



PPL companies

Mr. Jeff DeRouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, KY 40602-0615

November 15, 2011

Re: *Joint Application of PPL Corporation, E.ON AG, E.ON US Investments Corp., E.ON U.S. LLC, Louisville Gas and Electric Company and Kentucky Utilities Company For Approval of An Acquisition of Ownership and Control of Utilities – Case No. 2010-00204*

Dear Mr. DeRouen:

Pursuant to the Commission's Order of September 30, 2010, in the above-referenced proceeding, PPL Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company, and Kentucky Utilities Company ("the Companies") hereby report to the Commission and interested Parties any credit rating reports on PPL. Attached is the applicable credit rating report. The Companies are filing this notice pursuant to Appendix A, Section 3.6 of the Order. Additionally, with the filing of this report, this completes the Companies reporting requirements under this commitment.

Please confirm your receipt of this filing by placing the stamp of your Office with date received on the extra copy.

Should you have any questions regarding this information, please contact me at your convenience.

Sincerely,

A handwritten signature in black ink that reads "Rick E. Lovekamp". The signature is written in a cursive, flowing style.

Rick E. Lovekamp

cc: Dennis G. Howard II, AG
Michael L. Kurtz, KIUC

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PPL Corp.

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Table Of Contents

Major Rating Factors

Rationale

Outlook

Related Criteria And Research

PPL Corp.

Major Rating Factors

Strengths:

- Steady operating cash flow from regulated utilities;
- Low-cost coal and nuclear generation;
- Operating diversity in merchant generation power plants; and,
- Rolling hedging strategy for merchant generation that stabilizes cash flow.

Corporate Credit Rating

BBB/Stable/NR

Weaknesses:

- Unregulated operations that are materially riskier than regulated businesses;
- An acquisitive strategy, with aggressive use of hybrid securities for partial funding;
- Exposure to environmental standards; and
- Cash flow erosion from lower power prices.

Rationale

Standard & Poor's Ratings Services bases its rating on PPL Corp. on its consolidated credit profile, which includes what we consider to be an excellent business risk profile and aggressive financial risk profile. (See "Business Risk/Financial Risk Matrix Expanded," published May 27, 2009, on RatingsDirect on the Global Credit Portal.) In the U.S., PPL Corp. consists of electric transmission and distribution utility PPL Electric Utilities Corp. (PPLEU) and vertically integrated utility subsidiaries Kentucky Utilities Co. (KU) and Louisville Gas & Electric Co. (LG&E). In addition, PPL Corp. owns PPL Energy Supply LLC, an unregulated generation subsidiary that has 10,760 megawatts of capacity consisting of well-located, low-cost nuclear and coal plants that are well hedged through 2012. In the U.K., PPL Corp. owns electric distribution networks Western Power Distribution (South West) PLC, Western Power Distribution (South Wales) PLC, Western Power Distribution (West Midlands) PLC, and Western Power Distribution (East Midlands) PLC. PPL Corp.'s rating reflects a mostly regulated utility strategy that will include continuous capital spending and timely cost recovery through various regulatory mechanisms.

The excellent business risk profile incorporates PPL Corp.'s strategy as a mostly regulated public utility holding company. PPL Corp.'s numerous utilities serve 10 million electric customers in the U.K., Pennsylvania, and Kentucky, and 320,000 natural gas distribution customers in Kentucky. The U.K. wires-only distribution utilities have credit-supportive U.K. regulation and no commodity risk because nonaffiliated retail suppliers procure the electricity for retail customers. We expect these U.K. operations to contribute about 30% of PPL Corp.'s consolidated cash flow. The stability of the U.K. cash flows, along with existing utility assets in Kentucky and Pennsylvania, all of which we assess as excellent, will more than offset the business risk profile of PPL Energy Supply's merchant generation, which we assess as satisfactory, resulting in the excellent business profile overall. We expect the merchant generation business to contribute less than 25% of pro forma consolidated cash flows.

We consider the financial risk profile for PPL Corp. aggressive, reflecting adjusted financial measures that are in line with the rating. We expect that financial measures will remain at current levels as the company incorporates full cost recovery of capital spending in operating cash flow. We expect consolidated financial measures, including ratios of debt to EBITDA, funds from operations (FFO) to total debt, and debt to capital, to remain in line with the rating.

For the 12 months ended June 30, 2011, FFO to total debt was 16.5%, total debt to total capital was about 58%, and debt to EBITDA was 4.8x. After reducing cash flow from operations by capital spending and dividends, discretionary cash flow was negative \$275 million, indicating a need for external funding. In addition, net cash flow (FFO after dividends) to capital spending was 101%. FFO interest coverage was 4.1x, and the company's dividend payout ratio was 50%. The consolidated adjustments for PPL Corp. include pension-related items, intermediate equity treatment of the junior subordinated notes, and high equity treatment of mandatory convertible securities.

Liquidity

We consider PPL Corp.'s liquidity position adequate under Standard & Poor's liquidity methodology. (We categorize liquidity in five standard descriptors. See "Liquidity Descriptors For Global Corporate Issuers," published Sept. 28, 2011.)

We base our liquidity assessment on the following factors and assumptions:

- We expect PPL Corp.'s liquidity sources over the next 12 months, including cash, FFO, and credit facility availability, to exceed uses by about 1.2x. Uses include necessary capital spending, working capital, debt maturities, and shareholder distributions.
- Debt maturities are manageable over the next 12 months.
- We believe liquidity sources would exceed uses by 30% even if there were a 20% decline in FFO.
- In our assessment, PPL Corp. has good relationships with its banks, and has a good standing in the credit markets, having successfully issued debt during the recent credit crisis.

In our analysis of liquidity over the next 12 months, we assume \$6.9 billion of liquidity sources, consisting of FFO and credit facility availability. We estimate liquidity uses of \$5 billion for capital spending, maturing debt, working capital, and shareholder distributions.

PPL Corp.'s credit agreements include a financial covenant requiring debt to total capitalization no greater than 65% for PPL Energy Supply and 70% for the U.S. utilities. As of June 30, 2011, the company was in compliance with the covenants.

Debt maturities are manageable through 2014, with \$500 million in 2011, \$0 in 2012, \$737 million in 2013, and \$300 million in 2014. However, in 2015, \$1.3 billion is due. We expect that the company will refinance many of these debt maturities.

Outlook

The stable outlook on PPL Corp. reflects our expectation that management will focus on its fully regulated utilities and will not increase unregulated operations beyond current levels. The outlook also reflects our expectations that cash flow protection and debt leverage measures will be appropriate for the rating. Specifically, our baseline forecast includes FFO to total debt of around 15%, debt to EBITDA between 4x and 5x, and debt leverage to total capital under 60%, consistent with our expectations for the 'BBB' rating. Given the company's mostly regulated focus, we expect that PPL Corp. will avoid any meaningful rise in business risk by reaching constructive regulatory outcomes and limiting its unregulated operations to existing levels. We could lower the ratings if PPL Corp. cannot sustain consolidated financial measures of FFO to total debt of at least 12%, debt to EBITDA below 5x, and debt leverage under 62%. This could occur if market power prices remain weak due to ongoing depressed demand. Although unlikely over the intermediate term, we could raise the ratings if the business profile further strengthens and if

financial measures exceed our baseline forecast on a consistent basis, including FFO to total debt in excess of 20%, debt to EBITDA below 4x, and debt to total capital around 50%.

Related Criteria And Research

- Liquidity Descriptors For Global Corporate Issuers, Sept. 28, 2011
- Business Risk/Financial Risk Matrix Expanded, May 27, 2009
- Analytical Methodology, April 15, 2008
- Ratios And Adjustments, April 15, 2008

Table 1

PPL Corp. -- Peer Comparison					
Industry Sector: Energy					
	PPL Corp.	American Electric Power Co. Inc.	FirstEnergy Corp.	Public Service Enterprise Group Inc.	Ameren Corp.
Rating as of Oct. 18, 2011	BBB/Stable/--	BBB/Stable/A-2	BBB-/Stable/--	BBB/Positive/A-2	BBB-/Stable/A-3
--Average of the past three fiscal years--					
(Mil. \$)					
Revenues	5,285.6	13,871.7	13,266.0	11,995.5	7,522.3
EBITDA	1,441.4	4,190.0	3,992.5	3,653.6	2,194.7
Net income from continuing operations	483.9	1,314.7	1,044.0	1,466.6	452.0
Funds from operations (FFO)	1,566.7	3,256.9	2,675.2	2,494.4	1,836.9
Capital expenditures	1,177.4	3,182.0	2,352.5	1,874.5	1,668.3
Free operating cash flow	441.3	(568.1)	234.0	761.3	156.9
Discretionary cash flow	(106.1)	(1,330.7)	(436.3)	87.6	(261.4)
Cash and short-term investments	721.6	767.0	812.7	290.2	419.7
Debt	8,256.9	20,743.2	17,682.4	8,875.7	9,223.1
Equity	5,118.3	12,672.8	8,451.0	8,533.8	7,619.0
Adjusted ratios					
EBITDA margin (%)	27.3	30.2	30.1	30.5	29.2
EBITDA interest coverage (x)	3.9	3.6	3.7	7.6	4.4
EBIT interest coverage (x)	2.9	2.5	2.4	6.2	3.0
Return on capital (%)	9.4	7.7	9.1	15.0	7.9
FFO/debt (%)	19.0	15.7	15.1	28.1	19.9
Free operating cash flow/debt (%)	5.3	(2.7)	1.3	8.6	1.7
Debt/EBITDA (x)	5.7	5.0	4.4	2.4	4.2
Total debt/debt plus equity (%)	61.7	62.1	67.7	51.0	54.8

Table 2

PPL Corp. -- Financial Summary					
Industry Sector: Energy					
	--Fiscal year ended Dec. 31--				
	2010	2009	2008	2007	2006
Rating history	BBB+/Stable/--	BBB/Negative/--	BBB/Stable/--	BBB/Stable/--	BBB/Stable/--
(Mil. \$)					
Revenues	8,521.0	3,548.2	3,787.6	2,187.7	2,847.6
EBITDA	2,526.9	555.3	1,242.0	1,123.2	1,010.5
Operating income	1,944.9	306.2	1,018.2	934.4	795.3
Net income from continuing operations	955.0	30.2	466.3	556.7	436.5
Funds from operations (FFO)	2,704.7	1,274.7	720.8	980.4	913.7
Capital expenditures	1,567.0	704.8	1,260.2	1,034.2	781.9
Free operating cash flow	781.7	1,045.7	(503.3)	(178.1)	242.2
Dividends paid	600.8	533.8	507.8	475.8	409.0
Discretionary cash flow	180.8	511.9	(1,011.0)	(653.8)	(166.8)
Debt	14,087.8	5,110.2	5,572.6	3,822.0	3,469.8
Preferred stock	1,525.0	250.0	250.0	250.0	0.0
Equity	9,753.0	2,875.4	2,726.6	2,673.9	2,903.0
Debt and equity	23,840.8	7,985.6	8,299.2	6,495.8	6,372.8
Adjusted ratios					
EBITDA margin (%)	29.7	15.7	32.8	51.3	35.5
EBIT interest coverage (x)	3.5	1.2	3.5	3.8	3.6
FFO interest coverage (x)	5.7	6.0	3.7	5.1	4.8
FFO/debt (%)	19.2	24.9	12.9	25.7	26.3
Discretionary cash flow/debt (%)	1.3	10.0	(18.1)	(17.1)	(4.8)
Net cash flow/capital expenditures (%)	134.3	105.1	16.9	48.8	64.5
Debt/EBITDA (x)	5.6	9.2	4.5	3.4	3.4
Debt/debt and equity (%)	59.1	64.0	67.1	58.8	54.4
Return on capital (%)	11.0	3.4	12.5	12.5	10.7
Return on common equity (%)	17.0	(0.5)	16.8	19.1	15.8
Common dividend payout ratio (unadjusted) (%)	63.4	1,723.7	105.3	82.5	93.7

Table 3

Reconciliation Of PPL Corp. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. \$)										
--Fiscal year ended Dec. 31, 2010--										
PPL Corp. reported amounts										
	Debt	Shareholders' equity	Revenues	EBITDA	Operating income	Interest expense	Cash flow from operations	Cash flow from operations	Dividends paid	Capital expenditures
Reported	13,357.0	8,478.0	8,521.0	2,422.0	1,866.0	513.0	2,033.0	2,033.0	566.0	1,597.0
Standard & Poor's adjustments										
Operating leases	662.0	--	--	50.9	50.9	50.9	64.1	64.1	--	--
Equity-like hybrids	(1,150.0)	1,150.0	--	--	--	(26.6)	26.6	26.6	26.6	--

Table 3

Reconciliation Of PPL Corp. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. \$) (cont.)										
Intermediate hybrids reported as debt	(250.0)	250.0	--	--	--	(16.8)	16.8	16.8	16.8	--
Intermediate hybrids reported as equity	125.0	(125.0)	--	--	--	8.5	(8.5)	(8.5)	(8.5)	--
Postretirement benefit obligations	1,177.8	--	--	28.0	28.0	--	243.8	243.8	--	--
Capitalized interest	--	--	--	--	--	30.0	(30.0)	(30.0)	--	(30.0)
Share-based compensation expense	--	--	--	26.0	--	--	--	--	--	--
Reclassification of working-capital cash flow changes	--	--	--	--	--	--	--	356.0	--	--
U.S. decommissioning fund contributions	--	--	--	--	--	--	(14.0)	(14.0)	--	--
Debt -- accrued interest not included in reported debt	166.0	--	--	--	--	--	--	--	--	--
Funds from operations -- other	--	--	--	--	--	--	17.0	17.0	--	--
Total adjustments	730.8	1,275.0	--	104.9	78.9	46.1	315.7	671.7	34.8	(30.0)

Standard & Poor's adjusted amounts

	Debt	Equity	Revenues	EBITDA	EBIT	Interest expense	Cash flow from operations	Funds from operations	Dividends paid	Capital expenditures
Adjusted	14,087.8	9,753.0	8,521.0	2,526.9	1,944.9	559.1	2,348.7	2,704.7	600.8	1,567.0

Ratings Detail (As of October 18, 2011)

PPL Corp.

Corporate Credit Rating	BBB/Stable/NR
Junior Subordinated (3 Issues)	BB+
Senior Unsecured (1 Issue)	BBB-

Corporate Credit Ratings History

15-Apr-2011	BBB/Stable/NR
02-Mar-2011	BBB/Watch Neg/NR
27-Oct-2010	BBB+/Stable/NR
28-Apr-2010	BBB/Watch Pos/NR
27-Jan-2009	BBB/Negative/NR

Business Risk Profile

Excellent

Financial Risk Profile

Aggressive

Ratings Data As of October 18, 2011 (cont.)

Related Entities**Kentucky Utilities Co.**

Issuer Credit Rating	BBB/Stable/A-2
Senior Secured (3 Issues)	A-
Senior Secured (5 Issues)	A-/A-2
Senior Secured (2 Issues)	A-/NR

LG&E and KU Energy LLC

Issuer Credit Rating	BBB/Stable/--
Senior Unsecured (3 Issues)	BBB-

Louisville Gas & Electric Co.

Issuer Credit Rating	BBB/Stable/A-2
Senior Secured (2 Issues)	A-
Senior Secured (11 Issues)	A-/A-2
Senior Secured (1 Issue)	A-/NR

PPL Electric Utilities Corp.

Issuer Credit Rating	BBB/Stable/A-2
Commercial Paper	
<i>Local Currency</i>	A-2
Preference Stock (1 Issue)	BB+
Senior Secured (9 Issues)	A-

PPL Energy Supply LLC

Issuer Credit Rating	BBB/Stable/A-2
Senior Unsecured (13 Issues)	BBB

PPL Montana LLC

Senior Secured (1 Issue)	BBB-/Positive
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PPL WEM Holdings PLC

Issuer Credit Rating	BBB/Stable/A-2
Senior Unsecured (1 Issue)	BBB-

PPL WW Holdings Ltd.

Issuer Credit Rating	BBB/Stable/A-2
Senior Unsecured (2 Issues)	BBB-

Western Power Distribution (East Midlands) PLC

Issuer Credit Rating	BBB/Stable/A-2
Senior Unsecured (4 Issues)	BBB

Western Power Distribution (South Wales) PLC

Issuer Credit Rating	BBB/Stable/A-2
Senior Unsecured (3 Issues)	BBB

Western Power Distribution (South West) PLC

Issuer Credit Rating	BBB/Stable/A-2
Senior Unsecured (4 Issues)	BBB

Western Power Distribution (West Midlands) PLC

Issuer Credit Rating	BBB/Stable/A-2
Senior Unsecured (3 Issues)	BBB

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard

Ratings Detail (As Of October 18, 2011) (cont.)

& Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

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