

# Second Quarter Earnings Call

## August 1, 2008

# Cautionary Statements And Factors That May Affect Future Results

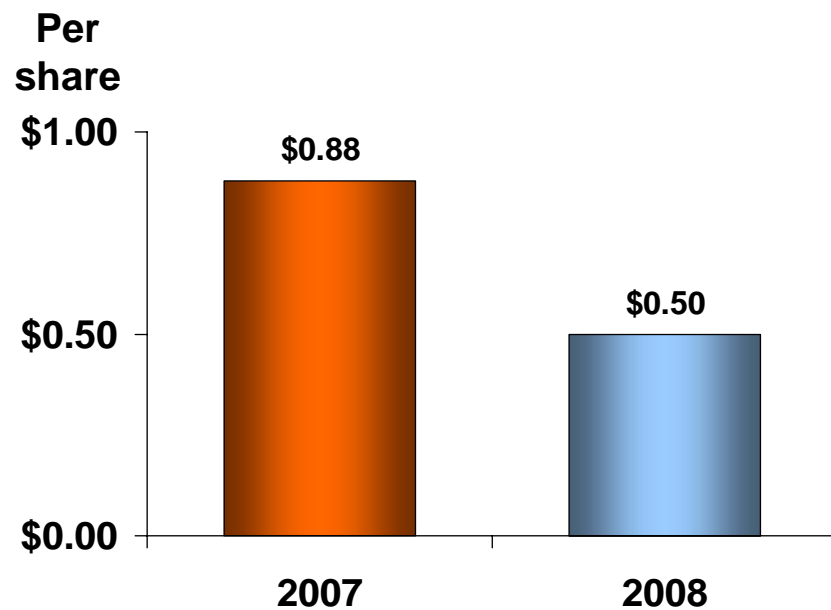
**Any statements made in this presentation about future operating results or other future events are forward-looking statements under the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from such forward-looking statements. A discussion of factors that could cause actual results or events to vary is contained in the Appendix to this presentation and in the Company's SEC filings.**

# Agenda

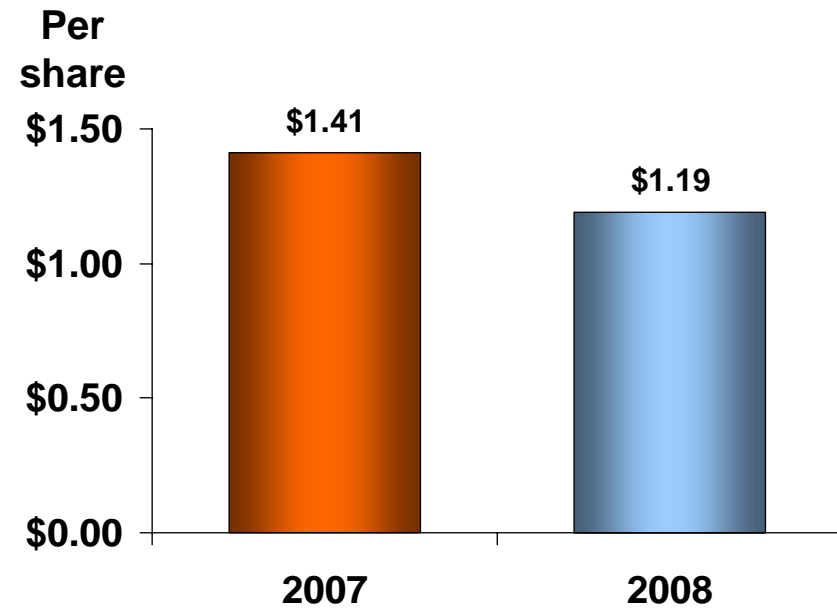
- **Second Quarter 2008 Earnings and Review of 2008 and 2010 Earnings Forecast and Outlook** **J. H. Miller**
- **Second Quarter Segment Results and Financial Overview** **P. A. Farr**
- **Operational Review** **W. H. Spence**
- **Q&A**

# Reported Earnings

## Second Quarter



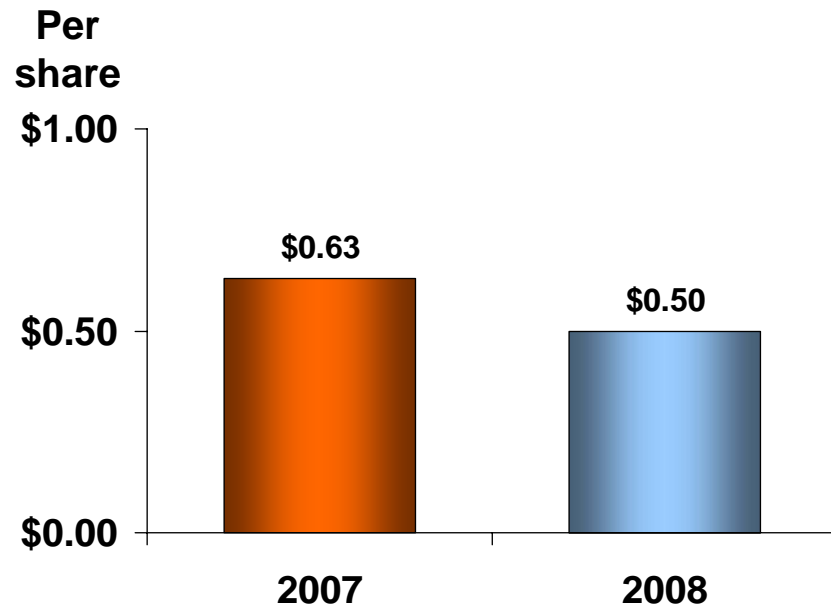
## Year-to-Date



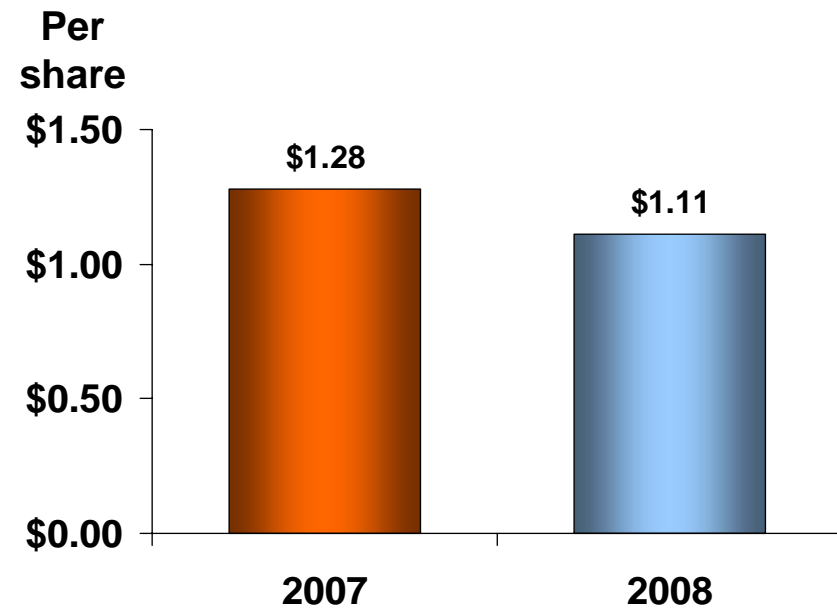
Note: See Appendix for the reconciliation of reported earnings and earnings from ongoing operations.

# Ongoing Earnings

## Second Quarter



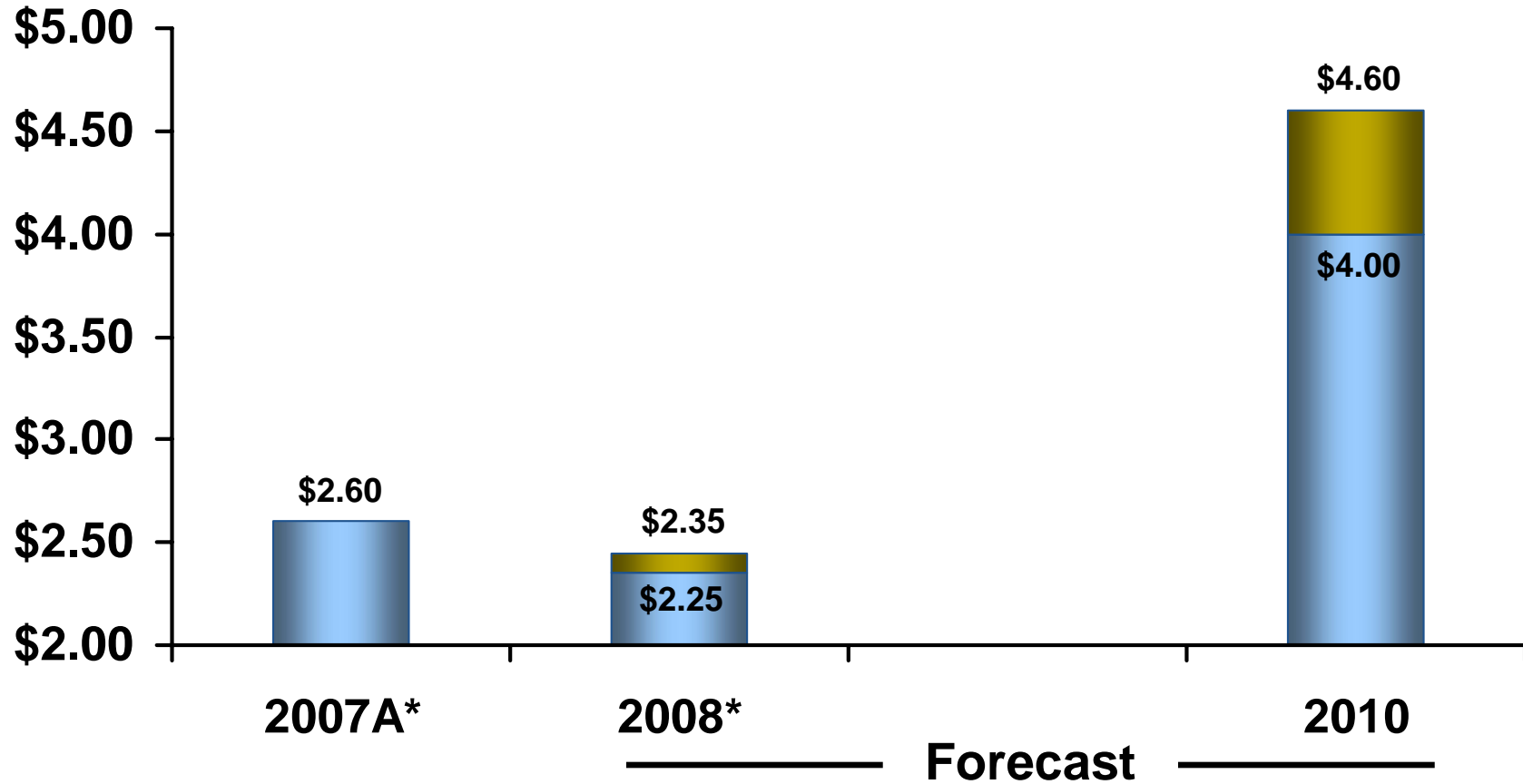
## Year-to-Date



Note: See Appendix for the reconciliation of reported earnings and earnings from ongoing operations.

# Strong Long-Term Earnings Growth

Per Share



\*Earnings from ongoing operations – See Appendix for the per share reconciliation of reported earnings and earnings from ongoing operations.

# Pennsylvania Update

- Energy Fund approved
- Conservation, DSM postponed until Fall
- Procurement and mitigation also postponed; PPL Electric procurement plan for 2010 on schedule
- Legislature returns September 15

# Ongoing Earnings Overview

	Q2 2008	Q2 2007	Change
Supply	\$0.26	\$0.30	\$(0.04)
Pennsylvania Delivery	0.08	0.07	0.01
International Delivery	0.16	0.26	(0.10)
Total	\$0.50	\$0.63	\$(0.13)

Note: See Appendix for the per share reconciliation of reported earnings and earnings from ongoing operations.

# Supply Segment Earnings Drivers

	<u>2<sup>nd</sup> Quarter</u>
2007 EPS – Ongoing Earnings	\$0.30
Margins – East	\$ 0.01
Margins – West	0.01
Depreciation	(0.02)
Synfuel	(0.02)
Income taxes and other	<u>(0.02)</u>
Total	<u>(0.04)</u>
2008 EPS – Ongoing Earnings	<u>\$0.26</u>

Note: See Appendix for the per share reconciliation of reported earnings and earnings from ongoing operations.

# Pennsylvania Delivery Segment Earnings Drivers

	<u>2<sup>nd</sup> Quarter</u>	
2007 EPS – Ongoing Earnings		\$0.07
Delivery Margins	\$0.01	
O&M	(0.01)	
Income taxes and other	<u>0.01</u>	
Total		<u>0.01</u>
 2008 EPS – Ongoing Earnings		 <u>\$0.08</u>

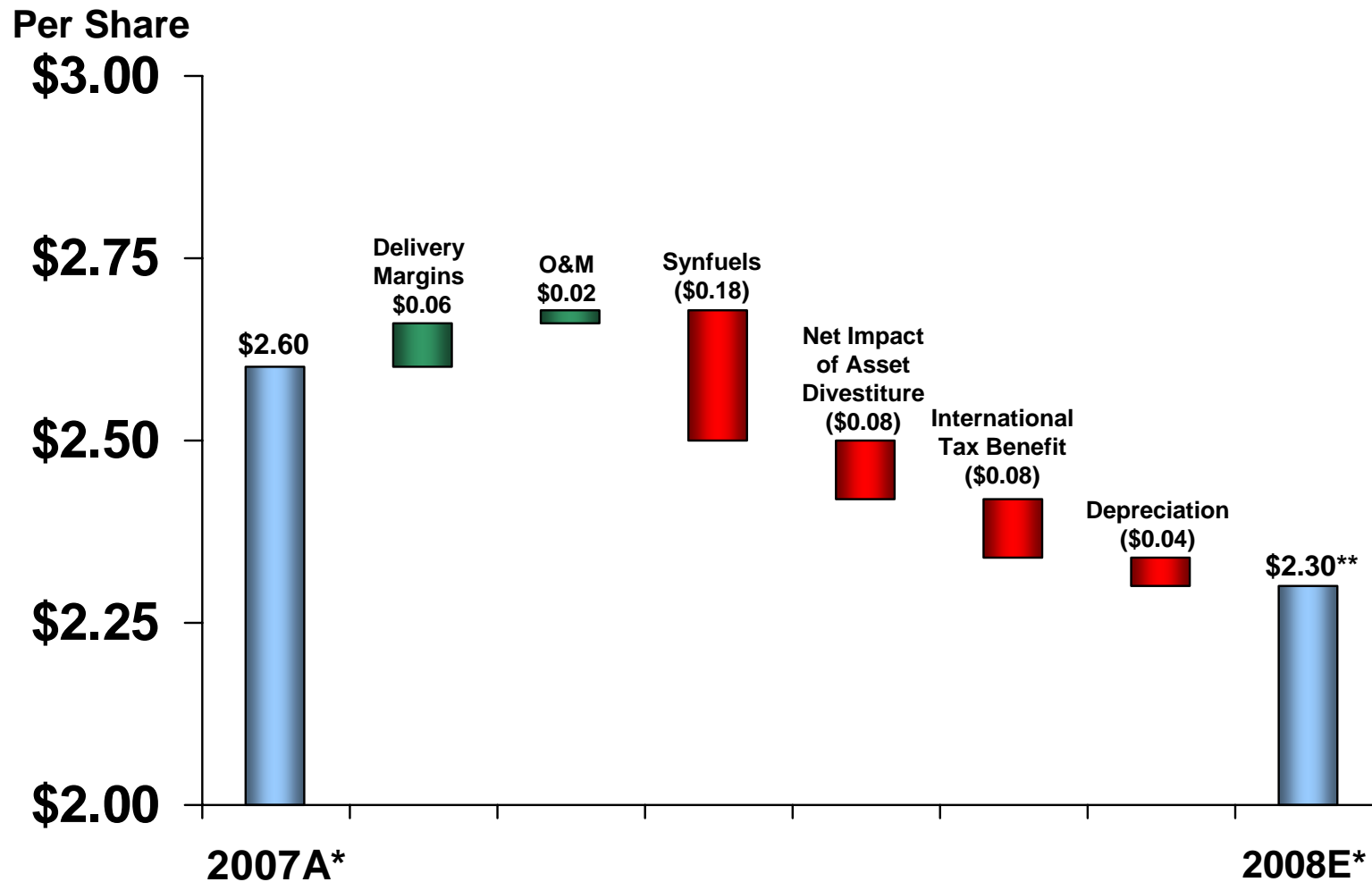
Note: See Appendix for the per share reconciliation of reported earnings and earnings from ongoing operations.

# International Delivery Segment Earnings Drivers

	<u>2<sup>nd</sup> Quarter</u>
2007 EPS – Ongoing Earnings	\$0.26
Delivery Margins	\$0.01
O&M	0.01
Income taxes	(0.08)
Latin American Operations	(0.03)
Other	<u>(0.01)</u>
Total	<u>(0.10)</u>
2008 EPS – Ongoing Earnings	<u>\$0.16</u>

Note: See Appendix for the per share reconciliation of reported earnings and earnings from ongoing operations.

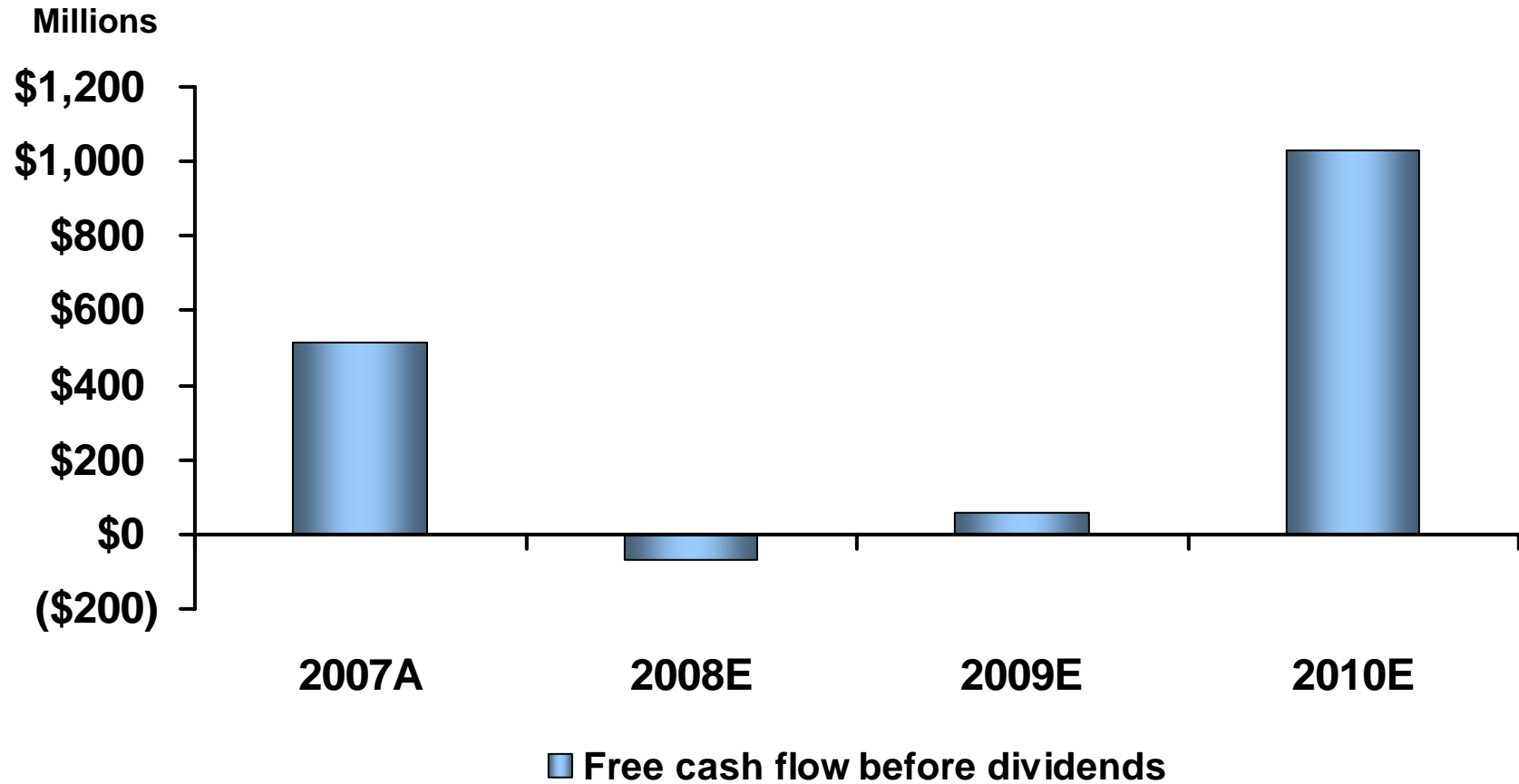
# Expected 2008 Earnings Contributions



\* Earnings from ongoing operations – See Appendix for the per share reconciliation of reported earnings and earnings from ongoing operations.

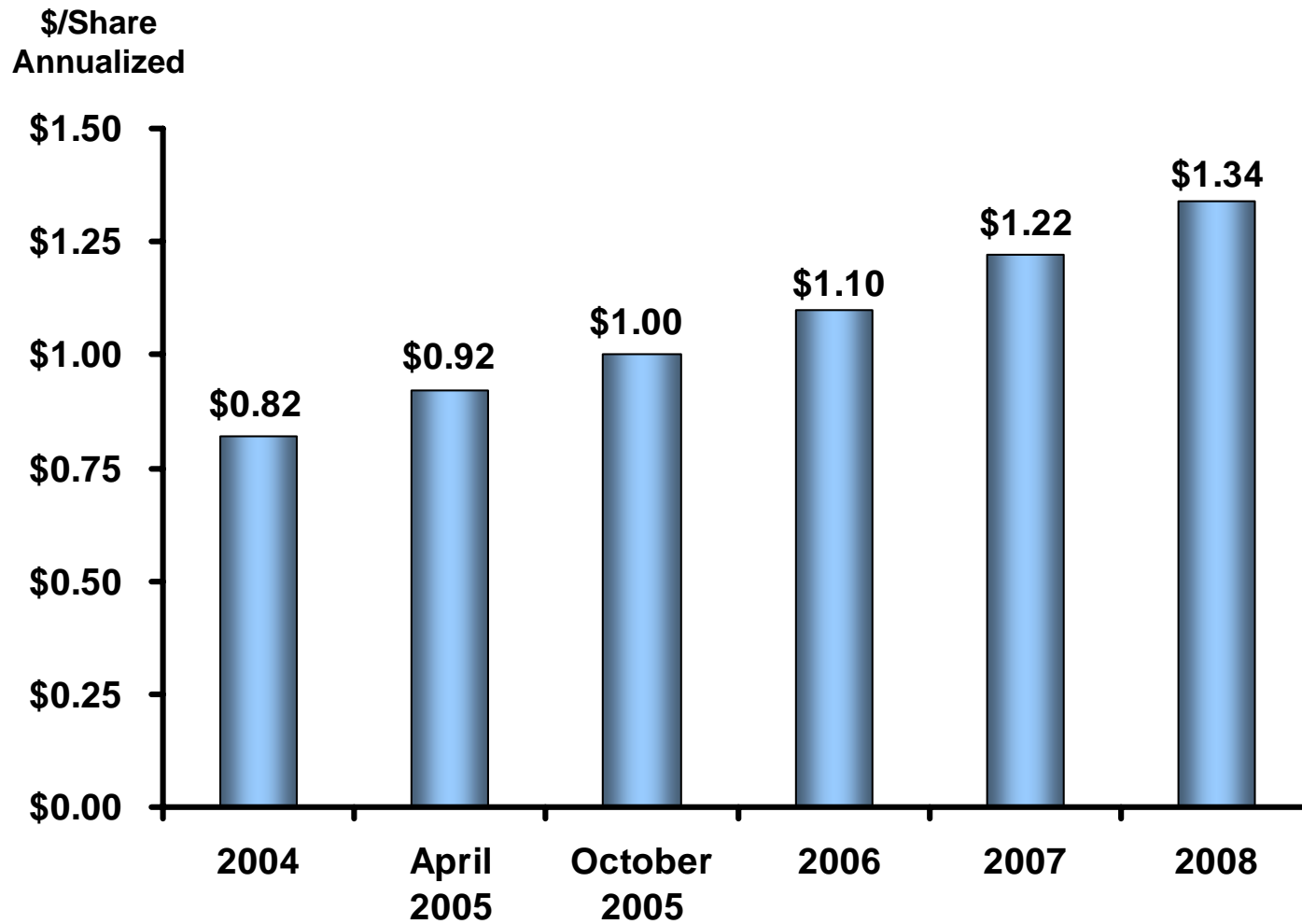
\*\*Midpoint of forecast

# Cash Flow Forecast



Note: See Appendix for the reconciliation of cash flow measures.

# Continued Dividend Growth



# Implications of CAIR Ruling

- DC Circuit Court decision invalidated U.S. EPA Eastern U.S. NO<sub>x</sub>/SO<sub>2</sub> Reduction Program
  - Eliminates required additional reductions in sulfur dioxide in 2010 and 2015
  - Annual NO<sub>x</sub> program vacated
- Companies re-evaluating financial and operational implications
  - Scrubber and SCR investment decisions
  - Variable cost of operating scrubbers vs. market price

# Scrubbers Expected to be Completed on Budget and on Schedule

## Montour Scrubber



June 2008

### Scheduled In-Service Dates

Montour 2	In Service 3/8/2008
Montour 1	In Service 5/17/2008
Brunner Island 3	Q4-08
Brunner Island 1 & 2	Q2-09

# Power Market Update

- Natural gas and power prices have declined
- Global demand for coal keeps upward pressure on U.S. coal prices
- Emission allowance markets are still absorbing the negative implications of the DC Court ruling
- Long-term fundamental market drivers support increasing value for generation

# Current Hedge Positions - Electricity and Fuel

	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b><u>Electricity Sales</u></b>			
East	97%	98%	68%
West	100%	81%	68%
<b>Total</b>	<b>98%</b>	<b>95%</b>	<b>68%</b>
<b><u>Uranium</u></b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b><u>Coal</u></b>			
East	100%	93%	78%
West	100%	100%	100%
<b>Total</b>	<b>100%</b>	<b>95%</b>	<b>84%</b>
<b><u>Unhedged Coal</u></b> – (million tons) <i>(excludes Keystone &amp; Conemaugh)</i>	<b>0.0</b>	<b>0.5</b>	<b>1.0</b>

Note: As of 6/30/2008

# 2008 East Coal Hedges and Expected Impacts on Annual Coal Expense

- Projected coal use – 9.3 million tons
  - 1.4 million tons for Keystone and Conemaugh
  - 7.9 million tons for Montour and Brunner Island (wholly-owned plants)
- Percent of supply to wholly-owned plants at fixed base price – 77%
- Percent of supply to wholly-owned plants subject to mining-related diesel oil surcharges and/or price collars – 23%
- \$40 million expected increase in total annual coal expense, as compared to plan
  - Impact of base price increases = \$26 million
  - Impact of various surcharges = \$14 million (reflects the benefit of oil hedges)

# Key Driver of Fleet Value: Open EBITDA

	<b>2010E</b>
<b>Generation Output - millions of MWH</b>	<b>56.2</b>
<b>Implied Gross Margin - millions *</b>	<b>\$ 4,299</b>
<b>O&amp;M - millions</b>	<b>\$ (814)</b>
<b>Open EBITDA - millions</b>	<b>\$ 3,485</b>
<b>Below-Market Value of Hedges - millions *</b>	<b>\$ (738)</b>

\* Based on forward market prices as of June 30, 2008



# Market Prices

	Actual	Forward <sup>(1)</sup>			At 10/2007 <sup>(2)</sup>
	2007	2008	2009	2010	2010
<b><u>EAST</u></b>					
<b><i>PJM</i></b>					
On-Peak	\$73	\$104	\$114	\$105	\$79
Off-Peak	\$43	\$66	\$78	\$71	\$51
ATC <sup>(3)</sup>	\$57	\$84	\$95	\$87	\$64
<b><u>WEST</u></b>					
<b><i>Mid-Columbia</i></b>					
On-Peak	\$57	\$91	\$101	\$93	\$67
Off-Peak	\$45	\$71	\$81	\$72	\$53
ATC <sup>(3)</sup>	\$51	\$82	\$92	\$84	\$60
<b><u>GAS</u> <sup>(4)</sup></b>					
NYMEX	\$6.86	\$11.75	\$12.47	\$11.24	\$8.08
TZ6NNY	\$7.78	\$12.93	\$13.96	\$12.68	\$9.04
<b><u>PJM MARKET</u></b>					
<b><u>HEAT</u></b>					
<b><u>RATE</u> <sup>(5)</sup></b>	9.4	8.0	8.1	8.3	8.8

(1) Market prices based on the average of broker quotes as of 6/30/2008.

(2) Prices at 10/2007 when 2010 earnings forecast of \$4.00- \$4.60 was developed.

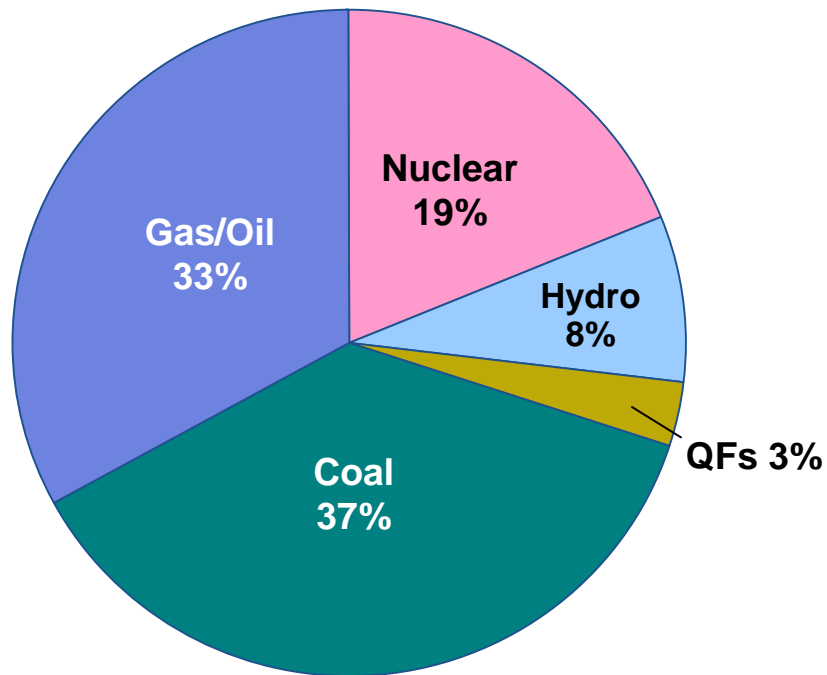
(3) 24-hour average.

(4) NYMEX and TZ6NNY forward gas prices on 6/30/2008.

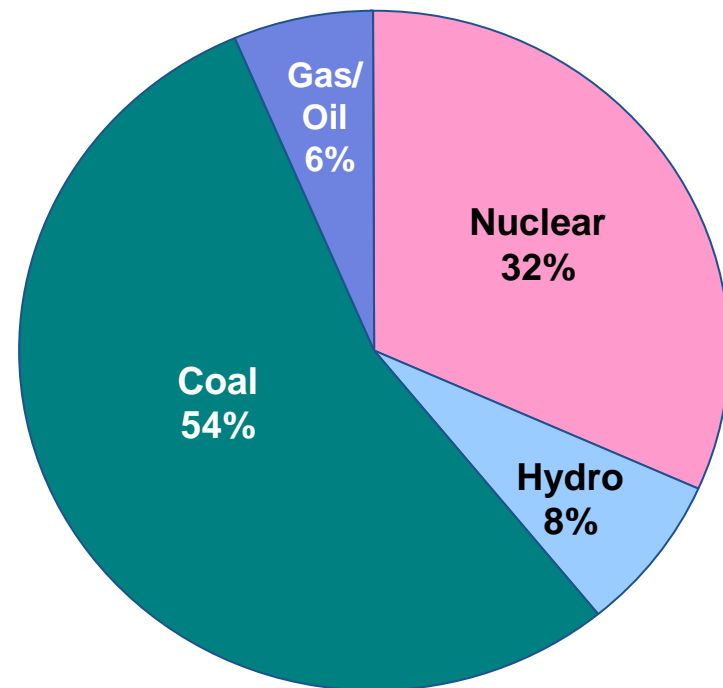
(5) Market Heat Rate = PJM on-peak power price divided by TZ6NNY gas price.

# PPL Supply Business Overview

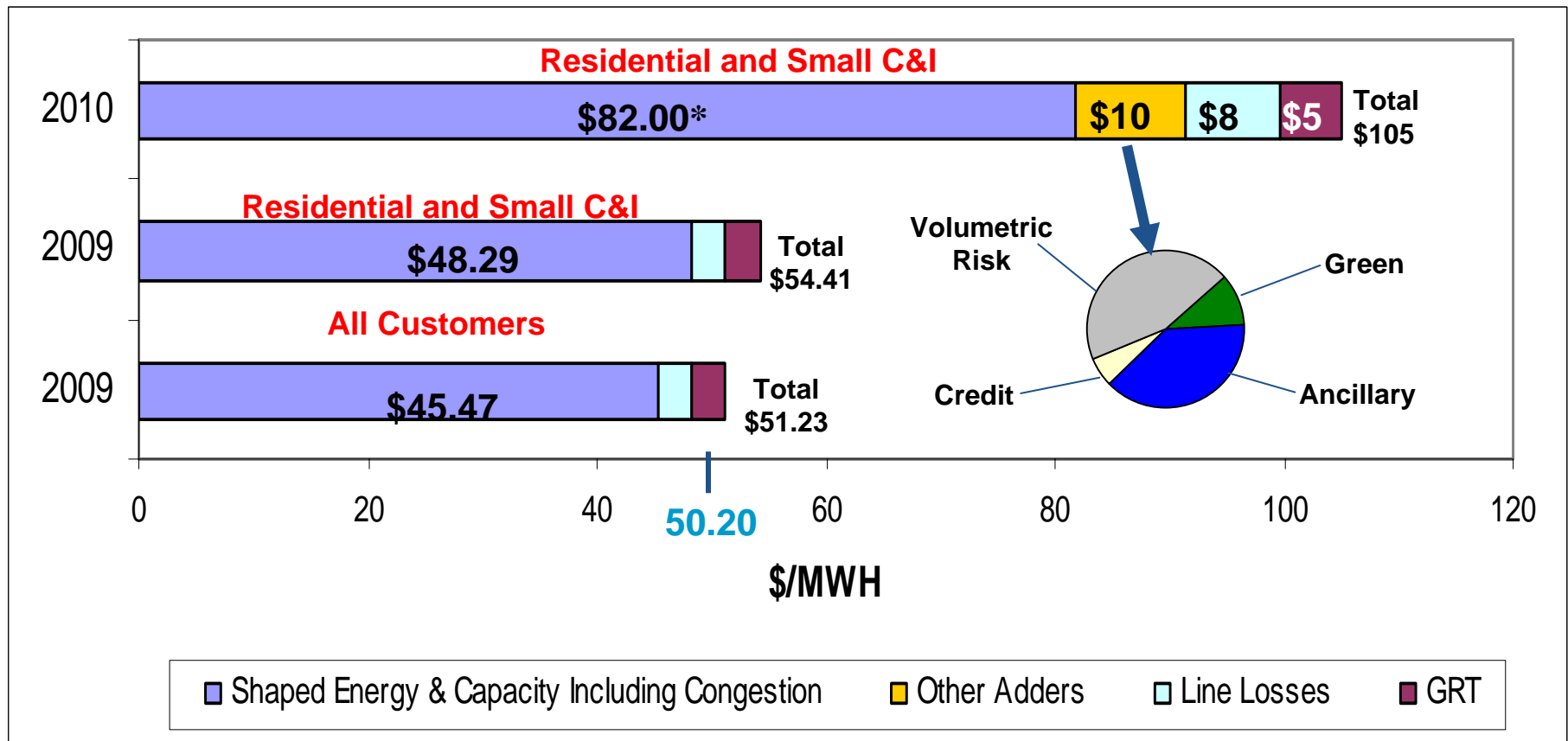
**2008E  
Installed Capacity MW**



**2008E  
Production GWH**



# Load-following Components Example

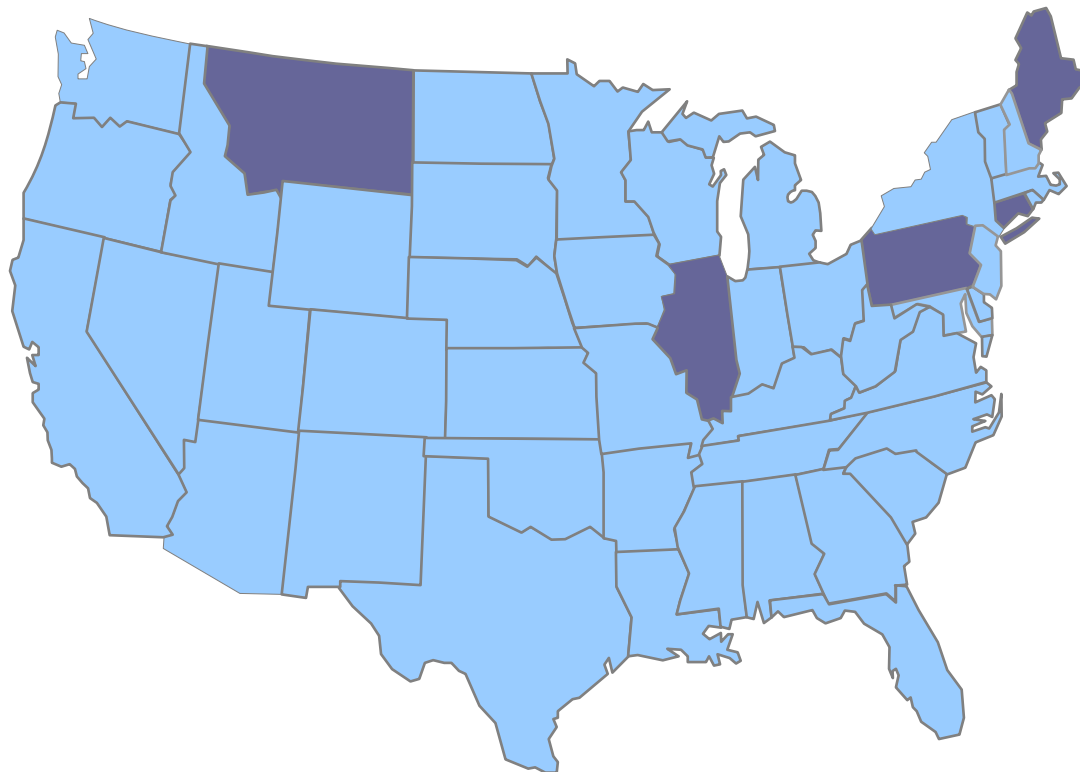


\* Shaped price based on \$63/MWH ATC energy price, \$150/MW-Day capacity price, and congestion.

# PPL's Generation Portfolio

**Total Domestic Generation: 11,358 MW**

**Planned Uprate Projects: 331 MW**



<b>East</b>		<b>10,071 MW*</b>
Coal		3,483*
Nuclear		2,117
Oil		1,795
Gas		1,503
Hydro		343
CTs		474
QFs		356
<b>Nuclear Uprate (2008-2010)</b>		<b>143</b>
<b>Hydro Uprate (2009, 2011)</b>		<b>128</b>
<b>Coal Uprate (2008-2009)</b>		<b>26</b>
<b>West</b>		<b>1,287 MW</b>
Coal		683
Hydro		604
<b>Coal Uprate (2008)</b>		<b>6</b>
<b>Hydro Uprate (2011)</b>		<b>28</b>

\* Reflects reduction of 60 MW expected loss due to increased plant usage during scrubber operation.

# Nuclear Development Schedule

Submit COLA	Oct. 2008
Submit DOE Loan Application	Sept. 2008 (part I) Dec. 2008 (part II)
Order Long Lead-Time Materials	Early 2009 (Estimate)
Early Site Work	2009
NRC Approval of COLA	2012 (Estimate)
Begin Construction	2012 (Estimate)
Commercial Operation	2017 to 2019 (Estimate)

**PPL has not yet decided to move forward with construction.**

## 2007 Synfuel and Divested Assets Ongoing Earnings Contributions

<i>Synfuel</i>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>2007</u>
Synfuel Earnings	\$0.07	\$0.01	\$0.02	\$0.04	\$0.14
Fuel Costs	<u>0.01</u>	<u>0.01</u>	<u>0.01</u>	<u>0.01</u>	<u>0.04</u>
Total Synfuel Contribution	<u>\$0.08</u>	<u>\$0.02</u>	<u>\$0.03</u>	<u>\$0.05</u>	<u>\$0.18</u>
<i>Net Impact of Asset Divestitures</i>	<u>\$0.03</u>	<u>\$0.03</u>	<u>\$0.02</u>	<u>\$0.00</u>	<u>\$0.08</u>

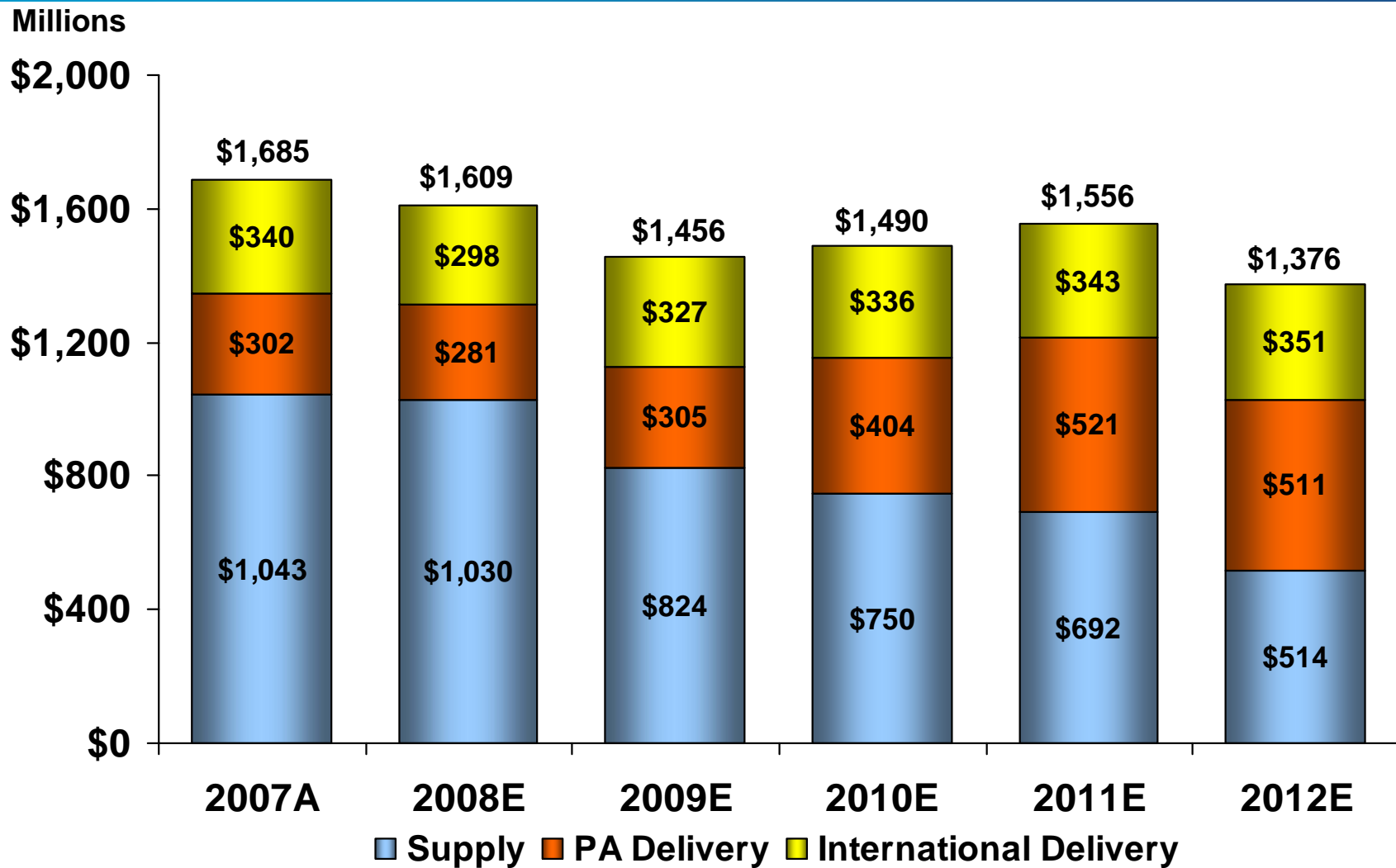
# Reconciliation of Cash from Operations to Free Cash Flow before Dividends

*(Millions of Dollars)*

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Cash from Operations	\$1,571	\$1,804	\$1,529	\$2,537
Increase/(Decrease) in cash due to:				
Transition Bond Repayment	(310)	(310)	-	-
Capital Expenditures	(1,685)	(1,609)	(1,456)	(1,490)
Other Investing Activities-net	937	47	(15)	(15)
Free Cash Flow before Dividends	<u>\$513</u>	<u>(\$68)</u>	<u>\$58</u>	<u>\$1,032</u>

Note: 2007 free cash flow before dividends includes the net proceeds from the disposition of Latin American and domestic telecommunication operations. 2008 forecast includes expected net proceeds from the disposition of gas and propane businesses, as well as the investment in the Ironwood tolling agreement.

# Capital Expenditures by Segment



# Reconciliation of Second Quarter Reported Earnings and Earnings from Ongoing Operations

*(Millions of Dollars)*

	Supply	Pennsylvania Delivery	International Delivery	Total
<u>Qtr. Ending June 30, 2008</u>				
Reported earnings	\$97	\$31	\$62	\$190
Special Items:				
MTM adj's from energy-related, non-trading economic hedges	4			4
Impairment of nuclear decom. trust investments	(4)			(4)
Off-site remediation of ash basin leak	1			1
Impairment of gas and propane businesses		(1)		(1)
	<u>1</u>	<u>(1)</u>		
Earnings from ongoing operations	<u>\$96</u>	<u>\$32</u>	<u>\$62</u>	<u>\$190</u>
 <u>Qtr. Ending June 30, 2007</u>				
Reported earnings	\$132	\$30	\$183	\$345
Special Items:				
MTM adj's from energy-related, non-trading economic hedges	16			16
Sale of Latin American businesses			83	83
Sale of domestic telecommunication operations	(2)			(2)
	<u>14</u>		<u>83</u>	<u>97</u>
Earnings from ongoing operations	<u>\$118</u>	<u>\$30</u>	<u>\$100</u>	<u>\$248</u>
 Change excluding special items	<u>(\$22)</u>	<u>\$2</u>	<u>(\$38)</u>	<u>(\$58)</u>

# Reconciliation of Second Quarter Reported Earnings and Earnings from Ongoing Operations

*(Dollars Per Share)*

	<u>Supply</u>	<u>Pennsylvania Delivery</u>	<u>International Delivery</u>	<u>Total</u>
<u>Qtr. Ending June 30, 2008</u>				
Reported earnings	\$0.26	\$0.08	\$0.16	\$0.50
Special Items:				
MTM adj's from energy-related, non-trading economic hedges	0.01			0.01
Impairment of nuclear decom. trust investments	(0.01)			(0.01)
Earnings from ongoing operations	<u>\$0.26</u>	<u>\$0.08</u>	<u>\$0.16</u>	<u>\$0.50</u>
<u>Qtr. Ending June 30, 2007</u>				
Reported earnings	\$0.34	\$0.07	\$0.47	\$0.88
Special Items:				
MTM adj's from energy-related, non-trading economic hedges	0.04			0.04
Sale of Latin American businesses	0.04		0.21	0.21
Earnings from ongoing operations	<u>\$0.30</u>	<u>\$0.07</u>	<u>\$0.26</u>	<u>\$0.63</u>
Change excluding special items	<u>(\$0.04)</u>	<u>\$0.01</u>	<u>(\$0.10)</u>	<u>(\$0.13)</u>

# Reconciliation of Year-to-Date Reported Earnings and Earnings from Ongoing Operations

*(Millions of Dollars)*

	Supply	Pennsylvania Delivery	International Delivery	Total
<u>Year-to-Date June 30, 2008</u>				
Reported earnings	\$199	\$91	\$160	\$450
Special Items:				
MTM adj's from energy-related, non-trading economic hedges	54			54
Impairment of nuclear decom. trust investments	(4)			(4)
Off-site remediation of ash basin leak	1			1
Impairment of gas and propane businesses		(1)		(1)
Colstrip groundwater litigation	(5)			(5)
Synfuel tax adjustment	(13)			(13)
	<u>33</u>	<u>(1)</u>		<u>32</u>
Earnings from ongoing operations	<u>\$166</u>	<u>\$92</u>	<u>\$160</u>	<u>\$418</u>
<u>Year-to-Date June 30, 2007</u>				
Reported earnings	\$249	\$88	\$211	\$548
Special Items:				
MTM adj's from energy-related, non-trading economic hedges	26			26
Sale of Latin American businesses			43	43
Sale of domestic telecommunication operations	(20)			(20)
PJM billing dispute	(1)			(1)
	<u>5</u>		<u>43</u>	<u>48</u>
Earnings from ongoing operations	<u>\$244</u>	<u>\$88</u>	<u>\$168</u>	<u>\$500</u>
Change excluding special items	<u>(\$78)</u>	<u>\$4</u>	<u>(\$8)</u>	<u>(\$82)</u>

# Reconciliation of Year-to-Date Reported Earnings and Earnings from Ongoing Operations

	<i>(Dollars Per Share)</i>			
	Supply	Pennsylvania Delivery	International Delivery	Total
<u>Year-to-Date June 30, 2008</u>				
Reported earnings	\$0.53	\$0.24	\$0.42	\$1.19
Special Items:				
MTM adj's from energy-related, non-trading economic hedges	0.14			0.14
Impairment of nuclear decom. trust investments	(0.01)			(0.01)
Colstrip groundwater litigation	(0.01)			(0.01)
Synfuel tax adjustment	(0.04)			(0.04)
	0.08			0.08
Earnings from ongoing operations	\$0.45	\$0.24	\$0.42	\$1.11
<u>Year-to-Date June 30, 2007</u>				
Reported earnings	\$0.64	\$0.23	\$0.54	\$1.41
Special Items:				
MTM adj's from energy-related, non-trading economic hedges	0.07			0.07
Sale of Latin American businesses			0.11	0.11
Sale of domestic telecommunication operations	(0.05)			(0.05)
	0.02		0.11	0.13
Earnings from ongoing operations	\$0.62	\$0.23	\$0.43	\$1.28
Change excluding special items	(\$0.17)	\$0.01	(\$0.01)	(\$0.17)

# Reconciliation of PPL's Reported Earnings and Earnings from Ongoing Operations

	Forecast		Actual	
	High 2008	Low 2008	2007	2006
Per Share Earnings from Ongoing Operations	\$2.35	\$2.25	\$2.60	\$2.25
Special items (net of taxes):				
MTM adj's from energy-related, non-trading economic hedges	0.14	0.14	0.08	(0.03)
Reversal of cost recovery - Hurricane Isabel				(0.02)
Impairment of synfuel-related assets				(0.01)
Sale of interest in Griffith				(0.04)
Reduction in Enron reserve				0.03
Off-site remediation of ash basin leak				0.02
PJM billing dispute				0.01
Realization of benefits related to Black Lung Trust assets				0.05
Susquehanna workforce reduction				(0.01)
Impairment of nuclear decom. trust investments	(0.01)	(0.01)		(0.01)
Sale of Latin American businesses			0.67	
Sale of domestic telecommunication operations			(0.06)	
Sale of gas and propane businesses			(0.11)	
Settlement of Wallingford cost-based rates			0.09	
Impairment of certain transmission rights			(0.04)	
Change in U.K. tax rate			0.14	
Workforce reductions			(0.02)	
Synfuel tax adjustment	(0.04)	(0.04)		
Colstrip groundwater litigation	(0.01)	(0.01)		
	0.08	0.08	0.75	(0.01)
Reported Earnings Per Share	\$2.43	\$2.33	\$3.35	\$2.24

Note: Per share amounts are based on diluted shares outstanding.

# Credit Ratings

	<u>Moody's</u>	<u>Standard &amp; Poor's</u>	<u>Fitch</u>
<b>PPL Corporation</b>			
Issuer Rating	Baa2	BBB	BBB
Outlook	STABLE	STABLE	STABLE
<b>PPL Energy Supply</b>			
Issuer Rating		BBB	BBB
Tax-Exempt Bonds*	Aaa	AAA	
Senior Notes	Baa2	BBB	BBB+
Commercial paper	P-2	A-2	F-2
Outlook	STABLE	STABLE	STABLE
<b>PPL Capital Funding</b>			
Issuer Rating			BBB
Senior Unsecured Debt	Baa2	BBB-	BBB
Subordinated Debt	Baa3	BB+	BBB-
Outlook	STABLE	STABLE	STABLE
<b>PPL Electric Utilities</b>			
Issuer Rating	Baa1	A-	BBB
First Mortgage Bonds	A3	A-	A-
Tax-Exempt Bonds**	Aa3/Baa1***	AA/A***	
Senior Secured Debt	A3	A-	A-
Commercial Paper	P-2	A-2	F-2
Preferred Stock	Baa3	BBB	BBB
Preference Stock	Baa3	BBB	BBB
Outlook	STABLE	STABLE	STABLE

\* Letter of Credit-Backed Security

\*\* Insured Security

\*\*\* Ratings may differ for each issuance due to differences on Bond Insurer Ratings

# Credit Ratings (cont.)

	Moody's	Standard & Poor's	Fitch
<b>PPL Transition Bond Co.</b> Transition Bonds	Aaa	AAA	AAA
<b>PPL Montana</b> Pass-Through Certificates Outlook	Baa3 STABLE	BBB- STABLE	BBB
<b>WPD Holdings Limited</b> Issuer Rating Senior Unsecured Debt Commercial Paper Outlook	Baa3 Baa3  STABLE	BBB- BBB- A-3 STABLE	BBB- BBB  POSITIVE
<b>WPD Holdings LLP</b> Issuer Rating Commercial Paper Outlook		BBB- A-3 STABLE	BBB  POSITIVE
<b>Western Power Distribution (South Wales) PLC</b> Issuer Rating Senior Unsecured Debt Commercial Paper Outlook	Baa1  STABLE	BBB+ BBB+ A-2 STABLE	BBB+ A- F2 POSITIVE
<b>Western Power Distribution (South West) PLC</b> Issuer Rating Senior Unsecured Debt Commercial Paper Outlook	Baa1 Baa1 P-2 STABLE	BBB+ BBB+ A-2 STABLE	BBB+ A- F2 POSITIVE

# Forward-Looking Information Statement

*Statements contained in this presentation, including statements with respect to future earnings, energy prices, margins, sales and supply, marketing performance, growth, revenues, expenses, rates, regulation, cash flows, credit profile, financing, dividends, business disposition, corporate strategy, capital additions and expenditures, and generating capacity and performance, are “forward-looking statements” within the meaning of the federal securities laws. Although PPL Corporation believes that the expectations and assumptions reflected in these forward-looking statements are reasonable, these statements involve a number of risks and uncertainties, and actual results may differ materially from the results discussed in the statements. The following are among the important factors that could cause actual results to differ materially from the forward-looking statements: market demand and prices for energy, capacity and fuel; weather conditions affecting customer energy usage and operating costs; competition in power markets; the effect of any business or industry restructuring; the profitability and liquidity of PPL Corporation and its subsidiaries; new accounting requirements or new interpretations or applications of existing requirements; operating performance of plants and other facilities; environmental conditions and requirements and the related costs of compliance, including environmental capital expenditures and emission allowance and other expenses; system conditions and operating costs; development of new projects, markets and technologies; performance of new ventures; asset acquisitions and dispositions; any impact of hurricanes or other severe weather on our business, including any impact on fuel prices; receipt of necessary government permits, approvals and rate relief; capital market conditions and decisions regarding capital structure; the impact of state, federal or foreign investigations applicable to PPL Corporation and its subsidiaries; the outcome of litigation against PPL Corporation and its subsidiaries; stock price performance; the market prices of equity securities and the impact on pension income and resultant cash funding requirements for defined benefit pension plans; the securities and credit ratings of PPL Corporation and its subsidiaries; political, regulatory or economic conditions in states, regions or countries where PPL Corporation or its subsidiaries conduct business, including any potential effects of threatened or actual terrorism or war or other hostilities; foreign exchange rates; new state, federal or foreign legislation, including new tax legislation; and the commitments and liabilities of PPL Corporation and its subsidiaries. Any such forward-looking statements should be considered in light of such important factors and in conjunction with PPL Corporation’s Form 10-K and other reports on file with the Securities and Exchange Commission.*

# Definitions of Financial Measures

*“Earnings from ongoing operations” excludes the impact of special items. Special items include charges, credits or gains that are unusual or nonrecurring. Special items also include the mark-to-market impact of energy-related, non-trading economic hedges and impairments of securities in PPL’s nuclear decommissioning trust funds. The mark-to-market impact of these hedges is economically neutral to the company because the mark-to-market gains or losses on the energy hedges will reverse as the hedging contracts settle in the future. Earnings from ongoing operations should not be considered as an alternative to reported earnings, or net income, which is an indicator of operating performance determined in accordance with generally accepted accounting principles (GAAP). PPL believes that earnings from ongoing operations, although a non-GAAP measure, is also useful and meaningful to investors because it provides them with PPL’s underlying earnings performance as another criterion in making their investment decisions. PPL’s management also uses earnings from ongoing operations in measuring certain corporate performance goals. Other companies may use different measures to present financial performance.*

*“Free cash flow before dividends” is derived by deducting capital expenditures and other investing activities-net, as well as the repayment of transition bonds, from cash flow from operations. Free cash flow before dividends should not be considered as an alternative to cash flow from operations, which is determined in accordance with GAAP. PPL believes that free cash flow before dividends, although a non-GAAP measure, is an important measure to both management and investors since it is an indicator of the company’s ability to sustain operations and growth without additional outside financing beyond the requirement to fund maturing debt obligations. Other companies may calculate free cash flow before dividends in a different manner.*