

PPL ELECTRIC UTILITIES CORP

Form 424B5

April 04, 2006

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Filed pursuant to Rule 424(b)(5). A filing fee of \$26,750 calculated in accordance with Rule 457(r), has been transmitted to the SEC in connection with Depositary Shares offered by means of this prospectus supplement and the accompanying prospectus from the registration statement filed on March 20, 2006. The filing fee was calculated based upon the 10,000,000 Depositary Shares to be registered at the proposed maximum offering price of \$25 per share resulting in the maximum aggregate offering price of \$250,000,000. This paragraph shall be deemed to update the "Calculation of Registration Fee" table in the registration statement referred to in the second sentence above.

Filed Pursuant to Rule 424(b)(5)
File Number 333-132574-03

PROSPECTUS SUPPLEMENT

(To Prospectus dated March 20, 2006)

\$250,000,000

PPL Electric Utilities Corporation

10,000,000 Depositary Shares

Each representing a $\frac{1}{4}$ interest in a share of Preference Stock, 6.25% Series

of PPL Electric Utilities Corporation

(Non-cumulative, Liquidation Preference \$25.00 per Depositary Share)

Each of the depositary shares offered hereby (the "Depositary Shares") represents $\frac{1}{4}$ interest in a share of our Preference Stock, 6.25% Series, liquidation preference \$100.00 per share (the "Preference Shares"). As a holder of Depositary Shares, you will be entitled to all proportional rights and preferences of the Preference Shares (including dividend, voting, redemption and liquidation rights) exercised through the depositary. Dividends on the Preference Shares will be payable in arrears on January 1, April 1, July 1 and October 1 of each year, when, as and if declared by our Board of Directors, beginning on July 1, 2006 at an annual rate of 6.25%, or \$1.5625 per Depositary Share per year. Dividends on the Preference Shares are not cumulative. If for any reason we do not declare a dividend on the Preference Shares before the dividend payment date for a quarterly dividend period, that dividend will not accumulate and holders of the Preference Shares will have no right to receive, and we will have no obligation to pay, a dividend for that period, whether or not we pay, or have sufficient funds to pay, dividends in full or in part in the future.

With certain limited exceptions, we may not pay dividends on, or redeem, purchase or make a liquidation payment with respect to, any of our common stock, unless full dividends on the Preference Shares have been paid for the then-current dividend period.

We may not redeem the Preference Shares prior to April 6, 2011. On and after that date, we may, at our option, redeem the Preference Shares, in whole at any time or in part from time to time, for \$100.00 per Preference Share (equivalent to \$25.00 per Depositary Share), plus any declared and unpaid dividends (without accumulation of any undeclared dividends), payable in cash. The Preference Shares have no stated maturity, are not subject to any sinking fund provisions and will remain outstanding indefinitely unless redeemed.

The Preference Shares will have no voting rights, except as provided by law. See "Description of the Preference Shares - Voting Rights."

We will not apply to list the Depositary Shares on any securities exchange or to include the Depositary Shares in any automated quotation system. We do not expect that there will be any public trading market for the Preference Shares except as represented by the Depositary Shares.

Investing in the Depositary Shares involves risks. See Risk Factors on page S-6 of this prospectus supplement and page 4 of the accompanying prospectus.

	Underwriting		
	Price to Public (1)	Discounts and Commissions	Proceeds, Before Expenses, to Us
Per Depositary Share	\$ 25.00	\$ 0.50	\$ 24.50
Total	\$ 250,000,000	\$ 5,000,000	\$ 245,000,000

(1) The price to public does not include accrued dividends, if any, that may be declared. Dividends, if declared, will accrue from the date of original issuance, which is expected to be April 6, 2006.

Delivery of the Depositary Shares in book-entry form only will be made on or about April 6, 2006.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the prospectus to which it relates is truthful or complete. Any representation to the contrary is a criminal offense.

Joint Lead and Book-Running Managers

Merrill Lynch & Co.

JPMorgan

Wachovia Securities

Citigroup

Credit Suisse

Goldman, Sachs & Co.

Lehman Brothers

Morgan Stanley

Janney Montgomery Scott LLC

LaSalle Capital Markets

The date of this prospectus supplement is April 3, 2006.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement is part of a registration statement that we have filed with the Securities and Exchange Commission (the SEC) utilizing a shelf registration process. Under this shelf process, we are offering to sell the Depositary Shares, using this prospectus supplement and the accompanying prospectus. This prospectus supplement describes the specific terms of this offering. The accompanying prospectus and the information incorporated by reference therein describe our business and give more general information, some of which may not apply to this offering. Generally, when we refer only to the prospectus, we are referring to both parts combined. You should read this prospectus supplement together with the accompanying prospectus before making a decision to invest in the Depositary Shares. If the information in this prospectus supplement or the information incorporated by reference in this prospectus supplement is inconsistent with the accompanying prospectus, the information in this prospectus supplement or the information incorporated by reference in this prospectus supplement will apply and will supersede that information in the accompanying prospectus. You should rely on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus is accurate as of any date after the date of this prospectus supplement.

PPL Electric Utilities Corporation (PPL Electric) is a Pennsylvania corporation. Our principal executive offices are located at Two North Ninth Street, Allentown, Pennsylvania 18101-1179 and our telephone number at that address is (610) 774-5151. Information about PPL Electric is available on our website at www.pplelectric.com and on the Investor Center page of www.pplweb.com. The information on these sites is not part of this prospectus supplement. In this prospectus supplement, we, us and our refer to PPL Electric and not any of its subsidiaries or affiliates and underwriters refers to the firms listed in the Underwriting section of this prospectus supplement.

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SUMMARY

The following summary contains information about the offering by PPL Electric of the Depositary Shares (defined below). It does not contain all of the information that may be important to you in making a decision to purchase the Depositary Shares. For a more complete understanding of PPL Electric and the offering of the Depositary Shares, we urge you to read this entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference carefully, including the Risk Factors sections and our financial statements and the notes to those statements incorporated by reference herein.

The Offering

Issuer	PPL Electric.
Securities Offered	10,000,000 depositary shares (the Depositary Shares), each representing ^{1/4} interest in a share of our Preference Stock, 6.25% Series (the Preference Shares).
Size	\$250,000,000.
Dividend Rate and Payment Dates	Dividends will be payable quarterly in arrears on the 1 st day of January, April, July and October of each year, when, as and if declared by our Board of Directors, beginning on July 1, 2006, at the fixed rate per annum of 6.25% per Preference Share, or \$1.5625 per Depositary Share per year. Dividends, if declared, will accrue from the date of original issuance, which is expected to be April 6, 2006. See Description of the Preference Shares Dividends.
Listing	We will not apply to list the Depositary Shares on any securities exchange or to include the Depositary Shares in any automated quotation system. We do not expect that there will be any public trading market for the Preference Shares except as represented by the Depositary Shares.
Term	Perpetual.
Optional Redemption	We may not redeem the Preference Shares prior to April 6, 2011. On and after that date, we may, at our option, redeem the Preference Shares, in whole at any time or in part from time to time, for \$100.00 per Preference Share (equivalent to \$25.00 per Depositary Share), plus any declared and unpaid dividends (without accumulation of any undeclared dividends), payable in cash. It is our intention to redeem the Preference Shares only from the proceeds of the sale of certain qualifying securities having equity characteristics similar to or greater than the applicable equity characteristics of the Preference Shares.
Public Offering Price	\$25.00 per Depositary Share. The public offering price does not include accrued dividends, if any, that may be declared.

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Dividends	Dividends on the Preference Shares are not cumulative and, accordingly, if for any reason we do not declare a dividend on the Preference Shares before the dividend payment date for a quarterly dividend period, that dividend will not accumulate and holders of the Preference Shares will have no right to receive and we will have no obligation to pay a dividend for that period, whether or not we pay, or have sufficient funds to pay, dividends in full or in part in the future. In addition, holders of Preference Shares will have no right to any representation on our Board of Directors, regardless of the number of periods for which dividends are not paid. Dividends may be prohibited under certain circumstances, as described below under Risk Factors. Our ability to pay dividends is restricted.
Dividend Stopper	With certain limited exceptions, we may not pay dividends on, or redeem, purchase, or make a liquidation payment with respect to, any of our common stock, unless full dividends on the Preference Shares have been paid for the then-current dividend period. See Description of the Preference Shares Dividend Stopper.
Ranking	The Preference Shares will rank senior to our common stock, junior to our 4 1/2% Preferred Stock and all of our Series Preferred Stock, and on parity with any other series of our preference stock that we may issue in the future, in each case with respect to the payment of dividends and distribution of assets upon liquidation, dissolution or winding up of PPL Electric.
Issuance of Senior Shares	As long as any Preference Shares are outstanding, we do not intend to issue any shares of our 4 1/2% Preferred Stock, Series Preferred Stock or other preferred stock or preference stock that rank senior to the Preference Shares with respect to the payment of dividends and distribution of assets upon liquidation, dissolution or winding up of PPL Electric.
Voting Rights	The Preference Shares will have no voting rights, except as provided by law. See Description of the Preference Shares Voting Rights.
Preemptive and Conversion Rights	The Preference Shares are without any preemptive rights and are not convertible into, or exchangeable for, any of our other property or securities.
Use of Proceeds	We will use the net proceeds from the sale of the Depositary Shares to repurchase from PPL Corporation up to \$200 million of our common stock and for such other general corporate purposes as we deem appropriate, including the redemption or repurchase of our outstanding debt securities.
Transfer Agent	Wells Fargo Bank, N.A.
Depositary	Wells Fargo Bank, N.A.

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RECENT DEVELOPMENTS

We currently are authorized under our Amended and Restated Articles of Incorporation (our Articles of Incorporation) to issue up to 5,000,000 shares of preference stock. The Board of Directors is authorized, without further shareowner action, to issue shares of preference stock from time to time in one or more series and to determine the designations, preferences, limitations and special rights of any series. In connection with the issuance of the Depositary Shares offered by this prospectus supplement, we will issue 2,500,000 Preference Shares. In connection with our 2006 Annual Meeting of Shareowners to be held on April 26, 2006, we have proposed to increase the authorized amount of preference stock from 5,000,000 to 10,000,000 shares through an amendment to our Articles of Incorporation. We expect this amendment to be adopted, as PPL Corporation, which owns all of our outstanding shares of common stock and as a result 99% of our voting shares, intends to vote all of its shares in favor of this amendment. The holders of the Preference Shares (and, accordingly, the holders of the Depositary Shares) will not be entitled to vote with respect to this amendment.

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RISK FACTORS

Before making a decision to invest in the Depositary Shares, you should carefully consider the risk factors described below and the risk factors contained in the documents incorporated by reference in this prospectus supplement and the accompanying prospectus, as well as the other information included in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus.

Dividends on the Preference Shares are non-cumulative.

Dividends on the Preference Shares are not cumulative and, accordingly, if for any reason we do not declare a dividend on the Preference Shares before the dividend payment date for a quarterly dividend period, that dividend will not accumulate and holders of the Preference Shares will have no right to receive, and we will have no obligation to pay, a dividend for that period, whether or not we pay, or have sufficient funds to pay, dividends in full or in part in the future. In addition, holders of Preference Shares will have no right to any representation on our Board of Directors, regardless of the number of periods for which dividends are not paid. The market value of the Preference Shares may decline substantially if we do not make dividend payments.

There may not be an active trading market for the Depositary Shares.

Prior to this offering, there has been no market for the Depositary Shares. We will not apply to list the Depositary Shares on any securities exchange or to include the Depositary Shares in any automated quotation system. As the Depositary Shares will not be quoted on a national securities exchange, there may be little or no secondary market for them. Even if there is a secondary market, it may not provide enough liquidity to allow you to trade or sell the Depositary Shares easily, which may affect the price you receive upon any such sale. We do not expect that there will be any public trading market for the Preference Shares except as represented by the Depositary Shares.

Holders of the Preference Shares have limited voting rights.

The Preference Shares will have no voting rights, except as provided by law. See Description of the Preference Shares Voting Rights.

The Preference Shares are subordinated to our indebtedness and our outstanding preferred stock.

Holders of our indebtedness and our existing 4 1/2% Preferred Stock and Series Preferred Stock will have seniority over the holders of the Preference Shares with respect to rights to payment from any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding up of PPL Electric. This may have the effect of reducing the amount of proceeds paid to you as a holder of Depositary Shares upon an insolvency, liquidation, reorganization, dissolution or other winding up of PPL Electric, and you would not be paid any proceeds upon an insolvency, liquidation, reorganization, dissolution or other winding up of PPL Electric if our assets were insufficient to pay our debt obligations at that time.

Our ability to pay dividends is restricted.

Our 2001 senior secured bond indenture restricts dividend payments on our equity, including the Preference Shares, in the event that we fail to meet an interest coverage ratio or fail to comply with certain requirements included in our Articles of Incorporation and our Bylaws to maintain our separateness from PPL Corporation and PPL Corporation's other subsidiaries. If we are prohibited from paying dividends that have been declared for any dividend period as a result of the application of these restrictions, those dividends will cease to accrue and holders of the Preference Shares (and, accordingly, holders of the Depositary Shares) will have no right to receive the dividend for that period on the corresponding dividend payment date or in the future. The market value of the Preference Shares may decline substantially if we do not make dividend payments.

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USE OF PROCEEDS

We will use the net proceeds from the sale of the Depositary Shares to repurchase from PPL Corporation up to \$200 million of our common stock and for such other general corporate purposes as we deem appropriate, including the redemption or repurchase of our outstanding debt securities.

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The following selected historical consolidated financial and other data for each of the fiscal years ended December 31, 2005, 2004, 2003, 2002 and 2001 have been derived from the audited consolidated financial statements of PPL Electric Utilities Corporation.

The following data should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2005, which is incorporated by reference herein, and with the consolidated financial statements, related notes, and other financial information incorporated by reference into this prospectus supplement and the accompanying prospectus.

	2005	2004	2003	2002	2001
PPL Electric Utilities Corporation (a)					
Income Items millions					
Operating revenues	\$ 3,163	\$ 2,847	\$ 2,788	\$ 2,748	\$ 2,694
Operating income	377	259	251	275	419
Income available to PPL Corporation	145	74	25	39	119
Balance Sheet Items millions (b)					
Property, plant and equipment net	2,716	2,657	2,589	2,456	2,319
Recoverable transition costs	1,165	1,431	1,687	1,946	2,172
Total assets	5,537	5,526	5,469	5,583	5,921
Long-term debt	2,411	2,544	2,937	3,175	3,459
Company-obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely company debentures					250
Preferred stock	51	51	51	82	82
Common equity	1,324	1,272	1,222	1,147	931
Short-term debt	42	42		15	
Total capital provided by investors	3,828	3,909	4,210	4,419	4,722
Financial Ratios					
Return on average common equity %	11.20	5.95	2.08	3.87	11.09
Embedded cost rates (b)					
Long-term debt %	6.56	6.86	6.61	6.83	6.81
Preferred stock %	5.14	5.14	5.14	5.81	5.81
Preferred securities %					8.44
Times interest earned before income taxes	2.19	1.45	1.22	1.33	1.89
Ratio of earnings to fixed charges (c)	2.1	1.4	1.2	1.2	1.7
Ratio of earnings to combined fixed charges and preferred stock dividends (c)	2.1	1.4	1.2	1.2	1.7
Sales Data					
Customers (thousands) (b)	1,365	1,351	1,330	1,308	1,298
Electric energy delivered millions of kWh					
Residential	14,218	13,441	13,266	12,640	12,269
Commercial	13,196	12,610	12,388	12,371	12,130
Industrial	9,777	9,620	9,599	9,853	10,000
Other	167	163	154	169	211
Retail electric sales	37,358	35,834	35,407	35,033	34,610
Wholesale electric sales (d)		72	676	679	924
Total electric energy delivered	37,358	35,906	36,083	35,712	35,534
Electric energy supplied as a PLR millions of kWh	36,917	34,841	33,627	33,747	31,653

(a) The earnings for each year other than 2004 were affected by items management considers unusual, which affected net income. See Earnings in Management's Discussion and Analysis of Financial Condition and Results of Operations for a description of unusual items in 2005 and 2003.

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- (b) At year-end.
- (c) Computed using earnings and fixed charges of PPL Electric and its subsidiaries. Fixed charges consist of interest on short- and long-term debt, other interest charges and the estimated interest component of other rentals. In calculating the earnings component, net income excludes the cumulative effect of a change in accounting principle.
- (d) The contracts for wholesale sales to municipalities expired in January 2004.

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The following table sets forth PPL Electric's historical unaudited consolidated cash and cash equivalents, short-term debt and capitalization as of December 31, 2005:

on an actual basis;

on an as-adjusted basis to give effect to the estimated net proceeds from the sale by us of the Depositary Shares in this offering, assuming we repurchase \$200 million of our common equity.

This table should be read in conjunction with our consolidated financial statements, the notes related thereto and the other financial and operating data incorporated by reference into this prospectus supplement and the accompanying prospectus.

	As of December 31, 2005	
	Actual	As Adjusted
	(in millions)	
Cash and cash equivalents	\$ 298	\$ 343
Short-term debt	\$ 42	\$ 42
Long-term debt, including current portion	\$ 2,411	\$ 2,411
Preferred stock	51	301
Common equity	1,324	1,124
Total capitalization	\$ 3,786	\$ 3,836

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DESCRIPTION OF THE PREFERENCE SHARES

General

The following summary description of certain provisions of our Articles of Incorporation does not purport to be complete and is qualified in its entirety by reference to our Articles of Incorporation. The Preference Shares constitute a single series of our preference stock. The Preference Shares are not convertible into, or exchangeable for, shares of any other class or series of stock or other securities or property of ours. The Preference Shares have no preemptive rights. Any Preference Shares that are surrendered for redemption will be returned to the status of authorized and unissued preference stock.

We currently are authorized under our Articles of Incorporation to issue up to 5,000,000 shares of preference stock. The Board of Directors is authorized, without further shareowner action, to issue shares of preference stock from time to time in one or more series and to determine the designations, preferences, limitations and special rights of any series. In connection with the issuance of the Depositary Shares offered by this prospectus supplement, we will issue 2,500,000 Preference Shares.

In connection with our 2006 Annual Meeting of Shareowners to be held on April 26, 2006, we have proposed to increase the authorized amount of preference stock from 5,000,000 to 10,000,000 shares through an amendment to our Articles of Incorporation. We expect this amendment to be adopted, as PPL Corporation, which owns all of our outstanding shares of common stock and as a result 99% of our voting shares, intends to vote all of its shares in favor of this amendment. The holders of the Preference Shares (and, accordingly, the holders of the Depositary Shares) will not be entitled to vote with respect to this amendment.

We will issue 10,000,000 Depositary Shares in connection with this offering, each representing a $\frac{1}{4}$ interest in a Preference Share. Our Board of Directors will be permitted, without the consent of any holders, to issue additional shares of preference stock, including shares of preference stock of the same series as the Preference Shares, pursuant to different offerings from time to time, up to the maximum number of authorized shares of preference stock.

Our Board of Directors also is permitted under our Articles of Incorporation, without further shareowner action, to issue from time to time shares of one or more other series of our preference stock, and to determine the designations, preferences, limitations and special rights of any series including, but not limited to, the following:

the rate of dividend, if any;

the rights, if any, of the holders of stock of the series upon our insolvency, liquidation, reorganization, dissolution or other winding up;

the terms and conditions upon which stock may be converted into stock of other series or other capital stock, if issued with the privilege of conversion;

the price at and the terms and conditions upon which stock may be redeemed; and

the voting rights, if any.

Dividends and Payment Dates

Holders of Preference Shares will receive, when, as and if declared by us, out of funds legally available for payment of dividends under Pennsylvania law, cash dividends at a fixed annual rate of 6.25%. We will pay dividends on the Preference Shares quarterly in arrears on January 1, April 1, July 1 and October 1 of each year, beginning on July 1, 2006 (or, if any such dividend payment date is not a business day, then the next succeeding business day), when, as and if declared by us out of legally available funds to the holders of record as of a date not exceeding 40 days and not less than 10 days preceding such dividend payment dates, to be fixed by our Board of Directors. Dividends, if declared, will accrue from the date of original issuance, which is expected to be

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April 6, 2006. Business day means any day that is not a Saturday or Sunday and that is not a day on which banking institutions generally are authorized or obligated by law or executive order to be closed. The amount of dividends payable for any period will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Dividends on the Preference Shares are not cumulative and, accordingly, if for any reason we do not declare a dividend on the Preference Shares before the dividend payment date for a quarterly dividend period, that dividend will not accumulate and holders of the Preference Shares will have no right to receive and we will have no obligation to pay a dividend for that period, whether or not we pay, or have sufficient funds to pay, dividends in full or in part in the future. In addition, holders of Preference Shares will have no right to any representation on our Board of Directors, regardless of the number of periods for which dividends are not paid.

Dividend Stopper

We may not pay dividends on, or redeem, purchase, or make a liquidation payment with respect to, any of our common stock or any of our other capital stock ranking junior to the Preference Shares (other than the distributions of shares, options, warrants or rights to purchase shares of our common stock or any of our other capital stock ranking junior to the Preference Shares), unless full dividends on the Preference Shares have been paid for the then-current dividend period.

We may not pay dividends on, or redeem, purchase, or make a liquidation payment with respect to, any other preference stock that we may issue ranking on parity with the Preference Shares, unless dividends on the Preference Shares have been paid for the then-current dividend period ratably in proportion to the respective amounts of dividends declared and unpaid on the Preference Shares and such other parity preference stock.

Optional Redemption

The Preference Shares are not redeemable prior to April 6, 2011. On and after that date, the Preference Shares, and the corresponding Depositary Shares, will be redeemable at our option, in whole at any time or in part from time to time, upon not less than 30 nor more than 60 days' notice, at a redemption price equal to \$100.00 per share (equivalent to \$25.00 per Depositary Share), plus any declared and unpaid dividends through the date of redemption (without accumulation of any undeclared dividends), payable in cash. Once proper notice has been given, from and after the redemption date, such Preference Shares called for redemption will no longer be deemed outstanding, and all rights of the holders thereof will cease. There will be no sinking fund for the redemption or purchase of the Preference Shares. Holders of the Preference Shares will have no right to require the redemption of the Preference Shares.

It is our intention to redeem or repurchase the Preference Shares only from the proceeds of the sale of certain qualifying securities having equity characteristics similar to or greater than the applicable equity characteristics of the Preference Shares ("Qualifying Securities").

We may decide to affirm this intention by making an enforceable covenant in favor of the holders of a specific series of our outstanding long-term debt securities (including any replacement series designated by PPL Electric, the "Covered Debt") stating that, if we redeem or repurchase the Preference Shares, we will do so only if, during the 180 days on or prior to such redemption, we have received proceeds from the sale of Qualifying Securities. If we make this covenant, on or shortly after the date that we make the covenant, we would give notice thereof to the holders of the Covered Debt and we would file the covenant with the SEC on a Current Report on Form 8-K. Any such covenant would be subject to termination under certain circumstances, including with the consent of holders of a majority of the principal amount of such Covered Debt. If we were to enter into this covenant, the covenant would not be intended to be enforceable by, or for the benefit of, holders of our Preference Shares, any of our preferred stock, any other preference stock that we may issue or any series of our long-term debt securities (other than the Covered Debt).

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Ranking

The Preference Shares rank:

subordinate to our 4 1/2% Preferred Stock and Series Preferred Stock;

equally with any other shares of preference stock that we may issue in the future; and

senior to our common stock,
with respect to the payment of dividends and distribution of assets upon liquidation or winding up of PPL Electric.

In the event of a voluntary or involuntary liquidation, dissolution or winding up of PPL Electric, after satisfaction of the distribution rights of the holders of our 4 1/2% Preferred Stock and Series Preferred Stock, the holders of the Preference Shares will be entitled to receive out of our assets available for distribution to stockholders, \$100.00 per share (or \$25.00 per Depositary Share), plus all declared and unpaid dividends from prior dividend periods and accrued and unpaid dividends for the then-current dividend period to the date such payment is made available, whether or not earned or declared, before any payment or distribution out of our assets may be made to or set apart for the holders of our common stock or any other capital stock ranking junior to the Preference Shares. If, upon any voluntary or involuntary liquidation, dissolution or winding up of PPL Electric, our assets, or proceeds thereof, distributable among the holders of Preference Shares or any stock ranking equally with the Preference Shares shall be insufficient to pay in full the preferential amounts to which such stock would be entitled, then such assets, or the proceeds thereof, shall be distributable among such holders ratably in accordance with the respective amounts which would be payable on such shares if all amounts payable thereon were paid in full. The terms "involuntary liquidation, dissolution or winding up" shall include, without being limited to, a liquidation, dissolution or winding up of PPL Electric resulting in the distribution of all of the net proceeds of a sale, lease or conveyance of all or substantially all of the property or business of PPL Electric to any governmental body including, without limitation, any municipal corporation or political subdivision or authority.

Issuance of Senior Shares

As long as any Preference Shares are outstanding, we do not intend to issue any shares of 4 1/2% Preferred Stock, Series Preferred Stock or other preferred stock or preference stock that rank senior to the Preference Shares with respect to the payment of dividends and distribution of assets upon our insolvency, liquidation, reorganization, dissolution or other winding up.

Voting Rights

Preference Share holders shall have no voting rights, except with respect to certain material changes in the terms of the Preference Shares as provided by law. Currently, under the Pennsylvania Business Corporation Law Section 1914, regardless of any limitations stated in our Articles of Incorporation or Bylaws, the holders of Preference Shares shall be entitled to vote as a class on the following actions:

changing the preferences, limitations or special rights (other than preemptive rights or the right to vote cumulatively) of the shares of a class or series adverse to the Preference Shares;

authorizing a new class or series of shares having a preference as to dividends or assets which is senior to the Preference Shares;

increasing the number of authorized shares of any class or series having a preference as to dividends or assets which is senior in any respect to the Preference Shares; or

making the Preference Shares redeemable by a method that is not pro rata, by lot or otherwise equitable.

Maturity

The Preference Shares do not have a maturity date, and we are not required to redeem the Preference Shares. In addition, we are not required to set aside funds to redeem the Preference Shares. Accordingly, the Preference Shares will remain outstanding indefinitely unless we decide to redeem them.