the occurrence of any five specific events. These events are summarized as follows:

- a change in the majority of the members of the PPL Corporation Board of Directors occurs through contested elections;

- an investor or group acquires 20% or more of PPL Corporation s common stock;

- a merger occurs that results in less than 60% control of PPL Corporation or the surviving entity by the current shareowners;

- shareowner approval of the liquidation or dissolution of PPL Corporation; or

- the Board of Directors of PPL Corporation declares that a change in control is anticipated to occur or has occurred.

A voluntary termination of employment by the named executive officer would only result in the payment of benefits if there was good reason for leaving. Good reason includes a number of circumstances where the named executive officer has a substantial adverse change in the employment relationship or the duties assigned. For example, a reduction in salary, a relocation of the place of work more than 30 miles away, or a cutback or exclusion from a compensation plan, pension plan, or welfare plan, would be good reason. The benefits provided under these agreements replace any other severance benefits that PPL Corporation or any prior severance agreement would provide to these named executive officers.

There is no benefit payable before or after a change in control if the officer is discharged for cause. Cause generally means willful conduct that can be shown to cause material injury to PPL Corporation or the willful refusal to perform duties after written demand by the PPL Corporation Board of Directors.

Each of the severance agreements continues in effect until December 31, 2010, and the agreements generally are automatically extended for additional one-year periods. If a change in control occurs during the agreements respective terms, the agreements will expire no earlier than 36 months after the month in which the change in control occurs. Each agreement provides that the named executive officer will be entitled to the severance benefits described below if, in connection with a change in control, the company terminates the named executive officer s employment for any reason other than death, disability, retirement or cause, or the officer terminates employment for good reason.

These benefits include:

- a lump-sum payment equal to three times (for Messrs. DeCampli and Abel) or two times (for Mr. Simmons) the sum of (1) the named executive officer s base salary in effect immediately prior to the date of termination, or if higher, immediately prior to the first occurrence of an event or circumstance constituting good reason and (2) the highest annual bonus in respect of the last three fiscal years ending immediately prior to the fiscal year in which the change in control occurs, or if higher, the fiscal year immediately prior to the fiscal year in which an event or circumstance constituting good reason first occurs;

a lump-sum payment having an actuarial present value equal to the additional pension benefits the officer would have received had the officer continued to be employed by the company for an additional 36 months (for Messrs. DeCampli and Abel) or 24 months (for Mr. Simmons);

the continuation of welfare benefits for the officer and his or her dependents for the 36-month or 24-month period following separation (reduced to the extent the officer receives comparable benefits from another employer);

unpaid incentive compensation that has been allocated or awarded for a previous performance period;

all contingent incentive compensation awards for all then uncompleted periods, calculated on a prorated basis of months of completed service, assuming performance achievement at 100% of the target level;

outplacement services for up to three years;

for Mr. DeCampli only, a gross-up payment for any excise tax imposed under the golden parachute provisions of the Internal Revenue Code; and post-retirement health care and life insurance benefits to officers who would have become eligible for such benefits within the 36-month or 24-month period following the change in control.

See the Potential Payments upon Termination or Change in Control of PPL Corporation table on page 35 for the estimated value of benefits to be paid if a named executive officer was terminated on December 31, 2008 after a change in control of PPL Corporation for qualifying reasons.

In addition to the benefits that the severance agreements provide, the following events would occur in the event of a change in control under PPL Corporation s compensation arrangements:

the restriction period applicable to any outstanding restricted stock or restricted stock unit awards lapses for those awards granted as part of PPL s compensation program;

the performance period applicable to any outstanding performance unit awards will be deemed to conclude prior to the change in control and a pro rata portion of all unvested units will become immediately vested as though there had been achievement of goals satisfying the target award;

all restrictions on the exercise of any outstanding stock options lapse;

all participants in the SERP immediately vest in their accrued benefit, even if not yet vested due to age and service; and

upon a qualifying termination, the SERP benefit improves by a pro rata portion of the additional years of service granted to the officer, if any, that otherwise would not be earned until a specified period of years had elapsed or the officer had reached a specified age.

The values of the equity award accelerations and SERP enhancements are included under the Change in Control Termination column of the Potential Payments upon Termination or Change in Control of PPL Corporation table provided below at page 35.

PPL has trust arrangements in place to facilitate the funding of benefits under the SERP, the PPL Officers Deferred Compensation Plan and severance agreements if a change in control were to occur. Currently, the trusts are not funded. The trusts provide for PPL Corporation to fund the trusts at the time a potential change in control occurs. The funds are refundable to PPL Corporation if the change in control does not actually take place.

A potential change in control is triggered when:

PPL Corporation enters into an agreement that would result in a change in control;

PPL Corporation or any investor announces an intention to enter into a change in control;

the Board of Directors of PPL Corporation declares that a potential change in control has occurred; or

an investor obtains 5% or more of PPL Corporation s common stock and intends to control or influence management (requiring a Schedule 13D to be filed by the investor with the SEC).

Within 60 days of the end of each year after the change in control occurs, PPL Corporation is required to irrevocably deposit additional cash or property into the trusts in an amount sufficient to pay participants or beneficiaries the benefits that are payable under terms of the plans that are being funded by the trusts as of the close of each year. Any income on the trust assets would be taxed to PPL Corporation and not to the beneficiaries of the trusts, and such assets would be subject to the claims of general creditors in the event of PPL Corporation s insolvency or bankruptcy.

Termination Benefits

The named executive officers are entitled to various benefits in the event of a termination of employment, but the value of that benefit and its components varies depending upon the circumstances. A qualifying termination in connection with a change in control of PPL Corporation triggers contractual benefits under the severance and equity agreements described above. A retirement provides benefits and payments in cash or stock that are set forth in various executive plans referred to above. A termination resulting from death or disability also has a number of benefit consequences under various benefit plans.

The table below, Potential Payments upon Termination or Change in Control of PPL Corporation, sets forth best estimates of the probable incremental value of benefits that are payable assuming a termination of employment as of December 31, 2008, for reasons of voluntary termination, retirement, death, disability or qualifying termination in connection with a change in control. However, as permitted by SEC disclosure rules, the table does not reflect any amount provided to a named executive officer that is generally available to all salaried employees. Also, the following table does not repeat information disclosed in the Pension Benefits in 2008 table, the Nonqualified Deferred Compensation in 2008 table or, except to the extent that vesting or payment may be accelerated, the Outstanding Equity Awards at Fiscal-Year End 2008 table. If a named executive officer does not yet qualify for full retirement benefits or other benefits requiring longer service, that additional benefit is not reflected below. If a named executive officer has the ability to elect retirement and thereby avoid a forfeiture or decreased benefits, the tables assume that retirement was elected and is noted as such in the footnotes to the table.

In the event that an executive is terminated for cause by PPL, no additional benefits are due under the applicable plans and agreements.

Severance.
See CD&A Compensation Elements Special Compensation Severance for a discussion of PPL s practice on severance benefits. PPL has entered into agreements with certain executives, typically in connection with a mid-career hire situation and as part of our offer of employment, in which we have promised a year s salary in severance pay in the event the executive is terminated by the company for reasons other than cause. Severance benefits payable under these arrangements are conditioned on the executive agreeing to release the company from any liability arising from the employment relationship.

Specifically, with regard to the named executive officers, the company (as to Mr. DeCampli) and PPL Services Corporation (as to Mr. Simmons) agreed at the time of their hiring to provide up to 52 weeks of salary should the respective executive be terminated after one year of employment. Payment during the 52-week timeframe would stop if such executive became re-employed during the 52-week period. In addition, for a period equal to the severance payment period (up to 52 weeks), the company further agreed to continue active employee health, dental and basic life insurance benefits for Mr. DeCampli.

As discussed above in Change-In-Control Arrangements, there is a structured approach to separation benefits for involuntary and select good reason terminations of employment in connection with a change in control of PPL Corporation. PPL Corporation has entered into agreements with each of the named executive officers that provide benefits to the officers upon qualifying terminations of employment in connection with a change in control of PPL Corporation. The benefits provided under these agreements replace any other severance benefits provided to these officers by PPL Corporation, or any prior severance agreement.

The table below includes the severance payments, the value of continued welfare benefits and outplacement benefits as Other separation benefits , and as to Mr. DeCampli, the value of gross-up payments for required Federal excise taxes on excess parachute payments as Tax gross-up amount payable. The value of additional pension benefits provided under the severance agreements is discussed above in Change-in-Control Arrangements and is included as SERP in the table below.

SERP and Officers Deferred Compensation Plan.
See Pension Benefits in 2008 above for a discussion of the SERP and Change-in-Control Arrangements for a discussion of enhanced benefits that are triggered if the named executive officer is terminated in connection with a change in control of PPL Corporation. The Potential Payments upon Termination or Change in Control of PPL Corporation table below only includes enhancements to benefits previously disclosed in the Pension Benefits in 2008 table available as a result of the circumstances of termination of employment.

Account balances under the PPL Officers Deferred Compensation Plan become payable as of termination of employment for any reason. Current balances are included in the Nonqualified Deferred Compensation in 2008 table on page 30 above and are not included in the table below.

Annual Cash Incentive Awards.

It is PPL s practice to pay a pro rata portion of the accrued but unpaid annual cash incentive award to executives who retire or who are eligible to retire and (1) die while employed or (2) terminate employment due to a disability during the performance year. Only Mr. Abel is eligible to retire. In the event Messrs. DeCampli and Simmons were to die or terminate employment due to a disability, the PPL Corporation Compensation, Governance and Nominating Committee has the power to consider an award. If Messrs. DeCampli and Simmons were to leave voluntarily, they would not be entitled to an annual cash incentive award.

In the event of a qualifying termination in connection with a change in control, annual cash incentive awards that have been determined, but not yet paid, are payable under the terms of the severance agreements. Also in the case of a change in control, if a termination under the severance agreement occurs during the performance year, accrued incentive cash awards are payable on a pro rata basis for the period worked during the year using the assumption that performance goals were attained at target.

Except as noted above for executives not eligible to retire, the annual cash incentive awards discussed in the CD&A and detailed for the 2008 performance year would be payable, without enhancement, in the event of retirement, death, disability, involuntary termination for reasons other than cause or in the event of a qualifying termination in connection with a change in control and are not included in the table below.

Long-term Incentive Awards.
Restrictions on restricted stock units generally lapse upon retirement, death or termination of employment due to disability or in the event of a change in control. Restricted stock units are generally forfeited in the event of voluntary termination; however, for executives eligible to retire, which includes Mr. Abel, we have assumed for the table below that the executive retires and restrictions lapse. Likewise, in the table below we have assumed that, in the event of involuntary termination for reasons other than cause for executives eligible to retire, the restrictions lapse. Premium units granted under the Premium Exchange Program are forfeited in the event of voluntary termination or retirement prior to age 60, are prorated in the event of retirement or termination of employment without cause on or after age 60, and in the event of death or disability all restrictions lapse. Premium units are included in the table below based on these assumptions.

The following table, Potential Payments upon Termination or Change in Control of PPL Corporation, includes the value, as of December 31, 2008 (based on a PPL Corporation stock price of $30.69), of accelerated restricted stock units under each termination event.

Performance units that have not yet vested as a result of the completion of the performance period remain outstanding and eligible for pro rata vesting through the conclusion of the performance period upon retirement, disability or death. Upon completion of the performance period, a pro rata portion of the total of the performance units, reinvested cash dividend equivalent amounts and any dividends on shares of common stock in the form of stock become payable. Otherwise, performance units are generally forfeited in the event of voluntary termination. In the table below, for executives eligible to retire (Mr. Abel), we have assumed the executive retires. Likewise, in the table below we have assumed that in the event of involuntary termination for reasons other than cause, performance units for executives eligible to retire remain outstanding subject to future pro rata vesting. For all executives, we have assumed disability or death as of December 31, 2008. In all events, we have illustrated the future pro rata value based on performance achievement at target.

Stock options that are not yet exercisable, other than those granted 12 months before termination of employment, become exercisable upon retirement. In the event of death or termination of employment due to disability, stock options not yet exercisable continue to become exercisable in accordance with the vesting schedule (in one-third increments on each anniversary of the grant). Options that are not yet exercisable are generally forfeited in the event of voluntary termination; however, for executives eligible to retire (only Mr. Abel), we have assumed the executive retires. Likewise, in the table below we have assumed that in the event of involuntary termination for reasons other than cause, options not yet exercisable for executives eligible to retire become exercisable. In the event of voluntary termination of employment for reasons other than noted above, all executives have a maximum of 60 days to exercise options that are exercisable but that have not yet been exercised before they are forfeited.

Stock options granted within 12 months prior to termination of employment are normally forfeited. In the event of a change in control, all options, including those granted within the preceding 12 months, become exercisable upon the closing of the transaction that results in the change in control.

The term of all PPL stock options is 10 years. In the event of retirement, the executive has the full term to exercise the options. In the event of termination of employment as a result of death or disability, the term is reduced to the earlier of the remaining term of the option or 36 months. In the event of a qualifying termination of employment in connection with a change in control, the term is reduced to 36 months for all outstanding options. Effective for grants of options made in 2008 and after, the exercise periods in the event of a change in control were extended to the full term.

The following table, Potential Payments upon Termination or Change in Control of PPL Corporation, includes the value (based on a PPL Corporation stock price of $30.69) of options that are not yet exercisable, assuming the options were exercised as of December 31, 2008 under each termination event. For the table below, options already exercisable as of the termination event are excluded. The value of these options is provided in the Outstanding Equity Awards at Fiscal-Year End 2008 table above.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL OF PPL CORPORATION

Named Executive Officer	Retirement or Voluntary Termination	Death	Disability	Involuntary Termination Not for Cause	Change in Control Termination
D. G. DeCampli					
Severance payable in cash[1]	$ 0	$ 0	$ 0	$ 350,000	$ 1,614,600
Other separation benefits[2]	0	0	0	16,000[8]	123,098
Tax gross-up amount payable[3]	0	0	0	0	1,199,115
SERP[4]	0	0	0	0	297,810
Restricted stock/units[5]	0	702,494	702,494	[9]	702,494
Performance units[6]	0	19,335	19,335	[9]	19,335
Stock options[7]	0			[9]	0
J. E. Abel					
Severance payable in cash[1]	0	0	0	[8]	1,254,000
Other separation benefits[2]	0	0	0	[8]	126,224
Tax gross-up amount payable[3]	0	0	0	0	0
SERP[4]	0	0	0	0	0
Restricted stock/units[5]	435,184	444,084	444,084	435,184	444,084
Performance units[6]	12,583	12,583	12,583	12,583	12,583
Stock options[7]	51,212			51,212	51,212
J. M. Simmons, Jr.					
Severance payable in cash[1]	0	0	0	265,000	746,664
Other separation benefits[2]	0	0	0	[8]	118,578
Tax gross-up amount payable[3]	0	0	0	0	0
SERP[4]	0	0	0	0	213,452
Restricted stock/units[5]	0	355,390	355,390	[9]	355,390
Performance units[6]	0	11,355	11,355	[9]	11,355
Stock options[7]	0			[9]	4,787

(1) Messrs. DeCampli and Simmons have agreements under which each is entitled to receive up to 52 weeks of pay following involuntary termination for reasons other than cause. The full 52 weeks of pay are illustrated as Severance payable in cash under the Involuntary Termination Not for Cause column.

In the event of termination of employment in connection with a change in control, the named executive officers are eligible for severance benefits if termination occurs within 36 months of a change in control (a) due to termination by the company for reasons other than cause or (b) by the executive on the basis of good reason as that term is defined in the agreement.

For purposes of the illustration, we have assumed executives are eligible for benefits under the severance agreements. Amounts illustrated as Severance payable in cash under the Change in Control Termination column are three times (for Messrs. DeCampli and Abel) and two times (for Mr. Simmons) the executive s annual salary as of the termination date plus three times the highest annual cash incentive payment made in the last three years as provided under the agreements.

(2) Mr. DeCampli has an agreement to provide up to 52 weeks of continued health, dental and life insurance benefits following involuntary termination for reasons other than cause. The estimated cost of coverage for the full 52 weeks is illustrated under the Other separation benefits under the Involuntary Termination Not for Cause column.

Under the terms of each named executive officer s severance agreement, the executive is eligible for three years of continued medical and dental benefits, life insurance and disability protection, and outplacement benefits. The amounts illustrated as Other separation benefits are the estimated present values of these benefits.

(3) In the event excise taxes become payable under Section 280G and Section 4999 of the Internal Revenue Code as a result of any excess parachute payments, as that phrase is defined by the Internal Revenue Service, the severance agreement for Mr. DeCampli provides that the company will pay the excise tax as well as gross-up the executive for the impact of the excise tax payment. (The tax payment and gross-up do not extend to normal income taxes due on any separation payments.) The amounts illustrated as Tax gross-up amount payable include PPL s best estimate of the excise tax and gross-up payments that would be made if each named executive officer had been terminated on December 31, 2008, under the terms of the severance agreement.

(4) Amounts illustrated as SERP under the Change in Control Termination column include the value of the incremental benefits payable under the terms of the severance agreements each named executive officer is eligible for a severance payment equal to the value of the SERP benefit that would be determined by adding an additional three years of service (for Messrs. DeCampli and Abel) and two years of service (for Mr. Simmons). Under the SERP, upon a change in control, benefits vest immediately.

(5) Total outstanding restricted stock and restricted stock unit awards are illustrated in the Outstanding Equity Awards at Fiscal-Year End 2008 table above at page 26. The table above illustrates the value of the restricted stock and stock units as of December 31, 2008 that would become immediately vested as a result of each event as of December 31, 2008. In the table below, the number of units accelerated and payable as of the event, as well as the number forfeited, is illustrated. The gross value in the above table would be reduced by the amount of taxes required to be withheld; and the net shares, determined based on the stock price as of December 31, 2008, would be distributed based on a PPL Corporation stock price of $30.69. For purposes of the table below, the total number of shares is illustrated without regard for the tax impact.

Restricted Stock and Restricted Stock Units
(#)

Named Executive Officer	**Retirement or Voluntary Termination**	**Death**	**Disability**	**Involuntary Termination Not for Cause**	**Change in Control Termination**
D. G. DeCampli					
Accelerated	0	22,890	22,890	(9)	22,890
Forfeited	22,890	0	0	(9)	0
J. E. Abel					
Accelerated	14,180	14,470	14,470	14,180	14,470
Forfeited	290	0	0	290	0
J. M. Simmons, Jr.					
Accelerated	0	11,580	11,580	(9)	11,580
Forfeited	11,580	0	0	(9)	0

(6) Total outstanding performance unit awards are illustrated in the Outstanding Equity Awards at Fiscal-Year End 2008 table above at page 26. The table above illustrates the value of the performance units as of December 31, 2008 that would become payable as a result of each event as of December 31, 2008 assuming target performance was achieved. In the table below, the number of units accelerated and payable as of the event, or the number of units that become payable after the performance period is completed, as well as the number forfeited, is illustrated. The gross value in the above table would be reduced by the amount of taxes required to be withheld; and the net shares, determined based on the stock price as of December 31, 2008, would be distributed based on a PPL Corporation stock price of $30.69. For purposes of the table below, the total number of shares is illustrated without regard to the tax impact.

Performance Units
(#)

Named Executive Officer	Retirement or Voluntary Termination	Death	Disability	Involuntary Termination Not for Cause	Change in Control Termination
D. G. DeCampli					
Accelerated	0	0	0	0	630
Forfeited	1,901	1,271	1,271	1,901	1,271
Available after performance period completed	0	630	630	0	0
J. E. Abel					
Accelerated	0	0	0	0	410
Forfeited	827	827	827	827	827
Available after performance period completed	410	410	410	410	0
J. M. Simmons, Jr.					
Accelerated	0	0	0	0	370
Forfeited	1,124	754	754	1,124	754
Available after performance period completed	0	370	370	0	0

(7) Total outstanding stock options are illustrated in the Outstanding Equity Awards at Fiscal-Year End 2008 table. The table above illustrates the value of the options not yet exercisable that would become exercisable as a result of each event as of December 31, 2008. Exercisable options as of December 31, 2008 are excluded from this table. The table below details the number of options that accelerate and become exercisable as of the termination event, the number of options that become exercisable in the future in the event of death or disability and the number forfeited.

For illustrative purposes, it is assumed that all options not yet exercisable that become exercisable as of the event are exercised as of December 31, 2008, based on a PPL Corporation stock price of $30.69. In the event of death or disability, unexercisable options become exercisable in the future and no value is anticipated for these options.

Stock Options Not Yet Exercisable (#)

Named Executive Officer	Retirement or Voluntary Termination	Death	Disability	Involuntary Termination Not for Cause	Change in Control Termination
D. G. DeCampli					
Accelerated	0	0	0	(9)	37,300
Forfeited	37,300	0	0	(9)	0
Become exercisable over next 36 months	0	37,300	37,300	0	0
J. E. Abel					
Accelerated	26,494	0	0	26,494	39,924
Forfeited	13,430	0	0	13,430	0
Become exercisable over next 36 months	0	39,924	39,924	0	0
J. M. Simmons, Jr.					
Accelerated	0	0	0	(9)	35,126
Forfeited	35,126	0	0	(9)	0
Become exercisable over next 36 months	0	35,126	35,126	0	0

(8) In the event of involuntary termination for reasons other than for cause, any severance payable in cash (except for Messrs. DeCampli and Simmons) and/or other separation benefits, if any, would be determined as of the date of termination and would require the approval of PPL Corporation s Compensation, Governance and Nominating Committee.

(9) In the event of involuntary termination for reasons other than for cause, Messrs. DeCampli and Simmons would forfeit all outstanding restricted stock units, performance units and stock options because they are not eligible to retire. Any exceptions to the automatic forfeitures would require the approval of PPL Corporation s Compensation, Governance and Nominating Committee.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Fees to Independent Auditor for 2008 and 2007

For the fiscal years ended December 31, 2008 and 2007, Ernst & Young LLP, or E&Y, served as independent registered public accounting firm, or independent auditor, for PPL Corporation and its subsidiaries, including the company. The following table presents an allocation of fees billed, including expenses, by E&Y for the fiscal years ended December 31, 2008 and 2007, for professional services rendered for the audit of our company s annual financial statements and for fees billed for other services rendered.

	2008	2007
	(In thousands)	
Audit fees[(a)]	$ 1,051	$ 909
Audit-related fees[(b)]	30	47
Tax fees[(c)]		
All other fees[(d)]	5	6

(a) Includes audit of annual financial statements and review of financial statements included in our company s Quarterly Reports on Form 10-Q and services in connection with statutory and regulatory filings or engagements, including comfort letters and consents for financings and filings made with the SEC.

(b) Fees for performance of specific agreed-upon procedures and consultation on a new accounting standard.

(c) The independent auditor does not provide tax consulting and advisory services to the company or any of its affiliates.

(d) Fees relating to access to an E&Y online accounting research tool.

Approval of Fees. PPL Corporation s Audit Committee has procedures for pre-approving audit and non-audit services to be provided by the independent auditor. These procedures are designed to ensure the continued independence of the independent auditor. More specifically, the use of our company s independent auditor to perform either audit or non-audit services is prohibited unless specifically approved in advance by the PPL Corporation Audit Committee. As a result of this approval process, PPL Corporation s Audit Committee has established specific categories of services and authorization levels. All services outside of the specified categories and all amounts exceeding the authorization levels are reviewed by the Chair of PPL Corporation s Audit Committee, who serves as the committee designee to review and approve audit and non-audit related services during the year. A listing of the approved audit and non-audit services is reviewed with the full PPL Corporation Audit Committee no later than its next meeting.

PPL Corporation s Audit Committee approved 100% of the 2008 and 2007 services provided by E&Y.

Representatives of E&Y are not expected to be present at the Annual Meeting.

OTHER MATTERS

Shareowner Proposals for the Company s 2010 Annual Meeting. To be included in the information statement for the 2010 Annual Meeting, any proposal intended to be presented at that Annual Meeting by a shareowner must be received by the Secretary of the company no later than December 29, 2009:

Corporate Secretary s Office
PPL Electric Utilities Corporation
Two North Ninth Street
Allentown, Pennsylvania 18101.

To be properly brought before the Annual Meeting, any proposal must be received not later than 75 days in advance of the date of the 2010 Annual Meeting.

Annual Financial Statements. The company s 2008 financial statements and related management discussion are appended to this document.

Schedule A

PPL Electric Utilities Corporation
2008 Financial Statements

Contents

GLOSSARY OF TERMS AND ABBREVIATIONS

PPL Corporation and its current and former subsidiaries

PPL PPL Corporation, the parent holding company of PPL Electric, PPL Energy Funding and other subsidiaries.

PPL Capital Funding PPL Capital Funding, Inc., a wholly-owned financing subsidiary of PPL.

PPL Electric PPL Electric Utilities Corporation, a regulated utility subsidiary of PPL that transmits and distributes electricity in its service territory and provides electric supply to retail customers in this territory as a PLR.

PPL Energy Funding PPL Energy Funding Corporation, a subsidiary of PPL and the parent company of PPL Energy Supply.

PPL EnergyPlus PPL EnergyPlus, LLC, a subsidiary of PPL Energy Supply that markets and trades wholesale and retail electricity and gas, and supplies energy and energy services in deregulated markets.

PPL Energy Supply PPL Energy Supply, LLC, a subsidiary of PPL Energy Funding and the parent company of PPL Generation, PPL EnergyPlus, PPL Global and other subsidiaries.

PPL Generation PPL Generation, LLC, a subsidiary of PPL Energy Supply that owns and operates U.S. generating facilities through various subsidiaries.

PPL Global PPL Global, LLC, a subsidiary of PPL Energy Supply that primarily owns and operates a business in the U.K. that is focused on the regulated distribution of electricity.

PPL Services PPL Services Corporation, a subsidiary of PPL that provides shared services for PPL and its subsidiaries.

PPL Transition Bond Company PPL Transition Bond Company, LLC, a subsidiary of PPL Electric that was formed to issue transition bonds under the Customer Choice Act.

Other terms and abbreviations

401(h) account A sub-account established within a qualified pension trust to provide for the payment of retiree medical costs.

1945 First Mortgage Bond Indenture PPL Electric s Mortgage and Deed of Trust, dated as of October 1, 1945, to Deutsche Bank Trust Company Americas, as trustee, as supplemented.

2001 Senior Secured Bond Indenture PPL Electric s Indenture, dated as of August 1, 2001, to The Bank of New York Mellon (as successor to JPMorgan Chase Bank), as trustee, as supplemented.

AFUDC (Allowance for Funds Used During Construction) the cost of equity and debt funds used to finance construction projects of regulated businesses, which is capitalized as part of construction cost.

ARB Accounting Research Bulletin.

ARO asset retirement obligation.

Black Lung Trust a trust account maintained under federal and state Black Lung legislation for the payment of claims related to disability or death due to pneumoconiosis.

CTC competitive transition charge on customer bills to recover allowable transition costs under the Customer Choice Act.

Customer Choice Act the Pennsylvania Electricity Generation Customer Choice and Competition Act, legislation enacted to restructure the state s electric utility industry to create retail access to a competitive market for generation of electricity.

EITF Emerging Issues Task Force, an organization that assists the FASB in improving financial reporting through the identification, discussion and resolution of financial accounting issues within the framework of existing authoritative literature.

EMF electric and magnetic fields.

EPA Environmental Protection Agency, a U.S. government agency.

FASB Financial Accounting Standards Board, a rulemaking organization that establishes financial accounting and reporting standards.

FERC Federal Energy Regulatory Commission, the federal agency that regulates, among other things, interstate transmission and wholesale sales of electricity, hydroelectric power projects and related matters.

FIN FASB Interpretation.

Fitch Fitch, Inc.

FSP FASB Staff Position.

GAAP generally accepted accounting principles in the U.S.

ICP Incentive Compensation Plan.

ICPKE Incentive Compensation Plan for Key Employees.

ITC intangible transition charge on customer bills to recover intangible transition costs associated with securitizing stranded costs under the Customer Choice Act.

kWh kilowatt-hour, basic unit of electrical energy.

LCIDA Lehigh County Industrial Development Authority.

LIBOR London Interbank Offered Rate.

Moody s Moody s Investors Service, Inc.

MW megawatt, one thousand kilowatts.

MWh megawatt-hour, one thousand kilowatt-hours.

NERC North American Electric Reliability Corporation.

NUGs (Non-Utility Generators) generating plants not owned by public utilities, whose electrical output must be purchased by utilities under the PURPA if the plant meets certain criteria.

OCI other comprehensive income or loss.

PEDFA Pennsylvania Economic Development Financing Authority.

PJM (PJM Interconnection, L.L.C.) operator of the electric transmission network and electric energy market in all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia and the District of Columbia.

PLR (Provider of Last Resort) the role of PPL Electric in providing default electricity supply to retail customers within its delivery territory who have not chosen to select an alternative electricity supplier under the Customer Choice Act.

PP&E property, plant and equipment.

PUC Pennsylvania Public Utility Commission, the state agency that regulates certain ratemaking, services, accounting and operations of Pennsylvania utilities.

PUC Final Order final order issued by the PUC on August 27, 1998, approving the settlement of PPL Electric s restructuring proceeding.

PURPA Public Utility Regulatory Policies Act of 1978, legislation passed by the U.S. Congress to encourage energy conservation, efficient use of resources and equitable rates.

RFC ReliabilityFirst Corporation (the regional reliability entity that replaced the Mid-Atlantic Area Coordination Council).

Sarbanes-Oxley Sarbanes-Oxley Act of 2002, which sets requirements for management s assessment of internal controls for financial reporting. It also requires an independent auditor to make its own assessment.

SEC Securities and Exchange Commission, a U.S. government agency whose primary mission is to protect investors and maintain the integrity of the securities markets.

SFAS Statement of Financial Accounting Standards, the accounting and financial reporting rules issued by the FASB.

S&P Standard & Poor s Ratings Services.

Smart meter an electric meter that utilizes smart metering technology.

Smart metering technology technology that can measure, among other things, time of electricity consumption to permit offering rate incentives for usage during lower cost or demand intervals.

Superfund federal environmental legislation that addresses remediation of contaminated sites; states also have similar statutes.

Total shareowner return increase in market value of a share of the Company s common stock plus the value of all dividends paid on a share of the common stock during the applicable performance period, divided by the price of the common stock as of the beginning of the performance period.

VEBA Voluntary Employee Benefit Association Trust, trust accounts for health and welfare plans for future benefit payments for employees, retirees or their beneficiaries.

Accounting Pronouncements

EITF 92-13 Accounting for Estimated Payments in Connection with the Coal Industry Retiree Health Benefit Act of 1992.

EITF 01-8 Determining Whether an Arrangement Contains a Lease.

EITF 02-3 Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities.

EITF 08-5 Issuer s Accounting for Liabilities Measured at Fair Value with a Third-Party Credit Enhancement.

FIN 39 Offsetting of Amounts Related to Certain Contracts, as amended and interpreted.

FIN 45 Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an Interpretation of FASB Statements No. 5, 57, and 107 and Rescission of FASB Interpretation No. 34.

FIN 46(R) Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51.

FIN 47 Accounting for Conditional Asset Retirement Obligations, an interpretation of FASB Statement No. 143.

FIN 48 Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109, as amended and interpreted.

FSP FAS 140-4 and FIN 46(R)-8 Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities.

FSP FAS 157-1 Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13.

FSP FAS 157-2 Effective Date of FASB Statement No. 157.

FSP FAS 157-3 Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active.

SFAS 5 Accounting for Contingencies.

SFAS 13 Accounting for Leases and its interpretations.

SFAS 71 Accounting for the Effects of Certain Types of Regulation.

SFAS 87 Employers Accounting for Pensions.

SFAS 106 Employers Accounting for Postretirement Benefits Other than Pensions.

SFAS 109 Accounting for Income Taxes.

SFAS 112 Employers Accounting for Postemployment Benefits, an amendment of FASB Statements No. 5 and 43.

SFAS 115 Accounting for Certain Investments in Debt and Equity Securities and its interpretations.

SFAS 123(R) Share-Based Payment.

SFAS 133 Accounting for Derivative Instruments and Hedging Activities, as amended and interpreted.

SFAS 140 Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Financial Liabilities.

SFAS 141 Business Combinations.

SFAS 141(R) Business Combinations (revised 2007).

SFAS 143 Accounting for Asset Retirement Obligations.

SFAS 146 Accounting for Costs Associated with Exit or Disposal Activities.

SFAS 157 Fair Value Measurements, as amended.

SFAS 158 Employers Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R).

SFAS 159 The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115.

SFAS 161 Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133.

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF PPL ELECTRIC UTILITIES CORPORATION

Terms and abbreviations appearing here are explained in the glossary. Dollars are in millions, unless otherwise noted.

Forward-looking Information

Statements contained in these financial statements concerning expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements which are other than statements of historical facts are forward-looking statements within the meaning of the federal securities laws. Although PPL Electric believes that the expectations and assumptions reflected in these statements are reasonable, there can be no assurance that these expectations will prove to be correct. Forward-looking statements involve a number of risks and uncertainties, and actual results may differ materially from the results discussed in forward-looking statements. In addition to the specific factors discussed in the Management s Discussion and Analysis of Financial Condition and Results of Operations section herein, the following are among the important factors that could cause actual results to differ materially from the forward-looking statements.

fuel supply availability;

weather conditions affecting customer energy use and operating costs;

transmission and distribution system conditions and operating costs;

collective labor bargaining negotiations;

the outcome of litigation against PPL Electric;

potential effects of threatened or actual terrorism or war or other hostilities;

the commitments and liabilities of PPL Electric;

competition in retail and wholesale power markets;

market demand and prices for energy, capacity and fuel;

liquidity of wholesale power markets;

defaults by our counterparties under energy contracts;

market prices of commodity inputs for ongoing capital expenditures;

capital market conditions, including the availability of capital or credit, changes in interest rates, and decisions regarding capital structure;

the fair value of debt and equity securities and the impact on defined benefit costs and resultant cash funding requirements for defined benefit plans;

- interest rates and their affect on pension and retiree medical liabilities;
- the impact of the current financial and economic downturn;
- the profitability and liquidity, including access to capital markets and credit facilities, of PPL Electric;
- new accounting requirements or new interpretations or applications of existing requirements;
- securities and credit ratings;
- current and future environmental conditions and requirements and the related costs of compliance, including environmental capital expenditures and other expenses;
- political, regulatory or economic conditions in regions where PPL Electric conducts business;
- receipt of necessary governmental permits, approvals and rate relief;
- new state or federal legislation, including new tax legislation;
- state and federal regulatory developments;
- the impact of any state or federal investigations applicable to PPL Electric and the energy industry;
- the effect of any business or industry restructuring; and
- development of new markets and technologies.

Any such forward-looking statements should be considered in light of such important factors and in conjunction with other documents of PPL Electric on file with the SEC.

New factors that could cause actual results to differ materially from those described in forward-looking statements emerge from time to time, and it is not possible for PPL Electric to predict all of such factors, or the extent to which any such factor or combination of factors may cause actual results to differ from those contained in any forward-looking statement. Any forward-looking statement speaks only as of the date on which such statement is made, and PPL Electric undertakes no obligation to update the information contained in such statement to reflect subsequent developments or information.

Overview

PPL Electric provides electricity delivery service in eastern and central Pennsylvania. Its headquarters are in Allentown, PA. PPL Electric s strategy and principal challenge is to own and operate its electricity delivery business at the most efficient cost while maintaining high quality customer service and reliability in a cost-effective manner.

PPL Electric s electricity delivery business is rate-regulated. Accordingly, this business is subject to regulatory risk with respect to costs that may be recovered and investment returns that may be collected through customer rates. In particular, uncertainty driven by potential changes in the regulatory treatment of PPL Electric s PLR obligation after 2009, when its full requirements supply contracts with PPL EnergyPlus expire, presents a risk for PPL Electric. The Customer Choice Act requires electricity delivery companies, like PPL Electric, to act as a PLR of electricity supply and provides that electricity supply costs will be recovered by such companies pursuant to regulations to be established by the PUC. As discussed in more detail in Note 10 to the Financial Statements there are a number of ongoing regulatory and legislative activities that may affect PPL Electric s recovery of supply costs after 2009. In May 2007, the PUC approved PPL Electric s plan to procure default electricity supply in 2007 through 2009 for retail customers who do not choose an alternative competitive supplier in 2010. Pursuant to this plan, PPL Electric has contracted for two-thirds of the 2010 electricity supply it expects to need for residential, small commercial and small industrial customers. In August 2008, the PUC approved a plan proposed by PPL Electric, under which its residential and small commercial customers, beginning in 2008, could begin to pay in advance to smooth the impact of price increases when generation rate caps expire in 2010. Approximately 10% of PPL Electric s customers are participating in the plan. In February 2009, PPL Electric asked the PUC for permission to offer customers a second option for reducing the potential initial impact of higher electricity prices resulting from expiration of the generation rate caps. If approved by the PUC, this option would enable eligible residential and eligible small-business customers to defer payment of any increase greater than 25% in their 2010 electric bills. The 25% will be calculated on an average rate schedule usage basis, and will be based on a comparison of currently estimated 2009 bills to currently estimated 2010 bills. In September 2007, the PUC regulations became effective regarding the obligation of Pennsylvania electric utilities to provide default electricity supply in 2011 and beyond. In August 2008, PPL Electric filed for PUC approval of its post-2010 supply procurement plan under these regulations. In addition to this regulatory activity, in October 2008, the legislature passed and the Pennsylvania Governor signed a bill that, among other things: (i) requires electric utilities to meet specified goals for reduction in use and peak demand; (ii) establishes procedures and standards for the purchase of PLR supply; and (iii) requires utilities to install smart metering technology and offer time-of-use rates. Utilities must file with the PUC by July 1, 2009, for approval of plans to meet the conservation and demand side requirements of the legislation. The Governor recently publicly stated that he expects some form of rate mitigation to be passed by the state legislature. In addition, in the last legislative session, certain Pennsylvania legislators introduced legislation to extend generation rate caps or otherwise limit cost recovery through rates for Pennsylvania utilities beyond the end of their transition periods, which in PPL Electric s case is December 31, 2009. It is possible that similar legislation could be reintroduced. If such legislation were introduced and ultimately enacted, PPL Electric could experience substantial operating losses, cash flow shortfalls and other adverse financial impacts.

In addition to the activities discussed above relating to PPL Electric s PLR obligations, PPL Electric is engaged in three other major regulatory proceedings. First, in April 2008, the FERC granted PPL Electric s request for incentive rate treatment for the Susquehanna-Roseland 500 kV Transmission Line. Those incentives are: (i) a 1.25% increase to the return on equity previously approved for the project, (ii) inclusion of construction work in progress in rate base, and (iii) recovery of all costs if the line is abandoned. In addition, FERC granted PPL Electric a 0.5% increase to the return on equity previously approved for its continuing membership in PJM. Second, in August 2008, PPL Electric requested permission from FERC to replace its stated rates for transmission service with a formula rate. In October 2008, FERC permitted PPL Electric s proposed formula rate to go into effect, subject to refund. The matter is in settlement discussions before an administrative law judge. Third, in January 2009, PPL Electric filed its application with the PUC requesting permission to site and construct the Susquehanna-Roseland line. PUC review is expected to take approximately one year.

In order to manage financing costs and access to credit markets, a key objective for PPL Electric is to maintain a strong credit profile. PPL Electric continually focuses on maintaining an appropriate capital structure and liquidity position.

The purpose of Management s Discussion and Analysis of Financial Condition and Results of Operations is to provide information concerning PPL Electric s past and expected future performance in implementing the strategy and managing the risks and challenges mentioned above. Specifically:

- Results of Operations provides an overview of PPL Electric s operating results in 2008, 2007 and 2006, including a review of earnings. It also provides a brief outlook for 2009.

- Financial Condition Liquidity and Capital Resources provides an analysis of PPL Electric s liquidity position and credit profile, including its sources of cash (including bank credit facilities and sources of operating cash flow) and uses of cash (including contractual obligations and capital expenditure requirements) and the key risks and uncertainties that impact PPL Electric s past and future liquidity position and financial condition. This subsection also includes a listing of PPL Electric s current credit ratings.

- Financial Condition Risk Management includes an explanation of PPL Electric s risk management activities regarding market risk and credit risk.

- Application of Critical Accounting Policies provides an overview of the accounting policies that are particularly important to the results of operations and financial condition of PPL Electric and that require its management to make significant estimates, assumptions and other judgments.

Market Events

The continued downturn in the financial markets has increased the complexity of managing credit risk, responding to liquidity needs, measuring financial instruments at fair value, and managing market price risk. Global bank credit capacity has been reduced dramatically and the cost of renewing or establishing new credit facilities has increased significantly. New bank credit facilities generally are being restricted to less than one-year terms, thereby introducing uncertainties as to businesses ability to enter into long-term energy commitments or reliably estimate the longer-term cost and availability of credit.

Credit Risk

Credit risk is the risk that PPL Electric would incur a loss as a result of nonperformance by counterparties of their contractual obligations. The continued volatility and downturn in financial and commodity markets during 2008 have generally increased PPL Electric s exposure to credit risk. See Notes 11 and 14 to the Financial Statements for additional information about credit concentration and Risk Management Credit Risk for more information on credit risk.

Liquidity Issues

The continued downturn in financial markets has generally made obtaining new sources of bank and capital markets funding difficult and costly. During this challenging period, PPL Electric expects to continue to have access to adequate sources of liquidity through operating cash flows, cash and cash equivalents and its credit facilities. PPL Electric plans to issue, subject to market conditions, up to $300 million in long-term debt securities in mid-2009 and does not expect to need to issue any commercial paper during 2009, but may do so from time to time to facilitate short-term cash flow needs if commercial paper market conditions improve. See Financial Condition Liquidity and Capital Resources for additional information.

Securities Price Risk

PPL Electric participates in and is allocated costs from defined benefit plans sponsored by PPL. PPL s defined benefit plans experienced negative investment returns in 2008, impacting the funded status of the plans as disclosed in Note 9 to the Financial Statements. Determination of the funded status of defined benefit plans, contribution requirements and net periodic defined benefit costs for future years is subject to changes in several assumptions, including the performance of the assets in the plans.

See Application of Critical Accounting Policies Defined Benefits for a discussion of the assumptions and sensitivities regarding those assumptions.

The information provided in Management s Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with PPL Electric s Consolidated Financial Statements and the accompanying Notes.

Results of Operations

Earnings

Income available to PPL was:

	2008	2007	2006
	$ 158	$ 145	$ 180

The after-tax changes in income available to PPL between these periods were due to the following factors.

	2008 vs. 2007	2007 vs. 2006
Delivery revenues (net of CTC/ITC amortization, interest expense on transition bonds and ancillary charges)	$ 32	$ 15
Other operation and maintenance	(8)	(1)
Depreciation		(8)
Other Income net(a)	(10)	
Income taxes	(6)	(2)
Other	4	(3)
Special items	1	(36)
	$ 13	$ (35)

(a) Includes interest income from affiliate.

The changes in income available to PPL from year to year were, in part, attributable to several special items that management considers significant. Details of these special items are provided below.

PPL Electric s year-to-year earnings were affected by:

Delivery revenues increased in 2008 compared with 2007, primarily due to a base rate increase effective January 1, 2008 and normal load growth. Delivery revenues increased in 2007 compared with 2006, primarily due to a 4% increase in sales volume resulting primarily from, the impact of favorable weather in 2007 on residential and commercial sales, and normal load growth.

Other operation and maintenance expenses increased in 2008 compared with 2007, primarily due to insurance recovery of storm costs in 2007 and higher regulatory asset amortization.

Depreciation expense increased in 2007 compared with 2006, primarily due to the purchase of previously leased equipment.

Other income net decreased in 2008 compared with 2007, primarily due to a decrease in interest income from affiliate resulting from a decrease in the average balance outstanding on a note receivable from an affiliate and a lower average rate on this note due to the floating interest rate.

The following after-tax amounts, which management considers special items, also had a significant impact on earnings.

	2008	2007	2006
Workforce reduction	$	$ (1)	
Realization of benefits related to Black Lung Trust assets (Note 9)			$ 21
PJM billing dispute(a)			21
Reversal of cost recovery Hurricane Isabel (Note 1)			(7)
Total	$	$ (1)	$ 35

(a) In 2005, PPL Electric recorded a loss accrual, including interest expense, related to a PJM billing dispute. In 2006, the accrual was reduced and it was determined that PPL Energy Supply was responsible for a portion of the loss accrual, including interest.

PPL Electric s earnings beyond 2008 are subject to various risks and uncertainties. See Forward-Looking Information, the rest of Management s Discussion and Analysis of Financial Conditions and Results of Operations and Note 10 to the Financial Statements for a discussion of the risks, uncertainties and factors that may impact PPL Electric s future earnings.

2009 Outlook

Excluding special items and the impact of the cost reduction initiative discussed below, PPL Electric projects slightly lower earnings in 2009 compared with 2008, where slightly higher distribution revenues are expected to be offset by higher operation and maintenance expenses.

See Note 20 to the Financial Statements for additional information on a cost reduction initiative completed in February 2009. PPL Electric expects to achieve annual pre-tax savings of between $6 and $8 million from the reduction of management and staff positions, including a reduction of costs allocated as a result of the elimination of positions at PPL Services.

See Note 10 to the Financial Statements for a discussion of the PUC-approved plan to procure default electricity supply in 2007 through 2009, additional information on Pennsylvania legislative and other regulatory activities, and a FERC-approved transmission rate, all of which may impact future results of operations.

Statement of Income Analysis

Operating Revenues

Retail Electric

The increases in revenues from retail electric operations were attributable to:

	2008 vs. 2007	2007 vs. 2006
PLR	$ 19	$ 109
Delivery	17	43
Other	3	
	$ 39	$ 152

The increase in PLR revenue for 2008 compared with 2007 was attributable to normal load growth. The increase in delivery revenue for the same period was primarily attributable to a base rate increase effective January 1, 2008, and normal load growth. These increases were partially offset by the unfavorable impact of weather on residential and commercial sales in 2008.

The increase in PLR revenue and delivery revenue for 2007 compared with 2006 was primarily due to a 4% increase in sales volume. This increase was primarily due to the impact of favorable weather in 2007 on residential and commercial sales and normal load growth.

Wholesale Electric to Affiliate

PPL Electric has a contract to sell to PPL EnergyPlus the electricity that PPL Electric purchases under contracts with NUGs. The decrease of $48 million in wholesale electric to affiliate in 2008 compared to 2007 was primarily due to the expiration of a NUG contract at the end of 2007 and the expiration of two NUG contracts during 2008. The decrease was partially offset by higher prices on certain NUG contracts. Substantially all of the remaining NUG contracts will expire by 2010.

Energy Purchases

Energy purchases decreased by $43 million for 2008 compared with 2007, primarily due to the expiration of a NUG contract at the end of 2007 and two NUG contracts in 2008, partially offset by higher prices on certain NUG contracts. Substantially all of the remaining NUG contracts will expire by 2010.

In 2005, PPL Electric recorded a loss accrual related to a PJM billing dispute. In 2006, the accrual was reduced and it was determined that PPL Energy Supply was responsible for a portion of the loss accrual. The $28 million reduction of this loss accrual in 2006 was the primary reason for the $31 million increase in energy purchases for 2007 compared with 2006. Also, $6 million in higher ancillary costs contributed to the increase.

Energy Purchases from Affiliate

Energy purchases from affiliate increased by $16 million in 2008 compared with 2007. The increase was primarily due to higher prices for energy purchased under the power supply contracts with PPL EnergyPlus that support the PLR load, as well as higher PLR load.

Energy purchases from affiliate increased by $102 million in 2007 compared with 2006. The increase was primarily due to higher PLR load, as well as higher prices for energy purchased under the power supply contracts with PPL EnergyPlus that support the PLR load.

Other Operation and Maintenance

The changes in other operation and maintenance expense were due to:

	2008 vs. 2007	2007 vs. 2006
Insurance recovery of storm costs	$ 5	$ (11)
Regulatory asset amortization	4	
Allocation of certain corporate service costs (Note 11)	3	(2)
Realization of benefits related to Black Lung Trust assets in 2006 (Note 9)		36
Hurricane Isabel (Note 1)		(11)
Distribution system reliability work, including tree trimming	(1)	6
PUC-reportable storm costs	(4)	6
Bad debt expense (a)	(5)	4
Other	6	5
	$ 8	$ 33

(a) The decrease in bad debt expense from 2007 to 2008 reflects the impact of a new Universal Service Rider effective January 1, 2008, which provides for recovery of costs associated with universal service programs including uncollectible accounts applicable to certain residential customers.

Amortization of Recoverable Transition Costs

Amortization of recoverable transition costs decreased by $17 million in 2008 compared with 2007. Amortization of recoverable transition costs increased by $28 million in 2007 compared with 2006. The amortization of recoverable transition costs is based on a PUC amortization schedule, adjusted for ITC and CTC recoveries in customer rates and related expenses. Since the amortization substantially matches the revenue recorded based on recovery in customer rates, there is minimal impact on earnings.

Depreciation

Depreciation increased by $14 million in 2007 compared with 2006, primarily due to PP&E additions. The increase reflects the impact of the 2006 purchase of equipment previously leased. See Note 7 to the Financial Statements for additional information.

Taxes, Other Than Income

Taxes, other than income increased by $3 million in 2008 compared with 2007. The increase was primarily due to a $6 million increase in Pennsylvania gross receipts tax expense which reflects an increase in the tax rate in 2008. This tax is passed through to customers. The increase was partially offset by a $1 million decrease in domestic sales and use tax.

Taxes, other than income increased by $11 million in 2007 compared with 2006. The increase was primarily due to a $12 million increase in Pennsylvania gross receipts tax expense, which is passed through to customers, resulting from a 4% increase in sales volume.

Other Income net

See Note 12 to the Financial Statements for details of other income.

Interest Income from Affiliate

Interest income from affiliate decreased by $10 million in 2008 compared with 2007. The decrease was the result of a reduced average balance outstanding on a note receivable from an affiliate and a lower average rate on this note due to the floating interest rate.

Financing Costs

The decreases in financing costs, which include Interest Expense, Interest Expense with Affiliate and Dividends on Preferred Securities, were due to:

	2008 vs. 2007	2007 vs. 2006
Long-term debt interest expense	$ 7	$ (1)
Interest accrued for PJM billing dispute(a)		7
Dividends on 6.25% Series Preference Stock issued in April 2006 (Note 4)		4
Interest on PLR contract collateral (Note 11)	(7)	
Repayment of transition bonds (Note 5)	(22)	(21)
Other	(2)	(1)
	$ (24)	$ (12)

(a) In 2005, PPL Electric recorded a loss accrual, including interest expense, related to a PJM billing dispute. In 2006, the accrual was reduced and it was determined that PPL Energy Supply was responsible for a portion of the loss accrual.

Income Taxes

The changes in income taxes were due to:

	2008 vs. 2007	2007 vs. 2006
Higher (lower) pre-tax book income	$ 16	$ (23)
Tax return adjustments (Note 2)	7	(5)
Tax reserve adjustments (Note 2)	(1)	5
Other	(3)	2
	$ 19	