

PPL ELECTRIC UTILITIES CORP

Form 424B2

August 09, 2007

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Filed pursuant to Rule 424(b)(2). Based upon the registration of \$250 million of Senior Secured Bonds to be offered by means of this prospectus supplement and the accompanying prospectus under the amended registration statement filed March 9, 2007, a filing fee of \$7,675 has been calculated in accordance with Rule 457(r). This fee has been previously transmitted to the SEC. 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)(2)  
File Number 333-132574-03

**PROSPECTUS SUPPLEMENT  
(To Prospectus dated March 9, 2007)**

**\$250,000,000**

**PPL Electric Utilities Corporation  
6.45% Senior Secured Bonds Due 2037**

PPL Electric Utilities Corporation ( PPL Electric ) is offering its Senior Secured Bonds, 6.45% Series due 2037 (the Bonds ). Interest on the Bonds will be payable on February 15 and August 15 of each year, commencing February 15, 2008, and at Maturity (as hereinafter defined), as further described in this prospectus supplement. The Bonds will mature on August 15, 2037, unless redeemed on an earlier date. The Bonds will be redeemable at our option, in whole at any time or in part from time to time, as described herein. See Description of the Bonds Redemption.

The Bonds will initially have the benefit of a first mortgage lien on substantially all of our electric distribution properties and certain of our electric transmission properties as described in this prospectus supplement and in the accompanying prospectus. As further described in this prospectus supplement, the security for the Bonds may be released in certain circumstances and subject to certain conditions. Upon any such release, the Bonds will cease to be secured and will become our unsecured general obligations. At such time, we will be subject to certain restrictions on our ability to issue secured debt. See Description of the Bonds Security Discharge of Lien; Release Date herein.

**Investing in the Bonds involves certain risks. See Risk Factors beginning on page S-6 of this prospectus supplement and on page 4 of the accompanying prospectus.**

These securities have not been approved or disapproved by the Securities and Exchange Commission (the SEC ) or any state securities commission, nor has the SEC or any state securities commission determined that this prospectus supplement or the accompanying prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

<b>Price to Public(1)</b>	<b>Underwriting Discount</b>	<b>Proceeds, Before</b>
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			<b>Expenses, to Us(1)</b>
Per Bond	99.973%	.875%	99.098%
Total	\$ 249,932,500	\$ 2,187,500	\$ 247,745,000

(1) Plus accrued interest, if any, from date of issuance.

The underwriters expect to deliver the Bonds to the purchasers in book-entry form through the facilities of The Depository Trust Company on or about August 13, 2007.

***Joint Book-running Managers***

**BNP PARIBAS**

**Credit Suisse**

**Scotia Capital**

*Co-Managers*

**ABN AMRO Incorporated**

**BNY Capital Markets, Inc.**

**Lazard Capital Markets**

The date of this prospectus supplement is August 8, 2007

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You should rely only 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.

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As used in this prospectus, the terms we, our and us may, depending on the context, refer to PPL Electric or to PPL Electric together with PPL Electric's consolidated subsidiaries, taken as a whole.



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**ABOUT THIS PROSPECTUS SUPPLEMENT**

This prospectus supplement is part of a registration statement that PPL Electric has filed with the SEC utilizing a shelf registration process. Under this shelf process, we are offering to sell the Bonds 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 Bonds. 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.

Certain affiliates of PPL Electric, specifically PPL Corporation, PPL Energy Supply, LLC and PPL Capital Funding, Inc., have also registered their securities on the shelf registration statement referred to above. However, the Bonds are solely obligations of PPL Electric, and not of PPL Corporation or any of PPL Corporation's other subsidiaries or any other affiliate of PPL Electric. None of PPL Corporation, PPL Energy Supply, LLC or PPL Capital Funding, Inc. or any of PPL Electric's subsidiaries or other affiliates will guarantee or provide any credit support for the Bonds.

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**WHERE YOU CAN FIND MORE INFORMATION**

**Available Information**

PPL Electric files reports and other information with the SEC. You may obtain copies of this information by mail from the Public Reference Room of the SEC, 100 F Street, N.E., Room 1580, Washington, D.C. 20549, at prescribed rates. Further information on the operation of the SEC's Public Reference Room in Washington, D.C. can be obtained by calling the SEC at 1-800-SEC-0330.

PPL Electric's Internet Web site is [www.ppelectric.com](http://www.ppelectric.com). Our parent, PPL Corporation, maintains an Internet Web site at [www.pplweb.com](http://www.pplweb.com). On the Investor Center page of that Web site, PPL Corporation provides access to SEC filings of PPL Electric free of charge, as soon as reasonably practicable after filing with the SEC. Neither the information at PPL Electric's Web site nor the information at PPL Corporation's Web site is incorporated in this prospectus supplement by reference, and you should not consider it a part of this prospectus supplement. PPL Electric's filings are also available at the SEC's Web site ([www.sec.gov](http://www.sec.gov)).

In addition, reports and other information concerning PPL Electric can be inspected at its offices at Two North Ninth Street, Allentown, Pennsylvania 18101-1179.

**Incorporation by Reference**

PPL Electric will incorporate by reference information into this prospectus supplement by disclosing important information to you by referring you to other documents that it files separately with the SEC. The information incorporated by reference is deemed to be part of this prospectus supplement, and later information that we file with the SEC will automatically update and supersede that information. This prospectus supplement incorporates by reference the documents set forth below that have been previously filed with the SEC. These documents contain important information about PPL Electric.

**SEC Filings**

**Period/Date**

Annual Report on Form 10-K	Year ended December 31, 2006
Quarterly Reports on Form 10-Q	Quarters ended March 31, 2007 and June 30, 2007
Current Reports on Form 8-K	Filed on January 31, 2007, March 28, 2007, April 3, 2007, May 9, 2007, May 16, 2007 and July 26, 2007
Notice of Annual Meeting and Information Statement	Filed April 30, 2007

Additional documents that PPL Electric files with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, between the date of this prospectus supplement and the termination of the offering of the Bonds are also incorporated herein by reference.

PPL Electric will provide without charge to each person, including any beneficial owner, to whom a copy of this prospectus supplement has been delivered, a copy of any and all of its filings with the SEC. You may request a copy of these filings by writing or telephoning PPL Electric at:

Two North Ninth Street  
Allentown, Pennsylvania 18101-1179

Edgar Filing: PPL ELECTRIC UTILITIES CORP - Form 424B2

Attention: Investor Services Department

Telephone: 1-800-345-3085

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**SUMMARY**

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

**The Offering**

<b>Issuer</b>	PPL Electric Utilities Corporation
<b>Securities Offered</b>	\$250,000,000 aggregate principal amount of PPL Electric's Senior Secured Bonds, 6.45% Series due 2037
<b>Stated Maturity Date</b>	August 15, 2037
<b>Interest Payment Dates</b>	Interest on the Bonds will be payable on February 15 and August 15 of each year, commencing on February 15, 2008 and at Maturity, or upon earlier redemption.
<b>Interest Rate</b>	6.45% per annum
<b>Redemption</b>	The Bonds may be redeemed at our option, in whole at any time or in part from time to time, at the redemption prices set forth in this prospectus supplement. The Bonds will not be entitled to the benefit of any sinking fund or other mandatory redemption and will not be repayable at the option of the Holder of a Bond prior to the Stated Maturity Date. See Description of the Bonds Redemption.
<b>Ranking; Security</b>	<p>The Bonds will be initially secured by:</p> <p>first mortgage bonds issued under our 1945 first mortgage indenture (the 1945 Mortgage, as further described in this prospectus supplement), which, subject to certain exceptions described in this prospectus supplement, constitutes a first mortgage lien on substantially all of our electric distribution properties and certain of our electric transmission properties, and</p> <p>the lien of the Indenture (as hereinafter defined) under which the Bonds will be issued on substantially all of our tangible electric distribution properties and certain of our electric transmission properties, which lien is junior to the lien of the 1945 Mortgage, subject in such case to exceptions and exclusions, as described in this prospectus supplement.</p> <p><i>Release of the Lien of the 1945 Mortgage.</i> Under certain circumstances described in this prospectus supplement, the first mortgage bonds issued</p>

under our 1945 Mortgage (sometimes called the 1945 Mortgage Bonds ) and the lien of the 1945 Mortgage may be discharged. Upon such a discharge and subject to certain exceptions described in this prospectus supplement, the lien of the Indenture will become a direct first mortgage lien on our electric distribution properties and certain of our electric transmission properties (subject to certain exceptions and exclusions, as described herein).

*Release of the Lien of the Indenture.* Upon the Release Date described in this prospectus supplement, the lien of the Indenture

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may be released and discharged, subject to certain conditions. Upon the Release Date, the Bonds will cease to be secured and will become our unsecured general obligations. Upon the Release Date, we will be subject to certain restrictions on our ability to issue secured debt as described in this prospectus supplement. See Description of the Bonds Security Discharge of Lien; Release Date.

**Listing**

We do not intend to list the Bonds on any securities exchange.

**Form and Denomination**

The Bonds will be initially issued in the form of one or more global securities, without coupons, in denominations of \$1,000 and integral multiples in excess thereof, and deposited with the Trustee (as hereinafter defined) on behalf of The Depository Trust Company ( DTC ), as depository, and registered in the name of DTC or its nominee. See Description of the Bonds General and Description of the Bonds Book-Entry Only Issuance The Depository Trust Company.

**Use of Proceeds**

We plan to use the net proceeds from the sale of the Bonds, together with cash on hand, to pay at maturity \$255 million outstanding aggregate principal amount of our Senior Secured Bonds, 57/8% Series, due August 15, 2007.

**Ratings**

Our senior secured debt is currently rated A– by Standard & Poor s Ratings Services, A3 by Moody s Investors Service, Inc. and A– by Fitch Ratings. A credit rating reflects an assessment by the rating agency of the creditworthiness associated with an issuer and particular securities that it issues. These ratings are not a recommendation to buy, sell or hold any securities of PPL Electric. Such ratings may be subject to revisions or withdrawal by these agencies at any time and should be evaluated independently of each other and any other rating that may be assigned to the securities.

**Reopening of the Series**

We may, without the consent of the Holders of the Bonds, increase the principal amount of the series and issue additional bonds of such series having the same ranking, interest rate, maturity and other terms as the Bonds, other than the date of initial issuance and, in some circumstances, the initial interest accrual date and the initial interest payment date. Any such additional bonds may, together with the Bonds, constitute a single series of securities under the Indenture. See Description of the Bonds General.

**Governing Law**

The Bonds and the Indenture are governed by the laws of the State of New York, except to the extent the Trust Indenture Act shall be applicable and except where otherwise required by law. The effectiveness of the lien of the Indenture, and the perfection and priority thereof, will be governed by Pennsylvania law.

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**RISK FACTORS**

*Before making a decision to invest in the Bonds, you should carefully consider the risk factors described below, the risk factors described on page 4 of the accompanying prospectus, and the risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2006, beginning on page 10, 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.*

**Risks Relating to PPL Electric's Business**

***Regulators may not approve the rates we request.***

Our Pennsylvania delivery businesses are rate-regulated. While such regulation is generally premised on the recovery of prudently incurred costs, including energy supply costs for our Provider of Last Resort, or PLR, customers, and a reasonable rate of return on invested capital, the rates that we may charge our delivery customers are subject to authorization of the applicable regulatory authorities, and there is no guarantee that the rates authorized by regulators will match our actual costs or provide a particular return on invested capital at any given time. In March 2007, PPL Electric filed a request with the Pennsylvania Public Utility Commission (the PUC) to increase distribution rates by approximately \$84 million (subsequently amended to \$77 million). The PUC's review of the distribution rate request is expected to take about nine months. The proposed distribution rate increase, as amended, would result in a 2.4% increase over PPL Electric's present rates and would be effective January 1, 2008. There can be no assurances that our request will be granted.

***Our distribution and transmission facilities may not operate as planned, which may increase our expenses or decrease our revenues and, thus, have an adverse effect on our financial performance.***

Our ability to manage operational risk with respect to our distribution and transmission systems is critical to the financial performance of our delivery business. Our delivery business also faces several risks, including the breakdown or failure of or damage to equipment or processes (especially due to severe weather or natural disasters), accidents and labor disputes. Operation of our delivery systems below our expectations may result in lost revenues or increased expenses, including higher maintenance costs.

***PPL Electric bears certain credit and performance risks in connection with its PLR supply agreements.***

In order to mitigate the risk that we would not be able to obtain adequate energy supply, through 2009, at the predetermined capped rates we may charge our retail customers who do not choose an alternate competitive supplier of electricity under the Customer Choice Act (PLR Customers), we entered into PUC-approved, full requirements energy supply agreements with PPL EnergyPlus at these capped rates. Under one of the PLR contracts, we are required to make performance assurance deposits with PPL EnergyPlus when the market price of electricity is less than the contract price by more than our contract collateral threshold. Conversely, PPL EnergyPlus is required to make performance assurance deposits with us when the market price of electricity is greater than the contract price by more than its contract collateral threshold. Over the past few years, market prices for electricity have exceeded the contract price, and we estimated that, at June 30, 2007, the market price of electricity exceeded the contract price in total by approximately \$2.9 billion. Accordingly, at June 30, 2007, PPL EnergyPlus was required to provide us performance assurance of \$300 million, the maximum amount required under the contract. If PPL EnergyPlus was unable to satisfy its energy supply obligations to us under these PLR contracts, we would be required to obtain energy supply in the wholesale market at then-current market rates to meet our PLR obligation. While the Customer Choice Act provides

generally for PLR costs to be borne by customers, it is not clear whether we would be able to pass on to our customers any costs of this replacement energy supply that exceed the predetermined capped rates.

In May 2007, the PUC approved our plan to procure default electricity supply in 2010 for PLR Customers after the expiration of our PLR contract with PPL EnergyPlus described above. Under the plan, we will issue a series of competitive bids for such supply in 2007, 2008 and 2009. The price customers pay in 2010 will result from a blend of contracts from these competitive bids. In July 2007, we conducted the first competitive solicitation, for 850 MW

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of generation supply or one-sixth of the expected supply requirements for PLR Customers in 2010. The PUC has approved the solicitation results, and we have entered into new supply agreements with the successful bidders.

Under our standard Supply Master Agreement for the bid solicitation process, we require all suppliers to post collateral covering the amount (the credit exposure) by which market prices of electricity exceed the contract price once credit exposures exceed defined credit limits ranging from zero to \$75 million. In no instance are we required to post collateral to suppliers under these supply contracts. If a supplier was unable to satisfy its energy supply obligations to us under the Supply Master Agreement, we would be required to obtain energy supply in the wholesale market at then-current market rates to meet our PLR obligation. Although the credit and collateral provisions of the supply agreements are intended to mitigate our credit exposure under such circumstances, the cost to acquire such energy could exceed the contract price. Although the Customer Choice Act provides generally for PLR costs to be borne by customers, it is not clear whether, if the collateral were not sufficient to cover any such excess, we would be able to pass on to our PLR Customers costs of replacement energy supply that exceed the original contract costs.

In May 2007, the PUC also approved final regulations regarding the obligation of Pennsylvania electric utilities to provide default electricity supply in 2011 and beyond. The new regulations provide that default service providers will acquire electricity supply at prevailing market prices pursuant to procurement and implementation plans approved by the PUC. The regulations also address the utilities' recovery of market supply costs. The final regulations will become effective after review by several other state agencies and official publication in Pennsylvania.

## **Risks Relating to the Bonds**

*The lien of the Indenture could be released and the Bonds could become our unsecured obligations. The release of such liens could have an adverse effect on the value of the Bonds.*

On and after the Release Date, the Bonds will become our unsecured general obligations ranking equally with our other unsecured and unsubordinated indebtedness. See Description of the Bonds Security Discharge of Lien; Release Date herein. It is possible that the release of the lien of the Indenture could have an adverse effect on the market value of the Bonds.

*An active trading market for the Bonds may not develop.*

The Bonds are new securities and we do not intend to apply for listing of the Bonds on any securities exchange. We cannot assure that an active trading market for the Bonds will develop. There can be no assurances as to the liquidity of any market that may develop for the Bonds, the ability of Holders to sell their Bonds or the price at which the Holders will be able to sell their Bonds. Future trading prices of the Bonds will depend on many factors including, among other things, prevailing interest rates, our operating results and the market for similar securities.

## **USE OF PROCEEDS**

We plan to use the net proceeds from the sale of the Bonds, together with cash on hand, to pay at maturity \$255 million outstanding aggregate principal amount of PPL Electric's Senior Secured Bonds, 57/8% Series, due August 15, 2007.

**Table of Contents****CAPITALIZATION**

The following table sets forth our historical unaudited consolidated cash and cash equivalents and capitalization as of June 30, 2007

on an actual basis; and

on an as adjusted basis to give effect to (i) the issuance of the Bonds in this offering and (ii) the application of the estimated net proceeds of approximately \$248 million, together with cash on hand, to pay at maturity our existing Senior Secured Bonds, 57/8% Series, due August 15, 2007.

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

	<b>As of June 30, 2007</b>	
	<b>Actual</b>	<b>As Adjusted</b>
	<b>(In millions)</b>	
Cash and cash equivalents	\$ 17	\$ 10
Long-term debt, including current portion Bonds offered hereby	\$ 1,821	\$ 1,566 250
Total long-term debt	1,821	1,816
Total shareowners' equity	1,569	1,569
Total capitalization	\$ 3,390	\$ 3,385

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**DESCRIPTION OF THE BONDS**

The following summary description sets forth certain terms and provisions of the Bonds that we are offering by this prospectus supplement. Because this description is a summary, it does not describe every aspect of the Bonds or the Indenture under which the Bonds will be issued, as described below. The form of Indenture is filed as an exhibit to the registration statement of which the accompanying prospectus is a part. The Indenture and its associated documents contain the full legal text of the matters described in this section. This summary is subject to and qualified in its entirety by reference to all of the provisions of the Bonds and the Indenture, including definitions of certain terms used in the Indenture. We also include references in parentheses to certain sections of the Indenture. Whenever we refer to particular sections or defined terms of the Indenture in this prospectus supplement, such sections or defined terms are incorporated by reference herein. The Indenture has been qualified under the Trust Indenture Act, and you should refer to the Trust Indenture Act for provisions that apply to the Bonds.

**General**

The Bonds will be issued as a series of debt securities under our Indenture, dated as of August 1, 2001 (as such indenture has been and may be amended and supplemented from time to time, the Indenture ), to The Bank of New York (as successor to JPMorgan Chase Bank, N.A. (formerly known as The Chase Manhattan Bank)), as trustee (the Trustee ). We may issue an unlimited amount of Bonds or other debt securities under the Indenture. The Bonds and all other debt securities issued previously or hereinafter under the Indenture are collectively referred to herein as the Indenture Securities.

The Bonds will be issued upon the basis of an equal principal amount of first mortgage bonds issued under the 1945 Mortgage and delivered to the Trustee under the Indenture. At June 30, 2007, we could have issued approximately \$687 million of first mortgage bonds against the retirement or cancellation of previously outstanding first mortgage bonds under our 1945 Mortgage.

The Bonds will be issued in fully registered form only, without coupons. The Bonds will be initially represented by one or more fully registered global securities (the Global Securities ) deposited with the Trustee, as custodian for DTC, as depository, and registered in the name of DTC or DTC's nominee. A beneficial interest in a Global Security will be shown on, and transfers or exchanges thereof will be effected only through, records maintained by DTC and its participants, as described below under Book-Entry Only Issuance The Depository Trust Company. The authorized denominations of the Bonds will be \$1,000 and any larger amount that is an integral multiple of \$1,000. Except in limited circumstances described below, the Bonds will not be exchangeable for Bonds in definitive certificated form.

The Bonds are initially being offered in one series in the principal amount of \$250,000,000. We may, without the consent of the Holders of the Bonds, increase the principal amount of the series and issue additional bonds of such series having the same ranking, interest rate, maturity and other terms (other than the date of issuance and, in some circumstances, the initial interest accrual date and initial interest payment date) as the Bonds. Any such additional bonds may, together with the Bonds, constitute a single series of securities under the Indenture. The Bonds and any additional bonds subsequently issued under the Indenture of the same series and having the same terms as the Bonds offered hereby may be treated as a single class for all purposes under the Indenture, including, without limitation, voting waivers and amendments.

**Maturity; Interest**



The Bonds will mature on August 15, 2037 (the Stated Maturity Date ) and will bear interest from the date of issuance at a rate of 6.45% per annum. Interest will be payable on each February 15 and August 15 of each year (each, an Interest Payment Date ), commencing on February 15, 2008, and at Maturity (whether at the Stated Maturity Date, upon redemption, or otherwise) ( Maturity ). Subject to certain exceptions, the Indenture provides for the payment of interest on an Interest Payment Date only to persons in whose names the Bonds are registered at the close of business on the Regular Record Date, which will be the January 31 and July 31 (whether or not a Business Day), as the case may be, immediately preceding the applicable Interest Payment Date; except that interest payable at Maturity will be paid to the person to whom principal is paid.

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Interest on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months, and with respect to any period less than a full calendar month, on the basis of the actual number of days elapsed during the period.

## **Payment**

So long as the Bonds are registered in the name of DTC, as depository for the Bonds as described herein under Book-Entry Only Issuance The Depository Trust Company or DTC's nominee, payments on the Bonds will be made as described therein.

If we default in paying interest on a Bond, we will pay such defaulted interest either

to Holders as of a special record date between 10 and 15 days before the proposed payment; or

in any other lawful manner of payment that is consistent with the requirements of any securities exchange on which the Bonds may be listed for trading. (See Section 307.)

We will pay principal of and any interest and premium, if any, on the Bonds at Maturity upon presentation of the Bonds at the corporate trust office of The Bank of New York in New York, New York, as our Paying Agent. In our discretion, we may change the place of payment on the Bonds, and we may remove any Paying Agent and may appoint one or more additional Paying Agents (including us or any of our affiliates). (See Section 702.)

If any Interest Payment Date, Redemption Date or the Maturity of a Bond falls on a day that is not a Business Day, the required payment of principal, premium, if any, and/or interest will be made on the next succeeding Business Day as if made on the date such payment was due, and no interest will accrue on such payment for the period from and after such Interest Payment Date, Redemption Date or the Maturity, as the case may be, to the date of such payment on the next succeeding Business Day.

Business Day, means any day, other than a Saturday or Sunday, that is not a day on which banking institutions or trust companies in The City of New York, New York, or other city in which a paying agent for such Bond is located, are authorized or required by law, regulation or executive order to remain closed. (See Section 116.)

## **Form; Transfers; Exchanges**

You may have your Bonds divided into Bonds of smaller denominations (of at least \$1,000) or combined into Bonds of larger denominations, as long as the total principal amount is not changed. This is called an exchange. (See Section 305.)

So long as the Bonds are registered in the name of DTC, as depository for the Bonds as described herein under Book-Entry Only Issuance The Depository Trust Company or DTC's nominee, transfers and exchanges of beneficial interest in the Bonds will be made as described therein. In the event that the book-entry only system is discontinued, and the Bonds are issued in certified form, you may exchange or transfer Bonds at the corporate trust office of the Trustee. The Trustee acts as our agent for registering Bonds in the names of Holders and transferring debt securities. We may appoint another agent (including one of our affiliates) or act as our own agent for this purpose. The entity performing the role of maintaining the list of registered Holders is called the Security Registrar. It will also perform transfers. In our discretion, we may change the place for registration of transfer of the Bonds and may designate a different entity as the Security Registrar, including us or one of our affiliates. (See Sections 305 and 702.)

There will be no service charge for any transfer or exchange of the Bonds, but you may be required to pay a sum sufficient to cover any tax or other governmental charge payable in connection therewith. We may block the transfer

or exchange of (1) Bonds during a period of 15 days prior to giving any notice of redemption or (2) any Bond selected for redemption in whole or in part, except the unredeemed portion of any Bond being redeemed in part. (See Section 305.)

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**Redemption**

The Bonds will be redeemable at our election, in whole at any time or in part from time to time, at a redemption price equal to the greater of:

100% of the principal amount of the Bonds to be so redeemed; or

as determined by the Quotation Agent, the sum of the present values of the remaining scheduled payments of principal and interest on the Bonds to be so redeemed (not including any portion of such payments of interest accrued to the date of redemption) discounted to the Redemption Date on a semi-annual basis at the Adjusted Treasury Rate, plus 25 basis points;

plus, in either of the above cases, accrued and unpaid interest to the Redemption Date.

The redemption price for any redemption will be calculated assuming a 360-day year consisting of twelve 30-day months.

**Adjusted Treasury Rate** means, with respect to any Redemption Date, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for that Redemption Date.

**Comparable Treasury Issue** means the United States Treasury security selected by the Quotation Agent as having an actual or interpolated maturity comparable to the remaining term of the Bonds to the Stated Maturity Date that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Bonds.

**Comparable Treasury Price** means, with respect to any Redemption Date:

the average of five Reference Treasury Dealer Quotations for that Redemption Date, after excluding the highest and lowest Reference Treasury Dealer Quotations; or

if the Quotation Agent obtains fewer than five Reference Treasury Dealer Quotations, the average of all of those quotations received.

**Quotation Agent** means one of the Reference Treasury Dealers appointed by us.

**Reference Treasury Dealer** means:

each of BNP Paribas Securities Corp., Credit Suisse Securities (USA) LLC and Scotia Capital (USA) Inc., and their respective successors, unless any of them ceases to be a primary U.S. Government securities dealer in New York City (a Primary Treasury Dealer), in which case we will substitute another Primary Treasury Dealer; and

any two other Primary Treasury Dealers selected by us.

**Reference Treasury Dealer Quotations** means, with respect to each Reference Treasury Dealer and any Redemption Date, the average, as determined by the Quotation Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount), as provided to the Quotation Agent by that Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day preceding that

Redemption Date.

The Bonds will not be subject to a sinking fund or other mandatory redemption provisions and will not be repayable at the option of the Holder prior to the Stated Maturity Date.

The Bonds will be redeemable upon notice by mail between 30 days and 60 days prior to the Redemption Date. If less than all of the Bonds are to be redeemed, the Trustee will select the Bonds to be redeemed. In the absence of any provision for selection, the Trustee will choose a method of random selection that it deems fair and appropriate. (See Sections 503 and 504).

Bonds called for redemption will cease to bear interest on the Redemption Date. We will pay the redemption price and any accrued interest once you surrender the Bond for redemption. (See Section 505). If only part of a Bond

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is redeemed, the Trustee will deliver to you a new Bond of the same series for the remaining portion without charge. (See Section 506).

We may make any redemption at our option conditional upon the receipt by the Paying Agent, on or prior to the date fixed for redemption, of money sufficient to pay the redemption price. If the Paying Agent has not received such money by the date fixed for redemption, we will not be required to redeem such Bonds. (See Section 504).

## **Security**

Except as described below under this heading and under Issuance of Additional Indenture Securities, and subject to the exceptions we discuss below under Discharge of Lien; Release Date and Satisfaction and Discharge, all Indenture Securities, including the Bonds, will be initially secured, equally and ratably, by:

an equal principal amount of first mortgage bonds issued under the 1945 Mortgage, and delivered to the Trustee under the Indenture, and other Class A Bonds as described below; as discussed under Description of the 1945 Mortgage Bonds Security, the 1945 Mortgage constitutes, subject to certain exceptions, a first mortgage lien on substantially all of our electric distribution properties and certain of our electric transmission properties; and

the lien of the Indenture on substantially all of our tangible electric distribution properties and certain of our electric transmission properties located in Pennsylvania, which lien is junior to the lien of the 1945 Mortgage. We sometimes refer to our property that is subject to the lien of the Indenture as Mortgaged Property.

Each of the Indenture and the 1945 Mortgage creates a lien on substantially all tangible properties of PPL Electric in Pennsylvania used in the transmission and distribution of electric energy, other than property duly released from the liens thereof in accordance with the provisions of the Indenture and the 1945 Mortgage, as the case may be, and certain other excepted property, and subject to certain permitted liens and excepted encumbrances, in each case as described below.

We may obtain the release of property from the liens of the Indenture and the 1945 Mortgage from time to time, upon the bases provided for such release in the Indenture and the 1945 Mortgage. See Release of Property, Description of the 1945 Mortgage Bonds Security and Description of the 1945 Mortgage Bonds Release Provisions.

Recent federal regulatory initiatives have encouraged independent ownership of transmission assets and provided economic incentives for divestiture of transmission assets. While we have no current intention of selling our transmission properties, we believe that it is prudent to take steps to release transmission property from the liens of our mortgage indentures so that we can act expeditiously in the event that attractive sale or other opportunities arise. As a result, we may release certain portions of our transmission properties from such liens from time to time upon the deposit of cash, the certification of property additions or retired bonds, or other permitted bases as provided in the Indenture and the 1945 Mortgage. During 2003 and 2004, we applied for the release of certain transmission lines and other equipment having an aggregate fair value of approximately \$73 million upon the basis of approximately \$73 million of cash deposited with the trustee under the 1945 Mortgage. Such cash deposits were used to retire outstanding first mortgage bonds. In addition, during 2003 through 2006, we applied for the release of transmission property having an aggregate fair value of approximately \$282 million upon the basis of property additions.

See Discharge of Lien; Release Date for a discussion of provisions of the Indenture pursuant to which, subject to the satisfaction of the specified conditions, the lien of the Indenture would be discharged and the Indenture Securities would become our unsecured obligations.

At any time after all Class A Mortgages (as hereinafter defined), including the 1945 Mortgage, have been satisfied and discharged, the lien of the Indenture may be released and discharged, without the consent of the Holders of the Bonds, provided that, for so long as certain of our Senior Secured Bonds (other than the Bonds) remain outstanding, we deliver to the Trustee certain confirmations that such release will not result in the reduction or withdrawal of the credit ratings on the Bonds below specified levels. Upon any such release, the Bonds will cease

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to be secured and will become our unsecured general obligations. At such time, we will be subject to certain restrictions on our ability to issue secured debt. See Discharge of Lien; Release Date and Limitation on Secured Debt below.

***Class A Bonds***

As discussed below under Certain Additional Agreements of PPL Electric Consolidation, Merger and Conveyance of Assets as an Entirety, we will be permitted to merge or consolidate with another company upon meeting specified requirements. See Certain Additional Agreements of PPL Electric Ratings below. Following a merger or consolidation of another company into us, we could deliver to the Trustee bonds issued under an existing mortgage on the properties of such other company in lieu of or in addition to bonds issued under the 1945 Mortgage. In such event, the Indenture Securities would be secured, additionally, by such bonds and by the lien of the Indenture on the properties of such other company, which would be junior to the liens of such existing mortgage and the 1945 Mortgage. The 1945 Mortgage and all such other mortgages are hereinafter collectively referred to as the Class A Mortgages, and all bonds issued under the Class A Mortgages and delivered to the Trustee are hereinafter collectively referred to as the Class A Bonds. (See Section 1706.)

Class A Bonds, including 1945 Mortgage Bonds, that are the basis for the authentication and delivery of Indenture Securities (a) will be delivered to, and registered in the name of, the Trustee or its nominee and will be owned and held by the Trustee, subject to the provisions of the Indenture, for the benefit of the Holders of all Indenture Securities outstanding from time to time; (b) will mature or be subject to mandatory redemption on the same dates, and in the same principal amounts, as such Indenture Securities; and (c)(i) may, but need not, bear interest and (ii) may, but need not, contain provisions for the redemption at our option, any such redemption to be made at a redemption price or prices not less than the principal amount thereof. (See Sections 1602 and 1701). To the extent that Class A Bonds do not bear interest, Holders of Indenture Securities will not have the benefit of the lien of a Class A Mortgage in respect of an amount equal to accrued interest, if any, on the Indenture Securities; however, such Holders will nevertheless have the benefit of the lien of the Indenture in respect of the amount of accrued interest.

Any payment by us of principal of or premium or interest on the Class A Bonds delivered to and held by the Trustee will be applied by the Trustee to the payment of any principal, premium or interest, as the case may be, in respect of the Indenture Securities which is then due, and our obligation under the Indenture to make such payment in respect of the Indenture Securities will be deemed satisfied and discharged to the extent of such payment. If, at the time of any such payment of principal of Class A Bonds, there is no principal then due in respect of the Indenture Securities, the proceeds of the payment will constitute Funded Cash and will be held by the Trustee as part of the Mortgaged Property, to be withdrawn, used or applied as provided in the Indenture. If, at the time of any such payment of premium or interest on Class A Bonds, there is no premium or interest then due on the Indenture Securities, the payment will be remitted to us at our request; provided, however, that if any Event of Default, as described below, has occurred and is continuing, the payment will be held as part of the Mortgaged Property until the Event of Default has been cured or waived. See Withdrawal of Cash below. (See Section 1702.)

Any payment by us of principal of or interest or premium, if any, on Indenture Securities authenticated and delivered on the basis of the delivery to the Trustee of Class A Bonds (other than by application of the proceeds of a payment in respect of such Class A Bonds) will, to the extent thereof, be deemed to satisfy and discharge our obligations, if any, to make a corresponding payment, in respect of such Class A Bonds which is then due. (See Section 1702).

The Trustee may not sell, assign or otherwise transfer any Class A Bonds except to a successor trustee under the Indenture. (See Section 1704.) At the time any Indenture Securities which have been authenticated and delivered upon the basis of Class A Bonds, cease to be outstanding (other than as a result of the application of the proceeds of the payment or redemption of such Class A Bonds), the Trustee will surrender to us, or upon our order, an equal principal



amount of such Class A Bonds. (See Section 1703.)

When no Class A Bonds are outstanding under a Class A Mortgage except for Class A Bonds delivered to and held by the Trustee, then, at our request and subject to satisfaction of certain conditions, the Trustee will surrender such Class A Bonds for cancellation, the related Class A Mortgage will be satisfied and discharged, the lien of such

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Class A Mortgage on our property subject thereto will cease to exist and the priority of the lien of the Indenture, as to such property, will be increased accordingly. (See Section 1703.)

At the date of this prospectus supplement, the only Class A Mortgage is the 1945 Mortgage, and the only Class A Bonds issuable at this time are 1945 Mortgage Bonds issuable under the 1945 Mortgage. Upon discharge of the 1945 Mortgage and assuming no other Class A Mortgage exists at the time, the lien of the Indenture would become a first mortgage lien, subject to certain Permitted Liens described below. See *Lien of the Indenture*. At June 15, 2007, except for \$325,000 principal amount of our 1945 Mortgage Bonds, 7.7% Series due October 2009, and \$10,290,000 principal amount of our 1945 Mortgage Bonds, 7.375% Series due March 2014, all of our outstanding 1945 Mortgage Bonds have been delivered to the Trustee as the basis for issuing Indenture Securities. If and when these bonds are retired (by payment at maturity, redemption, repurchase or otherwise), the lien of the 1945 Mortgage could be discharged.

### ***Lien of the Indenture***

The Indenture creates a lien on substantially all of our tangible properties in Pennsylvania used in the distribution of electric energy and certain of our electric transmission properties in Pennsylvania, other than certain excepted property and subject to certain permitted liens, in each case as described below. As described above under *Description of the Bonds Security*, we have released a substantial amount of our transmission properties from the lien of the Indenture and the 1945 Mortgage. We sometimes refer to PPL Electric's distribution and transmission properties of the type subject to the lien of the Indenture, regardless of whether the Release Date has occurred, but exclusive of the Excepted Property described below, as *Electric Utility Property*. At the date of this prospectus supplement, substantially all of such property (except for property released as described above), while subject to the lien of the Indenture, is also subject to the prior lien of the 1945 Mortgage. For so long as the 1945 Mortgage is in effect, the Indenture Securities will have the benefit of the first mortgage lien of the 1945 Mortgage on such property, and the benefit of the prior lien of any additional Class A Mortgage on any property subject thereto, to the extent of the aggregate principal amount of Class A Bonds, issued under the respective Class A Mortgages, held by the Trustee.

***Permitted Liens.*** The lien of the Indenture is subject to Permitted Liens described in the Indenture. Such Permitted Liens include liens existing at the execution date of the Indenture, liens on property at the time we acquire such property, tax liens and other governmental charges which are not delinquent or which are being contested in good faith, mechanics', construction and materialmen's liens, certain judgment liens, easements, reservations and rights of others (including governmental entities) in, and defects of title in, our property, certain leases and leasehold interests, liens to secure public obligations, rights of others to take minerals, timber, electric energy or capacity, gas, water, steam or other products produced by us or by others on our property, rights and interests of Persons other than us arising out of agreements relating to the common ownership or joint use of property, and liens on the interests of such Persons in such property, liens which have been bonded or for which other security arrangements have been made, liens created in connection with the issuance of tax-exempt debt securities, purchase money liens and liens related to the construction or acquisition of property, or the development or expansion of property, liens which secure specified Indenture Securities equally and ratably with other obligations, and additional liens on any of our property (other than Excepted Property, as described below) to secure debt for borrowed money in an aggregate principal amount not exceeding 10% of the total assets of PPL Electric and its consolidated subsidiaries, as shown on the latest audited balance sheet of PPL Electric and such subsidiaries. (See *Granting Clauses and Sections 101 and 707.*)

The Indenture also provides that the Trustee will have a lien, prior to the lien on behalf of the Holders of the Indenture Securities, upon the Mortgaged Property as security for our payment of its reasonable compensation and expenses and for indemnity against certain liabilities. (See Section 1007.)

***Excepted Property.*** The lien of the Indenture does not cover, among other things, the following types of property: property located outside of Pennsylvania; property not used by us in our electric transmission and distribution business; cash and securities not paid, deposited or held under the Indenture; contracts, leases and other agreements of all kinds, contract rights, bills, notes and other instruments, revenues, accounts receivable, claims, demands and judgments; governmental and other licenses, permits, franchises, consents and allowances;

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intellectual property rights and other general intangibles; vehicles, movable equipment, aircraft and vessels; all goods, stock in trade, wares, merchandise and inventory held for the purpose of sale or lease in the ordinary course of business; materials, supplies, inventory and other personal property consumable in the operation of our business; fuel; tools and equipment; furniture and furnishings; computers and data processing, telecommunications and other facilities used primarily for administrative or clerical purposes or otherwise not used in connection with the operation or maintenance of electric transmission and distribution facilities; coal, ore, gas, oil and other minerals and timber rights; electric energy and capacity, gas, steam, water and other products generated, produced, manufactured, purchased or otherwise acquired; real property and facilities used primarily for the production or gathering of natural gas; and leasehold interests. We sometimes refer to property of PPL Electric not covered by the lien of the Indenture as Excepted Property. (See Granting Clauses.)

We may enter into supplemental indentures with the Trustee, without the consent of the Holders, in order to subject additional property (including property that would otherwise be exce