

PPL ELECTRIC UTILITIES CORP

Form 424B2

August 19, 2011

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Filed pursuant to Rule 424(b)(2). Based upon the registration of \$400 million of First Mortgage Bonds to be offered by means of this prospectus supplement and the accompanying prospectus under the registration statement filed March 25, 2009, a filing fee of \$46,440 has been calculated in accordance with Rule 457(r). This fee has been 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 333-158200-01**

**PROSPECTUS SUPPLEMENT  
(To Prospectus dated March 25, 2009)**

**\$400,000,000**

**PPL Electric Utilities Corporation**

**3.00% First Mortgage Bonds due 2021**

PPL Electric Utilities Corporation ( PPL Electric ) is offering its First Mortgage Bonds, 3.00% Series due 2021 (the Bonds ). Interest on the Bonds will be payable on March 15 and September 15 of each year, commencing March 15, 2012, and at Maturity (as hereinafter defined), as further described in this prospectus supplement. The Bonds will mature on September 15, 2021, unless redeemed on an earlier date. We may, at our option, redeem the Bonds, in whole at any time or in part from time to time, as described herein. See Description of the Bonds Redemption.

The Bonds will be secured by a lien on substantially all of our electric distribution properties and certain of our electric transmission properties, subject to certain exceptions and exclusions, as described in this prospectus supplement and in the accompanying prospectus. See Description of the Bonds Security; Lien of the Mortgage herein.

**Investing in the Bonds involves certain risks. See Risk Factors beginning on page S-5 of this prospectus supplement and on page 3 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.**

**Price to  
Public(1)**

**Underwriting  
Discount**

**Proceeds, Before  
Expenses, to Us(1)**

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Per Bond	99.191%	0.650%	98.541%
Total	\$ 396,764,000	\$ 2,600,000	\$ 394,164,000

(1) Plus accrued interest, if any, from August 23, 2011.

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 23, 2011.

*Joint Book-Running Managers*

**Barclays Capital**

**Citigroup**

**J.P. Morgan**

**Morgan Stanley**

*Co-Managers*

**Fifth Third Securities, Inc**

**RBC Capital Markets**

**KeyBanc Capital Markets**

**SunTrust Robinson Humphrey**

The date of this prospectus supplement is August 18, 2011

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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. Neither we nor the underwriters have authorized anyone to provide you with different information. Neither we nor the underwriters are 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 supplement and the accompanying 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 of 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.

**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.pplelectric.com](http://www.pplelectric.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, 2010

Quarterly Reports on Form 10-Q

Quarters ended March 31, 2011 and June 30, 2011

Current Reports on Form 8-K

Filed on January 6, 2011, July 13, 2011 and July 18, 2011

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Additional documents that PPL Electric files with the SEC pursuant to Section 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  
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>	\$400,000,000 aggregate principal amount of PPL Electric's First Mortgage Bonds, 3.00% Series due 2021
<b>Stated Maturity Date</b>	September 15, 2021
<b>Interest Payment Dates</b>	Interest on the Bonds will be payable on March 15 and September 15 of each year, commencing on March 15, 2012, and at Maturity, or upon earlier redemption.
<b>Interest Rate</b>	3.00% 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>	The Bonds will be secured by a lien on substantially all of our electric distribution properties and certain of our electric transmission properties, subject to certain exceptions and exclusions, as described in this prospectus supplement. See Description of the Bonds General and Description of the Bonds Security; Lien of the Mortgage.
<b>Listing</b>	We do not intend to list the Bonds on any securities exchange.
<b>Form and Denomination</b>	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 depositary, 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.
<b>Use of Proceeds</b>	

We intend to use a portion of the net proceeds of this offering to repay short-term debt, including \$150 million borrowed pursuant to our revolving credit agreement and an intercompany loan from an affiliate of \$100 million, incurred to pay the redemption price for redeeming \$400 million aggregate principal amount of our Senior Secured Bonds, 7.125% Series due 2013 on July 26, 2011. The balance of the redemption price was paid using cash on hand and we intend to use the remainder of net proceeds of this offering to replenish such cash. See Use of Proceeds.

**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

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having the same ranking, interest rate, maturity and other terms as the Bonds, other than the date of initial issuance and price to public 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 Mortgage. See Description of the Bonds General.

**Governing Law**

The Bonds and the Mortgage are governed by the laws of the State of New York, except to the extent the Trust Indenture Act is applicable and except where otherwise required by law. The effectiveness of the lien of the Mortgage, 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 3 of the accompanying prospectus, and the risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2010, beginning on page 17, 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 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 intend to use a portion of the net proceeds of this offering to repay short-term debt, including \$150 million borrowed pursuant to our revolving credit agreement at an interest rate of 2.19% per annum and an intercompany loan from an affiliate of \$100 million at an interest rate of 1.69% per annum, incurred to pay the redemption price for redeeming \$400 million aggregate principal amount of our Senior Secured Bonds, 7.125% Series due 2013 on July 26, 2011. The balance of the redemption price was paid using cash on hand and we intend to use the remainder of net proceeds of this offering to replenish such cash.

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The following table sets forth our historical unaudited consolidated capitalization as of June 30, 2011 on an actual basis, and on an as adjusted basis to give effect to (i) the issuance of the Bonds in this offering, (ii) the application of the proceeds of the issuance of the Bonds, as described under Use of Proceeds, (iii) the issuance of \$250 million aggregate principal amount of our First Mortgage Bonds, 5.20% Series due 2041, on July 15, 2011 and (iv) the redemption of \$400 million aggregate principal amount of our Senior Secured Bonds, 7.125% Series due 2013, on July 26, 2011. 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, 2011</b>	
	<b>Actual</b>	<b>As Adjusted</b>
	<b>(In millions)</b>	
Long-term debt, including current portion	\$ 1,472	\$ 1,322
Bonds offered hereby		400
Total long-term debt	1,472	1,722
Total shareowner s equity	1,980	1,980
Total capitalization	\$ 3,452	\$ 3,702

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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 Mortgage (as defined below) under which the Bonds will be issued, as described below. The Mortgage is filed as an exhibit to the registration statement of which the accompanying prospectus is a part. The Mortgage 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 Mortgage, including definitions of certain terms used in the Mortgage. We also include references in parentheses to certain sections of the Mortgage. Whenever we refer to particular sections or defined terms of the Mortgage in this prospectus supplement, such sections or defined terms are incorporated by reference herein. The Mortgage 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**

We will issue the Bonds 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 Mortgage), with The Bank of New York Mellon, as successor trustee (the Trustee). The Mortgage does not limit the aggregate principal amount of bonds or other debt securities that may be issued thereunder, subject to meeting certain conditions to issuance, including those described below under Issuance of Additional Mortgage Securities. The Bonds and all other debt securities issued previously or hereafter under the Mortgage are collectively referred to herein as Mortgage Securities. The Mortgage constitutes a first mortgage lien, subject to Permitted Liens and exceptions and exclusions described below and in the accompanying prospectus, on substantially all of our tangible electric distribution properties and certain of our electric transmission properties located in Pennsylvania. (See Security; Lien of the Mortgage Class A Bonds below.) As of the date of this prospectus supplement, approximately \$1.31 billion of bonds are issued and outstanding under the 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 \$400,000,000. 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 price to public 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 Mortgage and may be treated as a single class for all purposes under the Mortgage, including, without limitation, voting waivers and amendments.

**Maturity; Interest**

The Bonds will mature on September 15, 2021 (the Stated Maturity Date) and will bear interest from August 23, 2011 at a rate of 3.00% per annum. Interest will be payable on March 15 and September 15 of each year (each, an Interest

Payment Date ), commencing on March 15, 2012, and at maturity (whether at the Stated Maturity Date, upon redemption, or otherwise, Maturity ). Subject to certain exceptions, the Mortgage 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 March 1 and September 1 (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 consisting 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 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 Mellon 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 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 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 generally 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 certificated 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**

We may, at our option, redeem the Bonds, in whole at any time or in part from time to time. If we redeem the Bonds before June 15, 2021 (the date that is three months prior to the Stated Maturity Date), the Bonds will be redeemed by us 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 (assuming a 360-day year consisting of twelve 30-day months) at the Adjusted Treasury Rate, plus 15 basis points;

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

If we redeem the Bonds on or after June 15, 2021, the Bonds will be redeemed by us at a redemption price equal to 100% of the principal amount of the Bonds to be so redeemed, plus accrued and unpaid interest to the Redemption Date.

*Adjusted Treasury Rate* means, with respect to any Redemption Date, the rate per annum equal to the semiannual 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 Barclays Capital Inc., Citigroup Global Markets Inc., J.P. Morgan Securities LLC and Morgan Stanley & Co. LLC, and their respective successors, unless any of them ceases to be a primary U.S. Government securities dealer in the United States (a Primary Treasury Dealer), in which case we will substitute another Primary Treasury Dealer; and

any other Primary Treasury Dealer 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. The Trustee will choose a method of random selection that it deems fair and appropriate. (See Sections 503 and 504.)

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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 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; Lien of the Mortgage**

Except as described below under this heading and under Issuance of Additional Mortgage Securities, and subject to the exceptions described under Satisfaction and Discharge, all Mortgage Securities, including the Bonds, will be secured, equally and ratably, by:

the lien of the Mortgage, which constitutes, subject to Permitted Liens and certain exceptions and exclusions, a first mortgage lien on substantially all of our tangible electric distribution properties and certain of our electric transmission properties located in Pennsylvania. We sometimes refer to our property that is subject to the lien of the Mortgage as Mortgaged Property; and

any Class A Bonds, as described below, delivered to the Trustee.

The Mortgage creates a lien on substantially all tangible properties of PPL Electric in Pennsylvania used in the distribution and transmission of electric energy, other than property duly released from the lien thereof in accordance with the provisions of the Mortgage and certain other excepted property, and subject to certain Permitted Liens and excepted encumbrances, as described below. We sometimes refer to PPL Electric's distribution and transmission properties of the type subject to the lien of the Mortgage, exclusive of the Excepted Property described below, as Electric Utility Property.

We may obtain the release of property from the lien of the Mortgage from time to time, upon the bases provided for such release in the Mortgage. See Release of Property.

Federal regulatory initiatives have encouraged separate ownership of transmission assets and provided economic incentives for divestiture of transmission assets. While we have no current intention to sell our transmission properties, we believe that it is prudent to take steps to release transmission property from the lien of our Mortgage so that we can act expeditiously in the event that attractive opportunities arise. As a result, we may release certain portions of our transmission properties from such lien 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 Mortgage. Since 2003, we have obtained the release from the lien of the Mortgage of transmission property having an aggregate fair value (at or near the time of release) of approximately \$527 million.

*Permitted Liens.* The lien of the Mortgage is subject to Permitted Liens described in the Mortgage. Such Permitted Liens include liens existing at the execution date of the Mortgage, 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 our property, and defects, irregularities, exceptions and limitations 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 Mortgage 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.)

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The Mortgage also provides that the Trustee will have a lien, prior to the lien on behalf of the Holders of the Mortgage 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.) Any such lien would be a Permitted Lien under the Mortgage.

*Excepted Property.* The lien of the Mortgage 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 Mortgage; 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; 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; property which has been released from the lien of the Mortgage; and leasehold interests. We sometimes refer to property of PPL Electric not covered by the lien of the Mortgage as *Excepted Property*. (See Granting Clauses.) Properties held by any of our subsidiaries, as well as properties leased from others, would not be subject to the lien of the Mortgage.

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 excepted from such lien) to the lien of the Mortgage. (See Section 1301.) This property would constitute Property Additions and would be available as a basis for the issuance of Mortgage Securities. See *Issuance of Additional Mortgage Securities*.

The Mortgage provides that after-acquired Electric Utility Property (other than *Excepted Property*) will be subject to the lien of the Mortgage. (See Granting Clause Second.) However, in the case of consolidation or merger (whether or not we are the surviving company) or transfer of the Mortgaged Property as or substantially as an entirety, the Mortgage will not be required to be a lien upon any of the properties either owned or subsequently acquired by the successor company except properties acquired from us in or as a result of such transfer, as well as improvements, extensions and additions (as defined in the Mortgage) to such properties and renewals, replacements and substitutions of or for any part or parts thereof. See Section 1203 and *Consolidation, Merger and Conveyance of Assets as an Entirety*.

### ***Class A Bonds***

As discussed below under *Consolidation, Merger and Conveyance of Assets as an Entirety*, we will be permitted to merge or consolidate with another company upon meeting specified requirements. Following 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 as the basis for issuing new Mortgage Securities. The term *Class A Mortgage* means a mortgage or deed of trust or similar indenture entered into by another corporation with which we are so merged or consolidated and, in connection with such merger or consolidation, is assumed by us and designated a *Class A Mortgage* in accordance with the Mortgage. The term *Class A Bonds* means bonds or other obligations now or hereafter issued and outstanding under and secured by any *Class A Mortgage*. In such event, the Mortgage Securities would be secured, additionally, by such *Class A Bonds* and by the lien of the Mortgage on the properties of such other company, which would be junior to the liens of such existing *Class A Mortgages*. (See Section 1706.)

Class A Bonds to be made the basis for the authentication and delivery of Mortgage Securities (a) will be delivered to, and registered in the name of, the Trustee or its nominee and will be owned and held by such trustee, subject to the provisions of the Mortgage, for the benefit of the Holders of all Mortgage Securities outstanding from time to time; (b) will mature or be subject to mandatory redemption on the same dates, and in the same principal

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amounts, as such Mortgage Securities; and (c)(i) may, but need not, bear interest and (ii) may, but need not, contain provisions for redemption at our option, any such redemption to be made at a redemption price or prices not less than the principal amount of such Class A Bonds. (See Sections 1602 and 1701.) To the extent that Class A Bonds do not bear interest, Holders of Mortgage 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 Mortgage Securities; however, such Holders will nevertheless have the benefit of the lien of the Mortgage 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 Mortgage Securities which is then due, and our obligation under the Mortgage to make such payment in respect of the Mortgage 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 Mortgage 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 Mortgage. 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 Mortgage 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 Section 1702 and **Withdrawal of Cash** below.

Any payment by us of principal of or interest or premium, if any, on Mortgage 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 Mortgage. (See Section 1704.) At the time any Mortgage 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 Class A Mortgage on our property subject thereto will cease to exist and the priority of the lien of the Mortgage, as to such property, will be increased accordingly. (See Sections 1703 and 1707.) If no Class A Mortgages are in effect, the Mortgage will constitute a direct, first mortgage lien on the Company's electric utility property, subject to certain Permitted Liens and certain other exclusions and exceptions as described above.

At the date of this prospectus supplement, there is no Class A Mortgage on any of our property and no Class A Bonds are held by the Trustee to secure Mortgage Securities.

### **Issuance of Additional Mortgage Securities**

Subject to the issuance restrictions described below, the maximum principal amount of Mortgage Securities that may be authenticated and delivered under the Mortgage is unlimited. (See Section 301.) Mortgage Securities of any series may be issued from time to time on the basis of, and in an aggregate principal amount not exceeding:

the aggregate principal amount of Class A Bonds delivered to the Trustee;



100% of the Cost or Fair Value to PPL Electric (whichever is less) of Property Additions (as described below) which do not constitute Funded Property (generally, Property Additions which have been made the basis of the authentication and delivery of Mortgage Securities, the release of Mortgaged Property or the withdrawal of cash, which have been substituted for retired Funded Property or which have been used for other specified purposes) after certain deductions and additions, primarily including adjustments to offset property retirements;

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the aggregate principal amount of Retired Securities (as described below), but if Class A Bonds had been made the basis for the authentication and delivery of such Retired Securities, only after the discharge of the related Class A Mortgage; or

an amount of cash deposited with the Trustee. (See Article Sixteen.)

The Company and the Trustee have entered into a supplemental indenture that contains prospective amendments to the Mortgage, including amendments to reduce the amount of Mortgage Securities issuable on the basis of Property Additions from 100% of the Cost or Fair Value (whichever is less) of such Property Additions to 66 <sup>2</sup>/<sub>3</sub>% of such Cost or Fair Value. We refer to this percentage as the Bonding Ratio. These amendments will not be effective at the time the Bonds are issued but will become effective the next time the Company uses Property Additions for any purpose under the Mortgage. We expect effectiveness of these amendments to occur in the third quarter of 2011.

Property Additions generally include any property which is owned by PPL Electric and is subject to the lien of the Mortgage. (See Section 104.)

Retired Securities means, generally, Mortgage Securities which are no longer Outstanding under the Mortgage, which have not been retired by the application of Funded Cash and which have not been used as the basis for the authentication and delivery of Mortgage Securities, the release of property or the withdrawal of cash.

*Bonds Issuable.* We intend to issue the Bonds on the basis of Retired Securities. At July 31, 2011, approximately \$840 million in Retired Securities were available to be used as the basis for the authentication and delivery of Mortgage Securities; and, at that date, approximately \$1.035 billion of Property Additions were available to be so used. (See Article Sixteen) In connection with effectiveness of the amendments to the Bonding Ratio described above, our Property Additions available for use for any purpose under the Mortgage will be reduced by approximately \$154 million.

**Release of Property**

Unless an Event of Default has occurred and is continuing, we may obtain the release from the lien of the Mortgage of any Mortgaged Property, except for cash held by the Trustee, upon delivery to the Trustee of an amount in cash equal to the amount, if any, by which 100% of the Cost of the property to be released (or, if less, the Fair Value to us of such property at the time it became Funded Property) exceeds the aggregate of:

an amount equal to 100% of the aggregate principal amount of obligations secured by Purchase Money Liens upon the property to be released and delivered to the Trustee;

an amount equal to 100% of the Cost or Fair Value to us (whichever is less) of certified Property Additions not constituting Funded Property after certain deductions and additions, primarily including adjustments to offset property retirements (except that such adjustments need not be made if such Property Additions were acquired or made within the 90-day period preceding the release);

the aggregate principal amount of Mortgage Securities we would be entitled to issue on the basis of Retired Securities (with such entitlement being waived by operation of such release);

the aggregate principal amount of Mortgage Securities delivered to the Trustee (with such Mortgage Securities to be canceled by the Trustee);

any amount of cash and/or an amount equal to 100% of the aggregate principal amount of obligations secured by Purchase Money Liens upon the property released that is delivered to the trustee or other Holder of a lien prior to the lien of the Mortgage, subject to certain limitations described in the Mortgage; and

any taxes and expenses incidental to any sale, exchange, dedication or other disposition of the property to be released.

(See Section 1803.)

At the time the amendments to the Mortgage to reduce the Bonding Ratio described above become effective, corresponding amendments to the Mortgage to change the references to 100% in the preceding paragraph (including in the first, second and fifth bullet points above) to  $6\frac{2}{3}\%$  will also become effective.

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Property which is not Funded Property may generally be released from the lien of the Mortgage without depositing any cash or property with the Trustee as long as (a) the aggregate amount of Cost or Fair Value to us (whichever is less) of all Property Additions which do not constitute Funded Property (excluding the property to be released) after certain deductions and additions, primarily including adjustments to offset property retirements, is not less than zero or (b) the Cost or Fair Value (whichever is less) of property to be released does not exceed the aggregate amount of the Cost or Fair Value to us (whichever is less) of Property Additions acquired or made within the 90-day period preceding the release. (See Section 1804.)

The Mortgage provides simplified procedures for the release of property which has been released from the lien of a Class A Mortgage, minor properties and property taken by eminent domain, and provides for dispositions of certain obsolete property and grants or surrender of certain rights without any release or consent by the Trustee. (See Sections 1802, 1805 and 1807.)

If we retain any interest in any property released from the lien of the Mortgage, the Mortgage will not become a lien on such property or such interest therein or any improvements, extensions or additions to such property or renewals, replacements or substitutions of or for such property or any part or parts thereof. (See Section 1810.)

## **Withdrawal of Cash**

Unless an Event of Default has occurred and is continuing, and subject to certain limitations, cash held by the Trustee may, generally, (1) be withdrawn by us (a) to the extent of 100% of the Cost or Fair Value to us (whichever is less) of Property Additions not constituting Funded Property, after certain deductions and additions, primarily including adjustments to offset retirements (except that such adjustments need not be made if such Property Additions were acquired or made within the 90-day period preceding the withdrawal) or (b) in an amount equal to the aggregate principal amount of Mortgage Securities that we would be entitled to issue on the basis of Retired Securities (with the entitlement to such issuance being waived by operation of such withdrawal) or (c) in an amount equal to the aggregate principal amount of any outstanding Mortgage Securities delivered to the Trustee; or (2) upon our request, be applied to (a) the purchase of Mortgage Securities in a manner and at a price approved by us or (b) the payment (or provision for payment) at stated maturity of any Mortgage Securities or the redemption (or provision for payment) of any Mortgage Securities which are redeemable (see Section 1806); provided, however, that cash deposited with the Trustee as the basis for the authentication and delivery of Mortgage Securities, as well as cash representing a payment of principal of Class A Bonds, may, in addition, be withdrawn in an amount not exceeding the aggregate principal amount of cash or Class A Bonds delivered to the Trustee, as the case may be, for such purpose. (See Sections 1605 and 1702.)

At the time the amendments to the Mortgage to reduce the Bonding Ratio described above become effective, corresponding amendments to the Mortgage to change the reference to 100% in the preceding paragraph to 66 2/3% will also become effective.

## **Events of Default**

An Event of Default occurs under the Mortgage if

we do not pay any interest on a Mortgage Security within 30 days of the due date;

we do not pay principal or premium, if any, on a Mortgage Security on its due date;

we remain in breach of any other covenant under the Mortgage (excluding covenants specifically dealt with elsewhere in this section) for 90 days after we receive a written notice of such default from the Trustee or

Holders of at least 25% in aggregate principal amount of outstanding Mortgage Securities stating we are in breach and requiring remedy of the breach; provided that the Trustee or such Holders can agree to extend the 90-day period and such an agreement to extend will be deemed to occur if we are diligently pursuing action to correct the default;