e·on | U.S.

LG&E and KU Energy LLC
State Regulation and Rates
220 West Main Street
PO Box 32010
Louisville, Kentucky 40232
www.lge-ku.com

Rick E. Lovekamp
Manager – Regulatory Affairs
T 502-627-3780
F 502-627-3213
rick.lovekamp@lge-ku.com

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

RECEIVED
DEC 15 2010
PUBLIC SERVICE
COMMISSION

December 15, 2010

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 are the applicable credit rating reports. The Companies are filing this notice pursuant to Appendix A, Section 3.6 of the Order.

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,

Rick E. Lovekamp

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

In November 2010, E.ON U.S. LLC was renamed LG&E and KU Energy LLC.

MOODY'S
INVESTORS SERVICE

CREDIT ANALYSIS

PPL Corporation

Allentown, Pennsylvania, United States

Table of Contents:

Analyst Contacts:

NEW YORK 1.212.553.1653

Laura Schumacher 1.212.553.3853
Vice President-Senior Analyst
Laura.Schumacher@moodys.com

A.J. Sabatelle 1.212.553.4136
Senior Vice President
Angelo.Sabatelle@moodys.com

Scott Solomon 1.212.553.4358
Vice President-Senior Analyst
Scott.Solomon@moodys.com

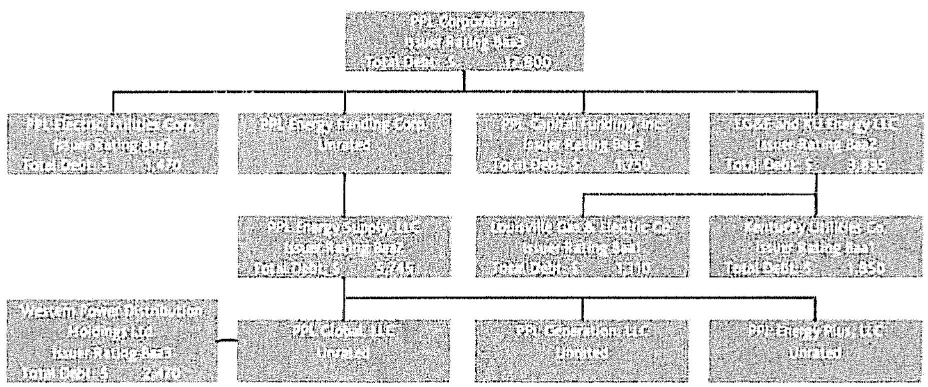
William (Larry) Hess 1.212.553.3837
Managing Director-Utilities
William.Hess@moodys.com

Business Profile

PPL Corporation (PPL: Baa3 Issuer Rating, stable) is a diversified energy holding company headquartered in Allentown, Pennsylvania. PPL conducts its regulated businesses in Pennsylvania through its utility subsidiary PPL Electric Utilities Corporation (PPL EU: Baa2 senior unsecured, stable). PPL's other primary subsidiaries are PPL Energy Supply LLC (PPL Supply: Baa2 senior unsecured, stable) and LG&E and KU Energy LLC (LKE: Baa2 senior unsecured, stable).

PPL Supply is an intermediate holding company engaged in the generation and marketing of power primarily in the northeastern and western power markets of the U.S., and in the regulated delivery of electricity in the U.K. through Western Power Distribution Holdings Ltd. (WPD: Baa3 Issuer Rating, stable outlook).

LKE became a PPL subsidiary November 1, 2010, when PPL acquired E.ON U.S. LLC (since renamed LKE) and its regulated utility subsidiaries Kentucky Utilities Company (KU: Baa1 senior unsecured, stable) and Louisville Gas & Electric (LG&E: Baa1 senior unsecured, stable). KU and LG&E operate primarily in Kentucky, while KU has significantly smaller operations in Virginia and Tennessee. We sometimes refer to these entities as the Kentucky utilities.



* Debt balances are estimated as of November 16, 2010, prior to Moody's standard adjustments :

Rating Drivers

» Increased proportion of regulated businesses

» Generally supportive regulatory environments

» Volatility and pressure from weak commodities markets

» Financial metrics appropriate for the rating

» Reasonable geographic and fuel diversity

» Significant capital expenditure plan

» Sound liquidity profile

Rating Rationale

Increased Proportion of Regulated Businesses

PPL's operations consist primarily of regulated utility businesses in the U.S and the U.K., and non-regulated merchant generation in the United States. In the recent past, PPL's non-regulated operations comprised the majority of its cash flow and assets. In 2009, PPL EU's cash from operations represented approximately 32% of consolidated total cash flow and 23% of assets, while the U.K. operations accounted for approximately 13% of cash flow and 21% of assets. The balance of 55% and 56%, respectively, was generated by PPL Supply's non-regulated merchant generating business in the United States.

PPL's cash flows, from both regulated and non-regulated operations, have historically been relatively stable, reflecting the low-cost nature of the company's generating assets and the Provider of Last Resort (POLR) arrangements between its Pennsylvania subsidiaries. Under the POLR contracts, which expired in December 2009, prices were set in conjunction with electric rate caps in PPL's Pennsylvania service region. While the POLR agreements helped to stabilize cash flows and effectively reduced overall business risk by providing an offset to the inherent potential volatility of PPL's significant non-regulated merchant operation, the POLR contacts also reduced the amount of cash flow that would otherwise have come from unregulated operations. For the first nine months of 2010, the first year of market rates in Pennsylvania, we estimate that cash flow from PPL Supply's merchant generation operations represented over 80% of consolidated cash from operations.

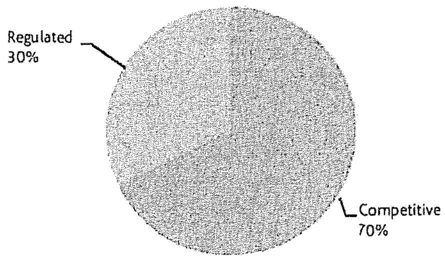
Going forward, we expect increased volatility and pressure from this commodities sensitive business; however, this risk is mitigated to some degree by PPL Supply's hedging strategy, and on a consolidated basis, by PPL's recent acquisition of regulated operations in Kentucky.

As a result of PPL's acquisition of the Kentucky utilities, we anticipate that over 50% of PPL's assets and cash flows will be associated with regulated operations, with roughly half of that 50% expected to come from LKE subsidiaries which is a strong credit positive. Absent the transaction, the regulated contributions would have remained significantly below 50%. The tables below demonstrate PPL's mix of regulated versus unregulated businesses based on its expected EBITDA before and after this acquisition.

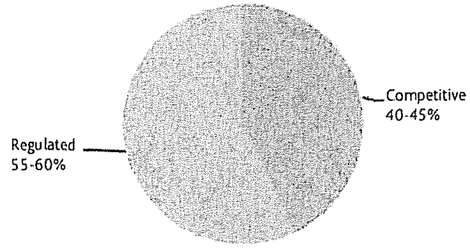
FIGURE 1 & 2

Business Mix

2010E Standalone [1]



2011E Combined



(1) Based on mid-point of 2010 forecast

Source: PPL Corporation: April 29, 2010 Presentation – Value/Balance/Growth Acquisition of E.ON U.S.

Generally Supportive Regulatory Environments

As regulated operations represent a significant proportion of PPL's overall business mix, the companies' regulatory relationships are a very important factor in determining its credit quality and rating. Overall, PPL's regulatory relationships continue to generally be supportive of credit quality. PPL EU's transition to competition in Pennsylvania has gone relatively smoothly, aided by a significant decline in commodities prices, which reduced regulated rate shock and encouraged "shopping" by PPL's POLR customers. PPL also took proactive steps to mitigate the potential shock to its customers, introducing phase-in plans that were approved by its regulator. In its U.K. jurisdiction, results of the 2009 regulatory review were generally supportive of WPD's operations for the next several years. Meanwhile, the LKE subsidiaries have historically benefitted from credit supportive relationships with their principal Kentucky regulator which we expect will be maintained under the new PPL ownership.

PPL EU

Moody's generally categorizes the Pennsylvania regulatory framework as being about average for U.S. utilities in terms of supportiveness of credit quality and ability to recover costs and earn returns. PPL EU has historically received reasonable and timely decisions in its transmission and distribution rate cases. In addition, the transition to market rates within PPL EU's service territory has gone relatively smoothly.

Given the magnitude of the rate increase that recently occurred for customers in PPL EU's service territory (approximately 30% for the generation component), we were somewhat cautious about the potential for political intervention; however, this risk has subsided significantly with the passage of time and the reduction in the market price for power. We note, however, that the expiration of generation rate caps applicable to three other large regulated Pennsylvania utilities will not occur until 2011 and some state legislative proposals related to rate caps and rate increase mitigation are still lingering.

The Road to Competition..Smoothing the Bumps

Pennsylvania has been transitioning to a deregulated market for generation since 1998. During this time, PPL EU retained POLR responsibilities in its service territory, and operated under rate caps for generation. Through 2009, PPL EU met its POLR obligation via a Pennsylvania Public Utility Commission (PPUC) approved fixed price power supply agreement with its affiliate PPL Supply. As of January 1, 2010, the rate cap ended and the POLR agreement was terminated as the company transitioned fully into retail market competition; however, PPL EU continues to be the POLR in its service territory.

Until relatively recently, there was a significant amount of regulatory and legislative concern over the potential for rate shock when the generation caps expired in Pennsylvania. In PPL EU's territory rates were at one time expected to increase approximately 40%. There was however, also considerable legislative and regulatory support for the process with the transition ultimately being eased by lower commodities prices along with proactive steps taken by PPL to mitigate rate shock.

Beginning in early 2008, PPL EU conducted a series of electricity purchases through a competitive bidding process. In November 2008, legislation was passed establishing guidelines for all delivery utilities to follow when acquiring power supplies beyond 2010 which includes a prescribed mixture of long-term, short-term and spot purchases. PPL's power purchase plan, which was approved by the PPUC, included a staggered bidding process involving a number of power blocks awarded by PPL EU to suppliers. For its 2010 power requirement, PPL EU completed six planned auctions, securing 100% of the expected needs. The company has also completed five solicitations for the January 2011 through May 2013 period, securing about 80% of its power supply for the first five months of 2011. The price of power procured in the last auction completed in July was $77.25 per MWh for residential customers, while the average prices for the six 2010 load solicitations was $99.48 per MWh for residential customers.

In an effort mitigate the customer impact of the anticipated 2010 rate increase, PPL EU took proactive steps and implemented two programs in 2008 and 2009. The advance-payment program, approved by PPUC in August 2008, allowed customers to make prepayments toward their 2010 and 2011 electric bills to enable them to pay a portion of the anticipated increase over 39 months, beginning October 1, 2008. Approximately 10% of the customers took advantage of this plan. PPL EU has also implemented a second "opt-in" program, whereby customers could elect to defer any 2010 rate increase in excess of 25% over one to two years. At December 31, 2009, PPL EU had recorded a liability of $36 million for these programs. Given the decline in wholesale power prices (around 22% lower in PPL EU's latest solicitation versus initial 2010 procurements), the risk of additional cash deferrals is now significantly lower.

An additional mitigant to rate shock is the fact that approximately 30% of PPL EU's customers have selected an alternate competitive electric supplier, which represents about 48% of the total retail load in its service territory. Generation rates for these consumers rates are generally around 10% lower than they would have been with PPL EU as their provider. Customer "shopping", however, should have limited impact on the operating results of PPL EU, as cost of power for generation is ultimately passed through to customers without margin.

PPL EU's transmission and distribution rate proceedings have generally been non-contentious. Pennsylvania distribution cases have typically been rendered in less than one year with authorized increases in excess of two thirds of the requested amounts. In its current case, filed March 2010, PPL EU requested a $114.7 million revenue increase, based on 11.75% ROE and 48.37% equity ratio. Although the requested increase represents a 13.4% increase in distribution rates, PPL EU estimated that, after consideration of the lower prices of power procured for 2011 versus 2010, its customers' all-in costs would increase by only approximately 2.4%. Under terms of a settlement agreement reached in August 2010, PPL EU will receive a base rate increase of $77.5 million (approximately two thirds of the originally requested amount). The settlement was signed by PPL EU, the Pennsylvania Office of Consumer Advocate (OCA), and the PUC Office of Trial Staff, and an Administrative Law Judge (ALJ) has recommended the settlement be approved. The company anticipates a PPUC decision by the end of 2010, with new rates effective January 2011.

Transmission rates are determined by the Federal Energy Regulatory Commission (FERC). In October 2008, FERC granted PPL EU's request to establish its transmission rates via a forward-looking formula with annual true-ups, which FERC has encouraged as a means to promote investment in transmission. FERC has also awarded incentive rate treatment for PPL EU's participation in a large PJM approved transmission project. The PPUC allows PPL EU rider recovery of any FERC approved transmission charges within its Pennsylvania retail rates.

KU and LG&E

The inclusion of the Kentucky utilities in the consolidated PPL family is viewed positively in terms of overall regulatory supportiveness. Over 90% of LKE's cash flow is generated by its operations in Kentucky, a regulatory environment Moody's considers to be relatively supportive to long-term credit quality with KU and LG&E's regulatory relationships viewed as above the average for U.S. state regulated utilities.

In Kentucky, rate cases are generally required to be settled within one year, construction work in progress is generally allowed in rate base, and the Kentucky Public Service Commission (KPSC) has approved various tracking mechanisms that provide for timely cost recovery, and return on investment outside of a rate case, which significantly reduces regulatory lag.

In its July 2010 order the KPSC approved electric and gas rate increases for LG&E and KU which totaled approximately 75% of the amounts requested in January 2010. The approved ROE ranges were 9.75% - 10.75%. As part of the KPSC approval of PPL's acquisition, the utilities have agreed to a base rate moratorium through January 2013, and a sharing of any earnings in excess of 10.75%. The agreement has no impact on the utilities' ability to seek rate adjustments through their existing fuel and environmental cost adjustment mechanisms.

Approved tracking mechanisms in LG&E's and KU's electric rates include a Fuel Adjustment Clause (FAC), a Environmental Cost Recovery Surcharge (ECR) and a Demand-Side Management Cost Recovery Mechanism (DSM). The FAC is adjusted monthly and allows the company to adjust rates for the difference between the fuel cost component of base rates and the actual fuel costs. Additional charges (or credits) to customers occur if actual fuel costs exceed (or are below) the embedded cost component. The KPSC requires public hearings at six-month intervals to examine past fuel adjustments.

The ECR provides LG&E and KU recovery of costs associated with complying with the Federal Clean Air Act and any other environmental requirement which applies to coal combustion wastes and byproducts. This is an important factor given that the two Kentucky utilities continue to invest significantly in emission control devices. Proceedings are conducted every six-months to evaluate the operation of the ECR. Their rates also include a DSM provision which includes a rate mechanism that provides for concurrent recovery of DSM costs and provides an incentive for implementing DSM programs.

LG&E's natural gas rates contain a Gas Supply Clause (GSC) that provides for quarterly rate adjustments to reflect the expected cost of gas supply in that quarter. The GSC also includes a mechanism whereby any over (or under) recoveries of gas supply costs from prior quarters is refunded (or recovered) from ratepayers.

WPD

Moody's scores WPD's regulatory environment as above average as compared to most U.S. state regulated utilities because it is well established and very transparent. The electricity distribution sector in Great Britain is regulated by the Office of Gas & Electricity Markets (Ofgem) under the Electricity Act 1989, the Utilities Act 2000 and the Energy Act 2004 and 2008. Ofgem has a track record of taking a sophisticated and iterative approach, including shared financial models. The regulatory framework is based on five-yearly settlements that define the companies' revenue entitlement based on an assumption of efficient costs (which in turn stems from benchmarking against peers as well as independent cost assessment) and a fair return on its capital employed (or RAV) which incorporates the required investments. Under this framework, the regulated electricity distribution network operators (DNOs) are subject to efficiency targets. Thus, a key challenge for management is to ensure that its DNO subsidiaries Western Power Distribution (South Wales) (WPD South Wales) and Western Power Distribution South West (WPD South West) remain well positioned, in terms of relative efficiency and capital structure, to accommodate the outcome of future price reviews.

The Final Proposals announced by Ofgem in December 2009 set the price limits for the DNOs in Great Britain for the five-year regulatory period from 1 April 2010 to 31 March 2015 ('DPCR5'). Over that period, WPD South Wales and WPD South West will be allowed to raise prices (after revenue profiling) by 6.2% and 7.5% per annum above inflation, respectively, mainly to fund substantial increases in network investments. Total expenditure allowed by the regulator was only about 1% lower than the DNOs' combined request. This compares favorably with the total allowance for the whole industry, which was 8.4% lower than requested, and reflects the strong level of cost efficiency at WPD South Wales and WPD South West.

While the headline return allowed by Ofgem of 4.0% (post-tax) is materially lower than in the previous regulatory period ('DPCR4'), Moody's notes that the DNOs have been allowed some additional income for, among other things, DPCR5 cost forecasting under the Information Quality Incentive (IQI) mechanism and historical quality of service (CI & CML). For the WPD Group, such additional revenues could amount close to £80 million (in 2007/08 prices) in aggregate over the price control period. The Final Proposals also provide a number of incentives that could significantly improve returns for the best performing companies in the form of additional revenues and the retention of certain cost efficiency savings.

In addition, revenue risk has been somewhat reduced as the volume revenue driver that existed in the previous regulatory period (where revenue allowance was partly linked to the volume of electricity distributed) has been removed for DPCR5. DNOs continue to have very limited exposure to power prices and continue to benefit from a correction factor aimed at offsetting the potential mismatch between allowed and collected revenues.

Volatility and Pressure from Weak Commodities Markets

With the recent Kentucky utilities acquisition PPL's merchant generation business still comprises a significant percentage of its consolidated operations. Although PPL's consolidated cash flows should be more stable and predictable as a result of the acquisition, PPL Supply remains susceptible to volatility and pressure as a result of its exposure to commodity price cycles.

Through 2009, PPL Supply was selling the majority of its output under fixed price contracts with its affiliate, PPL EU. As a result of this arrangement, PPL Supply's cash flows were relatively predictable, but not as robust as would be expected for a Baa2 rated independent unregulated wholesale generating company.

2010 marks the first year that PPL Supply has been able to sell the majority of its generation supply at market rates, and although market prices have declined from the highs experienced in 2008, the company's three year rolling hedge strategy resulted in year to date cash flow that is much more robust than prior years. As market prices have declined, so have the values for which PPL Supply has been able to hedge its future production. As a result, cash flow in 2011 and 2012 is expected to be significantly lower than what is anticipated for calendar year 2010.

PPL has indicated its strong intent to maintain credit metrics appropriate for its ratings. To the extent PPL Supply's cash flow remains under pressure, it may require management to alter capital expenditure and financing plans for this subsidiary, in order to maintain the current Baa2 senior unsecured rating.

The table below summarizes PPL Supply's hedged position as of October 2010[1]. Although, PPL's expected hedge prices have declined, the values still remain somewhat greater than market prices. For example, at the time the data below was presented, PPL Supply saw PJM around the clock average prices at $41 in 2011 and $43 in 2012 versus an expected average price in the east of $63 in 2011 and $64 in 2012. If market prices remain at these levels, pressure on PPL Supply's cash flows will continue. For 2012, which is less hedged, PPL Supply is more susceptible to additional margin deterioration. Cash flow in these years may be more similar to what was experienced in 2008 and 2009.

TABLE 1

PPL Supply Segment Asset Hedge Positions

	2010	2011	2012
Baseload			
Expected Generation * (Million MWhs)	50.3	51.4	54.7
East	41.7	43.1	46.2
West	8.6	8.3	8.5
Current Hedges (%)	100%	97%	68%
East	100%	98%	63%
West	100%	94%	94%
Average Hedged Price (Energy Only) ($/MWh)	$ 59	$ 56	$ 58
East	$ 60	$ 56	$ 59
West	$ 50	$ 54	$ 54
Expected Average Price (Fully Loaded) ($/MWh)	$ 68	$ 61	$ 62
East **	$ 71	$ 63	$ 64
West	$ 50	$ 54	$ 54
% Hedged through Swaps/Options Energy Transactions	97%	96%	67%
% Hedged through Load-following Transactions	3%	1%	1%
Intermediate / Peaking			
Expected Generation (Million MWhs)	6.7	5.3	5.3
Current Hedges (%)	87%	1%	0%
As of October 20, 2010			

* Represents expected sales based on current business plan assumptions

** Represents energy, capacity, congestion, and other revenues

Source: PPL Corporation. 2010 3rd Quarter Earnings Slide (October 28, 2010)

1 PPL's longer dated hedges are primarily options based. This strategy is intended to reduce margin requirements, protect downside risk and preserves some upside; however, it also creates some variability in the hedged values. The hedged prices presented represent probabilistic outcomes based on individual hedge parameters and PPL's view of the likely movement of forward market prices. Although PPL generally establishes a floor at prevailing market levels, depending on factors such as time to exercise and market volatility, hedges may be expected to settle at values that are different than the floor or ceiling prices at the time the hedge was put in place.

Financial Metrics Appropriate for the Rating

PPL consolidated credit metrics are expected to remain within the Baa ranges identified in Moody's August 2009 Rating Methodology for Regulated Electric and Gas Utilities. PPL's consolidated ratio of cash flow excluding changes in working capital (CFO pre-WC) to debt, calculated in accordance with Moody's standard analytical adjustments, and including the Kentucky utilities, is expected to remain in the mid-teens, while its interest coverage ratio is expected to stay above the 4 times level. At PPL EU, credit metrics are expected to decline significantly from their current robust levels, with CFO pre-WC to debt moving into the low-to-mid teens. The credit metrics of PPL Supply are calculated on a consolidated basis, incorporating its ownership of WPD. Although WPD provides a source of stable regulated cash flows, it is also more highly leveraged than would be appropriate for a similarly rated merchant generation company. In 2009, WPD contributed approximately 30% of PPL Supply's CFO pre-WC and represented approximately 35% of its long-term debt outstanding as of December 31st. For the twelve months ended September 30, 2010,we estimate the ratio of PPL Supply's CFO pre-WC/debt excluding WPD to be approximately 27%.

TABLE 2
CFO Pre-WC Interest Coverage

	2007	2008	2009	LTM 9/30/2010
PPL Corporation	4.0x	3.7x	4.4x	4.2x
PPL Electric Utilities Corp.	5.5x	5.5x	4.9x	3.8x
PPL Energy Supply, LLC	4.4x	3.3x	3.4x	4.6x
Western Power Distribution Holdings Ltd.	3.2x	3.5x	3.6x	NA

TABLE 3
(CFO Pre-WC - Dividends) / Debt

	2007	2008	2009	LTM 9/30/2010
PPL Corporation	16%	11%	13%	14%
PPL Electric Utilities Corp.	28%	23%	15%	12%
PPL Energy Supply, LLC	9%	4%	0%	9%
Western Power Distribution Holdings Ltd.	12%	15%	13%	NA

TABLE 4
CFO Pre-WC / Debt

	2007	2008	2009	LTM 9/30/2010
PPL Corporation	21%	16%	19%	19%
PPL Electric Utilities Corp	35%	28%	29%	18%
PPL Energy Supply, LLC	22%	15%	13%	22%
Western Power Distribution Holdings Ltd.	14%	17%	14%	NA

TABLE 5
Debt / Total Capitalization

	2007	2008	2009	LTM 9/30/2010
PPL Corporation	51%	59%	55%	53%
PPL Electric Utilities Corp.	45%	50%	43%	42%
PPL Energy Supply, LLC	46%	54%	54%	41%
Western Power Distribution Holdings Ltd.	76%	66%	72%	NA

TABLE 6

Baa-rated parent companies (sorted by 3-year average)

Company	Unsec Rating	Outlook	CFO Pre-WC / Debt			
			5yr Avg	3yr Avg	2009	LTM 2Q10
Exelon Corporation	Baa1	Stable	32.3%	34.1%	36.0%	32.6%
Duke Energy Corporation	Baa2	Stable	24.7%	27.7%	22.5%	21.5%
PG&E Corporation	Baa1	Stable	24.5%	26.7%	26.1%	23.3%
Sempra Energy	Baa1	Stable	24.3%	23.3%	22.0%	20.0%
Entergy Corporation	Baa3	Stable	22.0%	21.9%	21.8%	27.5%
Public Service Enterprise Group	Baa2	Stable	17.6%	20.2%	19.1%	21.3%
Xcel Energy	Baa1	Stable	19.8%	20.0%	20.1%	20.7%
PPL Corporation	**Baa3**	**Stable**	18.6%	18.8%	18.8%	17.5%
Ameren Corporation	Baa3	Stable	18.9%	17.3%	20.8%	22.8%
Edison International	Baa2	Stable	18.8%	17.3%	18.1%	18.7%
SCANA Corporation	Baa2	Negative	17.0%	15.4%	11.9%	16.8%
FirstEnergy Corp.	Baa3	Stable	16.5%	15.2%	15.7%	14.6%
American Electric Power Company	Baa2	Stable	15.4%	15.1%	17.6%	16.5%
Progress Energy	Baa2	Stable	15.4%	15.1%	16.9%	16.0%
MidAmerican Energy Holdings Co.	Baa1	Stable	12.7%	13.7%	16.6%	15.5%
Dominion Resources	Baa2	Stable	14.5%	12.6%	18.1%	12.2%

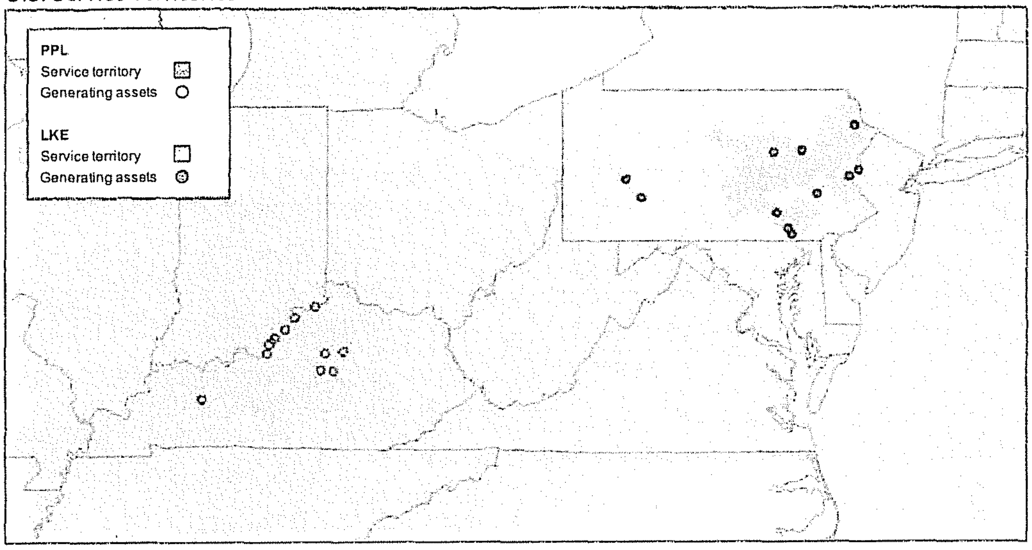
Source: Moody's

Strategically Positioned and Relatively Diverse Generation Portfolio

With approximately 10,700 MWs of wholesale generation resources located primarily within the highly liquid and transparent PJM market along with the strategic positioning of PPL Supply's assets in Montana, we consider PPL's wholesale market and competitive position to be relatively strong. PPL also has generating facilities in New Jersey, Vermont, and New Hampshire.

PPL's regulated operations are conducted in Pennsylvania, the U.K., Kentucky, Tennessee and Virginia, with its regulated generation assets concentrated in Kentucky.

FIGURE 3
U.S. Service Territories



Note: PPL's pre-acquisition territory on the map only includes regulated and unregulated activities in Pennsylvania
Source: PPL Corporation: April 29, 2010 Presentation – Value/Balance/Growth Acquisition of LKE

PPL benefits from a relatively diverse portfolio of fuel resources, including coal, nuclear, gas, and hydro, albeit with a significant exposure to carbon intense fuels, which has been increased as a result of its acquisition of the Kentucky utilities that produce over 90% of their energy from coal.

TABLE 7
PPL Generation Assets

(Pre-Acquisition)	Total System Capacity (MW)*	
By Fuel Type		
Nuclear	2,206	*21%*
Coal	4,179	*39%*
Natural Gas	1,383	*13%*
Natural Gas / Oil	2,137	*20%*
Hydro	776	*7%*
Other	57	*1%*
Total	**10,738**	***100%***
By Location		
Pennsylvania	9,443	*88%*
Montana	1,286	*12%*
New Jersey	5	*0%*
Vermont	3	*0%*
New Hampshire	1	*0%*
Total	**10,738**	***100%***

* Winter rating system capacity at December 31, 2009. Excludes assets that were held for sale or that have been divested in Connecticut, New York, Maine, Pennsylvania, and Illinois

Source: PPL Corporation

TABLE 7
PPL Generation Assets

(Pre-Acquisition)	Total System Capacity (MW)*	
(Assets in Kentucky)		
By Fuel Type		
Nuclear	-	*0%*
Coal	5,267	*70%*
Natural Gas	2,164	*29%*
Hydro	76	*1%*
Total	**7,507**	***100%***

Source: LKE

Significant Capital Expenditure Plan

For the three year period of 2010 to 2012, PPL plans to invest a total of about $7.2 billion in capital expenditures, comprised of approximately $5.3 billion for its non-Kentucky subsidiaries and $1.9 billion for the LKE subsidiaries. Significant components of the capital budget include plans for approximately 239 MW of incremental capacity at PPL Energy Supply (primarily hydro and nuclear uprates) and PPL EU's replacement of aging transmission and distribution assets along with its PJM-approved transmission project involving the joint construction of a 150-mile, 500-KV line between its Susquehanna substation in eastern Pennsylvania and the Roseland substation in northern New Jersey.

The $1.9 billion plan for the LKE subsidiaries relates to on-going construction of distribution assets, and the redevelopment of the Ohio Falls hydroelectric facility at LG&E, ash pond and landfill projects, and the installation of Flue Gas Desulfurization systems at several of KU's generating units. Continuing regulatory support for the regulated operations' capital projects and PPL management's well-balanced financing strategy will be integral to the company's future credit profile.

TABLE 8
Capital Expenditures: 2010 - 2012

($ Million)	2010	2011	2012	Total 2010-2012
PPL Family (ex LKE)				
Generating facilities	$671	$673	$507	$1,851
Transmission & Distribution	675	853	913	2,441
Environmental	63	19	99	181
Other	115	108	106	329
Sub-Total	**$1,524**	**$1,653**	**$1,625**	**$4,802**
Nuclear Fuel	151	173	171	495
Total	**$1,675**	**$1,826**	**$1,796**	**$5,297**
LG&E and KU Energy	**$610**	**$651**	**$661**	**$1,922**
Total	**$2,285**	**$2,477**	**$2,457**	**$7,219**

Sources. PPL Corp 10-Q (3Q 2010) & E ON US Acquisition Presentation (April 29, 2010)

Sound Liquidity Profile

PPL maintains an adequate liquidity profile, with sufficient credit facilities to support its operations. On a consolidated basis in 2009, cash flow from operations of approximately $1.9 billion was sufficient to cover PPL's outlays including approximately $1.2 billion of capital expenditures and approximately $520 million of common stock dividends. In 2010, cash flow is expected to be well in excess of $2 billion which will be more than sufficient to cover capital expenditures and dividends for the year. In 2011, primarily as result of lower merchant power prices, PPL's consolidated cash flows are anticipated to decline, and are not expected to cover planned capital expenditures (including those at LKE) and common dividends. Shortfalls are expected to be met via a combination of debt and equity financing.

During 2010, PPL's acquisition of LKE required approximately $6.8 billion which was funded via a balanced combination of debt and equity. In June 2010, PPL completed the sale of 103.5 million shares of common stock and issued approximately $1.15 billion of equity linked debt securities, generating total proceeds of approximately $3.5 billion in permanent capital. Also in June PPL obtained a new $4 billion credit facility at PPL Supply, which was executed on October 19th with approximately $3 billion drawn to initially complete the LKE acquisition on November 1st. PPL subsequently issued approximately $1.5 billion of first mortgage bonds at KU, $535 million of first mortgage bonds at LG&E and $875 million of senior unsecured notes at LKE which were used to repay the PPL Supply credit facility. On November 18th, PPL reduced the size of PPL Supply's revolver to $3 billion.

As a holding company, PPL's primary source of liquidity is the dividends it receives from its operating subsidiaries. In 2009, PPL received dividends of approximately $1.2 billion, including approximately $940 million from PPL Supply plus approximately $290 million from PPL EU, which was more than sufficient to cover its overhead costs, interest expense at PPL Capital Funding of approximately $40 million, as well as dividends to common shareholders of approximately $520 million. We anticipate 2010 full year dividend funds will again be sufficient to cover overhead costs, interest expenses at PPL Capital Funding and PPL's common stock dividends. Going forward, we expect total dividends from subsidiaries (including LKE) to be approximately $900 million, sufficient to cover common dividends of approximately $700 million and parent level interest expense of approximately $145 million.

While PPL has no parent level debt outstanding, it does fully guarantee all of the debt at PPL Capital, which has no debt maturities until 2047. At the subsidiary level, PPL EU's nearest debt maturity is November 2013, when $400 million of senior secured notes are due. At LKE, the nearest maturities are $400 million of senior unsecured notes due 2015, and $250 million of first mortgage bonds at each of KU and LGE also due in 2015. PPL Supply's nearest debt maturity is $500 million of senior notes due November 2011. At PPL's U.K. subsidiaries, there is no maturing debt until 2017. The U.K. subsidiary debt continues to be non-recourse to PPL Supply or PPL.

As of September 30, 2010, PPL's subsidiaries had external liquidity facilities totaling approximately $4.6 billion in committed facilities to support their short-term liquidity needs, of which approximately $4.1 billion was immediately available. These facilities were scheduled to expire between 2011 and 2013.

TABLE 9

Liquidity Profile as of September 30, 2010

($ Million / £ Million)	Cash and Cash Equivalents	Credit Facility	Expiraton Date	Total Capacity	Borrowings & LCs	Unused Capacity
PPL Corporation	$4,853	None		NA	NA	NA
PPL Energy Supply, LLC [1][2]	$4,442	5-year Credit Facility	Jun-12	$3,225	$5	$3,220
		3-year Bilateral Credit Facility	Mar-13	$200	$85	$115
		5-year Structured Credit Facility	Mar-11	$300	$143	$157
				$3,725	**$233**	**$3,492**
PPL Electric Utilities Corp. [3]	$297	5-year Credit Facility	May-12	$190	$13	$177
		Asset-backed Credit Facility	Jul-11	$150	$0	$150
WPD Holdings Ltd.	£188	3-year Credit Facility	Jul-12	£210	£0	£210
		5-year Credit Facility	Jan-13	£150	£121	£29
		Uncommitted Credit Facilities		£63	£3	£60
Total [4]				**$4,698**	**$431**	**$4,266**

[1] Credit facility information includes domestic facilities only Cash-on-hand information includes cash held by WPD Holdings

[2] In October 2010, PPL Energy Supply terminated the $3 2 billion 5-year facility and installed a $4 billion facility PPL Energy Supply subsequently borrowed $3 2 billion from the new revolver to help fund a portion of financings required for E ON U S acquisition

[3] Out of the $340 million facility capacity, the $190 million 5-year facility expiring in May 2012 has been replaced by a new $200 million facility expiringin December 31, 2014, upon the close of E ON U S transaction

[4] USD to UK Pounds conversion rate was approximately 1.496, implied by PPL's disclosure of liquidity figures in both currencies in its 3Q 2010 10-Q

In conjunction with the E.ON U.S. transaction, PPL replaced and extended the majority of its domestic facilities. PPL Supply's previous $3.2 billion 5-year facility was replaced by a new $4 billion facility expiring December 2014, and PPL EU's previous $190 million facility was replaced by a new $200 million syndicated facility also expiring December 2014. PPL also established a $400 million four-year credit facility at each of LG&E and KU.

In addition to the new $4 billion 5-year facility (subsequently reduced to $3 billion), in November 2010, PPL Supply's marketing subsidiary, PPL Energy Plus LLC, put in place an $800 million secured energy marketing and trading facility, guaranteed by PPL Supply, which company will able to use to satisfy collateral posting obligations with counterparties participating in the facility. The facility expires in October 2015.

PPL's credit facilities each contain one financial covenant; a maximum debt to capitalization ratio of 65% at PPL Supply and 70% at LG&E and KU. None of these facilities, however, contain a material adverse change (MAC) clause.

TABLE 10

Domestic Credit Facilities as of November 1, 2010 (Post Acqusition)

Entity	Facility	Expiration Date	Total Facilities
($ millions)			
PPL Energy Supply, LLC	Multi-year Credit Facility	Dec-14	$ 4000 *
	3-year Bilateral Credit Facility	Mar-13	200
	Secured Trading Facility	Sep-15	800
			5,000
PPL Electric Utilities Corp.	Multi-year Credit Facility	Dec-14	200
	Asset-backed Credit Facility	Jul-11	150
Louisville Gas & Electric	Multi-year Credit Facility	Dec-14	400
Kentucky Utilities	Multi-year Credit Facility	Dec-14	400
Total Domestic Credit Facilities			$6,150

* Reduced to $3 billion as of November 18, 2010

Conclusion

PPL Corporation is well positioned at its Baa3 Issuer Rating. The rating and stable outlook is supported by the additional regulatory scale, diversity and cash flow predictability that comes from its acquisition of the Kentucky utilities and our expectation that going forward, over 50% of PPL's assets and cash flows will be associated with regulated operations, a strong credit positive. Regulatory relationships will continue to be a key factor driving ratings, particularly as PPL implements significant capital expenditure programs at all of its utility subsidiaries. PPL's wholesale generating subsidiary, PPL Supply, benefits from a relatively strong market and competitive position stemming from its base-load generation portfolio which is located primarily near load serving entities within the highly liquid and transparent PJM market. However, the company still faces challenges from weakened commodities markets which are likely to put pressure on its credit metrics and may require management to alter capital expenditure and/or financing plans to maintain PPL Supply's current Baa2 senior unsecured rating.

Appendix – Key Financials

PPL Corporation
($ Thousands, as Adjusted)

	2006	2007	2008	2009	LTM3Q10
Interest Expense	$516,236	$576,020	$611,169	$532,483	$668,964
CFO	$1,860,149	$1,562,472	$1,622,326	$1,914,660	$2,354,917
Change in w/c	$161,000	$(178,000)	$(9,000)	$106,000	$189,000
CFO-w/c	$1,699,149	$1,740,472	$1,631,326	$1,808,660	$2,165,917
Change in other A&L	$(5,000)	$(110,000)	$(87,000)	$(3,000)	$(193,000)
FFO	$1,704,149	$1,850,472	$1,718,326	$1,811,660	$2,358,917
Dividends	$(394,816)	$(453,472)	$(489,660)	$(515,660)	$(517,917)
CFO-w/c-dividends	$1,304,333	$1,287,000	$1,141,667	$1,293,000	$1,648,000
RCF (FFO-Div)	$1,309,333	$1,397,000	$1,228,667	$1,296,000	$1,841,000
CapEx	$(1,431,333)	$(1,702,000)	$(1,741,667)	$(1,297,000)	$(1,453,000)
FCF	$34,000	$(593,000)	$(609,000)	$102,000	$384,000
As Rpt STD	$42,000	$92,000	$679,000	$639,000	$181,000
As Rpt Gross Debt	$7,835,000	$7,568,000	$7,838,000	$7,143,000	$8,839,000
As Rpt Total Debt	$7,877,000	$7,660,000	$8,517,000	$7,782,000	$9,020,000
Change in Debt		$(217,000)	$857,000	$(735,000)	$1,238,000
Pension Adjustment	$370,000	$69,000	$904,000	$1,290,000	$1,290,000
Lease Adjustment	$423,730	$417,071	$470,916	$478,430	$478,430
Other Adjustment	$301,000	$51,000	$51,000	$51,000	$751,000
Total Adjustments	$1,094,730	$537,071	$1,425,916	$1,819,430	$2,519,430
Total Adj Debt	$8,971,730	$8,197,071	$9,942,916	$9,601,430	$11,539,430
Minority Interest	$60,000	$19,000	$319,000	$319,000	$268,000
Total Adj Equity	$5,122,000	$5,761,592	$4,987,069	$5,410,592	$7,538,592
Deferred Tax Liability (LT)	$2,331,000	$2,180,408	$1,742,931	$2,143,408	$2,458,408
Total Adj Capitalization	$16,484,730	$16,158,071	$16,991,916	$17,474,430	$21,804,430
(CFO-w/c + Interest) / Interest	4.3x	4.0x	3.7x	4.4x	4.2x
(CFO-w/c) / Debt	18.9%	21.2%	16.4%	18.8%	18.8%
FFO / Debt	19.0%	22.6%	17.3%	18.9%	20.4%
(CFO-w/c - Dividends) / Debt	14.5%	15.7%	11.5%	13.5%	14.3%
RCF / Debt	14.6%	17.0%	12.4%	13.5%	16.0%
Debt / Capitalization	54.4%	50.7%	58.5%	54.9%	52.9%
FCF / Debt	0.4%	-7.2%	-6.1%	1.1%	3.3%

PPL Electric Utilties Corporation

($ Thousands, as Adjusted)

	2006	2007	2008	2009	LTM3Q10
Interest Expense	$160,526	$142,813	$140,324	$143,108	$123,997
CFO	$579,474	$560,188	$640,188	$286,188	$328,188
Change in w/c	$15,000	$(76,000)	$13,000	$(275,000)	$(21,000)
CFO-w/c	$564,474	$636,188	$627,188	$561,188	$349,188
Change in other A&L	$(13,000)	$1,000	$11,000	$1,000	$(58,000)
FFO	$577,474	$635,188	$616,188	$560,188	$407,188
Dividends	$(110,141)	$(129,188)	$(108,188)	$(284,188)	$(126,188)
CFO-w/c-dividends	$454,333	$507,000	$519,000	$277,000	$223,000
RCF (FFO-Div)	$467,333	$506,000	$508,000	$276,000	$281,000
CapEx	$(296,333)	$(286,000)	$(275,000)	$(298,000)	$(363,000)
FCF	$173,000	$145,000	$257,000	$(296,000)	$(161,000)
As Rpt STD	$42,000	$41,000	$95,000	$ -	$ -
As Rpt Gross Debt	$1,978,000	$1,674,000	$1,769,000	$1,472,000	$1,472,000
As Rpt Total Debt	$2,020,000	$1,715,000	$1,864,000	$1,472,000	$1,472,000
Change in Debt		$(305,000)	$149,000	$(392,000)	$ -
Pension Adjustment	$ -	$ -	$264,600	$309,400	$309,400
Lease Adjustment	$66,000	$ -	$ -	$ -	$ -
Other Adjustment	$125,000	$125,000	$125,000	$125,000	$125,000
Total Adjustments	$191,000	$125,000	$389,600	$434,400	$434,400
Total Adj Debt	$2,211,000	$1,840,000	$2,253,600	$1,906,400	$1,906,400
Minority Interest	$ -	$ -	$ -	$ -	$ -
Total Adj Equity	$1,434,000	$1,461,000	$1,521,000	$1,771,000	$1,815,000
Deferred Tax Liability (LT)	$814,000	$763,000	$767,000	$769,000	$811,000
Total Adj Capitalization	$4,459,000	$4,064,000	$4,541,600	$4,446,400	$4,532,400
(CFO-w/c + Interest) / Interest	4.5x	5.5x	5.5x	4.9x	3.8x
(CFO-w/c) / Debt	25.5%	34.6%	27.8%	29.4%	18.3%
FFO / Debt	26.1%	34.5%	27.3%	29.4%	21.4%
(CFO-w/c - Dividends) / Debt	20.5%	27.6%	23.0%	14.5%	11.7%
RCF / Debt	21.1%	27.5%	22.5%	14.5%	14.7%
Debt / Capitalization	49.6%	45.3%	49.6%	42.9%	42.1%
FCF / Debt	7.8%	7.9%	11.4%	-15.5%	-8.4%

PPL Energy Supply, LLC
($ Thousands, as Adjusted)

	2006	2007	2008	2009	LTM3Q10
Interest Expense	$307,216	$363,000	$445,317	$389,640	$452,027
CFO	$1,331,667	$1,115,000	$1,088,966	$1,481,072	$1,907,072
Change in w/c	$140,000	$(124,000)	$78,000	$533,000	$299,000
CFO-w/c	$1,191,667	$1,239,000	$1,010,966	$948,072	$1,608,072
Change in other A&L	$(14,000)	$(85,000)	$(170,701)	$(261,928)	$(250,928)
FFO	$1,205,667	$1,324,000	$1,181,667	$1,210,000	$1,859,000
Dividends *	$(712,000)	$(759,000)	$(750,000)	$(943,000)	$(968,000)
CFO-w/c-dividends	$479,667	$480,000	$260,966	$5,072	$640,072
RCF (FFO-Div)	$493,667	$565,000	$431,667	$267,000	$891,000
CapEx	$(1,037,667)	$(1,379,000)	$(1,431,667)	$(968,000)	$(1,056,000)
FCF	$(418,000)	$(1,023,000)	$(1,092,701)	$(429,928)	$(116,928)
As Rpt STD	$-	$51,000	$584,000	$639,000	$181,000
As Rpt Gross Debt	$5,376,000	$5,070,000	$5,196,000	$5,031,000	$5,562,000
As Rpt Total Debt	$5,376,000	$5,121,000	$5,780,000	$5,670,000	$5,743,000
Change in Debt		$(255,000)	$659,000	$(110,000)	$73,000
Pension Adjustment	$246,000	$-	$639,400	$980,600	$980,600
Lease Adjustment	$423,730	$417,071	$470,916	$478,430	$478,430
Other Adjustment	$-	$-	$-	$-	$-
Total Adjustments	$669,730	$417,071	$1,110,316	$1,459,030	$1,459,030
Total Adj Debt	$6,045,730	$5,538,071	$6,890,316	$7,129,030	$7,202,030
Minority Interest	$60,000	$19,000	$18,000	$18,000	$18,000
Total Adj Equity	$4,518,320	$5,162,282	$4,755,304	$4,529,345	$8,578,345
Deferred Tax Liability (LT)	$1,358,680	$1,402,718	$1,100,696	$1,504,655	$1,784,655
Total Adj Capitalization	$11,982,730	$12,122,071	$12,764,316	$13,181,030	$17,583,030
(CFO-w/c + Interest) / Interest	4.9x	4.4x	3.3x	3.4x	4.6x
(CFO-w/c) / Debt	19.7%	22.4%	14.7%	13.3%	22.3%
FFO / Debt	19.9%	23.9%	17.1%	17.0%	25.8%
(CFO-w/c - Dividends) / Debt	7.9%	8.7%	3.8%	0.1%	8.9%
RCF / Debt	8.2%	10.2%	6.3%	3.7%	12.4%
Debt / Capitalization	50.5%	45.7%	54.0%	54.1%	41.0%
FCF / Debt	-6.9%	-18.5%	-15.9%	-6.0%	-1.6%

* Dividends in 2007 adjusted for special dividends to PPL Corp associated with Latin American asset sales

Western Power Distribution Holdings
(£ Thousands, as Adjusted)

	2006	2007	2008	2009
Net Interest Expense	£92,180	£85,988	£79,642	£85,242
Capital Charges	£107,200	£121,400	£122,404	£148,429
CFO	£232,533	£282,333	£289,033	£267,233
Change in w/c	£5,300	£74,900	£59,200	£28,600
CFO-w/c	£227,233	£207,433	£229,833	£238,633
Change in other A&L	£-	£-	£-	£-
FFO	£227,233	£207,433	£229,833	£238,633
Dividends	£(15,000)	£(33,500)	£(30,000)	£(18,800)
CFO-w/c-dividends	£212,233	£173,933	£199,833	£219,833
RCF (FFO-Div)	£212,233	£173,933	£199,833	£219,833
CapEx	£(180,033)	£(208,633)	£(211,733)	£(221,133)
FCF	£37,500	£40,200	£47,300	£27,300
As Rpt STD	£8,600	£8,800	£10,300	£9,100
As Rpt Gross Debt	£1,063,400	£1,211,400	£1,129,500	£1,300,600
As Rpt Total Debt	£1,072,000	£1,220,200	£1,139,800	£1,309,700
Change in Debt		£148,200	£(80,400)	£169,900
Pension Adjustment	£172,900	£160,800	£90,300	£329,400
Lease Adjustment	£12,000	£15,600	£17,400	£19,200
Other Adjustment	£91,300	£89,400	£74,200	£(9,500)
Total Adjustments	£276,200	£265,800	£181,900	£339,100
Total Adj Debt	£1,348,200	£1,486,000	£1,321,700	£1,648,800
Minority Interest	£-	£-	£-	£-
Total Adj Equity	£77,300	£150,000	£342,300	£362,800
Deferred Tax Liability (LT)	£308,900	£322,800	£325,600	£264,500
Total Adj Capitalization	$ 1,734,400	$ 1,958,800	$ 1,989,600	$ 2,276,100
Adj Net Debt	£1,343,800	£1,330,500	£1,252,000	£1,644,400
RAV (Regulatory Asset Value)	£1,587,200	£1,669,600	£1,694,900	£1,772,900
(CFO-w/c + Interest) / Interest	3.5x	3.4x	3.9x	3.8x
(CFO-w/c) / Debt	16.9%	14.0%	17.4%	14.5%
FFO / Debt	16.9%	14.0%	17.4%	14.5%
(CFO-w/c - Dividends) / Debt	15.7%	11.7%	15.1%	13.3%
RCF / Debt	15.7%	11.7%	15.1%	13.3%
Debt / Capitalization	77.7%	75.9%	66.4%	72.4%
Adjusted ICR	2.3x	2.0x	2.3x	2.1x
Net Debt / RAV	84.7%	79.7%	73.9%	92.8%
FFO / Net Debt	16.9%	15.6%	18.4%	14.5%
RCF / Capex	1.2x	0.8x	0.9x	1.0x

Louisville Gas and Electric Company
($ Thousands, as Adjusted)

	2006	2007	2008	2009	LTM3Q10
Interest Expense	$45,688	$52,467	$68,509	$52,716	$49,981
CFO	$337,333	$191,333	$193,000	$324,000	$215,000
Change in w/c	$88,000	$(46,000)	$(72,000)	$53,000	$(113,000)
CFO-w/c	$249,333	$237,333	$265,000	$271,000	$328,000
Change in other A&L	$(14,000)	$(38,000)	$47,000	$(16,000)	$(5,000)
FFO	$263,333	$275,333	$218,000	$287,000	$333,000
Dividends	$(99,000)	$(69,000)	$(40,000)	$(80,000)	$(55,000)
CFO-w/c-dividends	$150,333	$168,333	$225,000	$191,000	$273,000
RCF (FFO-Div)	$164,333	$206,333	$178,000	$207,000	$278,000
CapEx	$(149,333)	$(206,333)	$(247,000)	$(190,000)	$(171,000)
FCF	$89,000	$(84,000)	$(94,000)	$54,000	$(11,000)
As Rpt STD	$68,000	$78,000	$222,000	$170,000	$122,000
As Rpt Gross Debt	$820,000	$984,000	$896,000	$896,000	$896,000
As Rpt Total Debt	$888,000	$1,062,000	$1,118,000	$1,066,000	$1,018,000
Change in Debt		$174,000	$56,000	$(52,000)	$(48,000)
Pension Adjustment	$52,000	$13,000	$143,000	$116,000	$116,000
Lease Adjustment	$30,000	$30,000	$36,000	$36,000	$36,000
Other Adjustment	$-	$-	$-	$-	$-
Total Adjustments	$82,000	$43,000	$179,000	$152,000	$152,000
Total Adj Debt	$970,000	$1,105,000	$1,297,000	$1,218,000	$1,170,000
Minority Interest	$-	$-	$-	$-	$-
Total Adj Equity	$1,164,000	$1,161,000	$1,234,000	$1,253,000	$1,315,000
Deferred Tax Liability (LT)	$333,000	$342,000	$360,000	$373,000	$416,000
Total Adj Capitalization	$2,467,000	$2,608,000	$2,891,000	$2,844,000	$2,901,000
(CFO-w/c + Interest) / Interest	6.5x	5.5x	4.9x	6.1x	7.6x
(CFO-w/c) / Debt	25.7%	21.5%	20.4%	22.2%	28.0%
FFO / Debt	27.1%	24.9%	16.8%	23.6%	28.5%
(CFO-w/c - Dividends) / Debt	15.5%	15.2%	17.3%	15.7%	23.3%
RCF / Debt	16.9%	18.7%	13.7%	17.0%	23.8%
Debt / Capitalization	39.3%	42.4%	44.9%	42.8%	40.3%
FCF / Debt	9.2%	-7.6%	-7.2%	4.4%	-0.9%

Kentucky Utilities Company
($ Thousands, as Adjusted)

	2006	2007	2008	2009	LTM3Q10
Interest Expense	$43,905	$59,232	$83,044	$83,950	$85,835
CFO	$227,000	$318,000	$298,000	$266,667	$376,667
Change in w/c	$(46,000)	$(1,000)	$(10,000)	$(87,000)	$(72,000)
CFO-w/c	$273,000	$319,000	$308,000	$353,667	$448,667
Change in other A&L	$(25,000)	$(6,000)	$(5,000)	$7,000	$104,000
FFO	$298,000	$325,000	$313,000	$346,667	$344,667
Dividends	$-	$-	$-	$-	$(50,000)
CFO-w/c-dividends	$273,000	$319,000	$308,000	$353,667	$398,667
RCF (FFO-Div)	$298,000	$325,000	$313,000	$346,667	$294,667
CapEx	$(351,000)	$(749,000)	$(692,000)	$(522,667)	$(362,667)
FCF	$(124,000)	$(431,000)	$(394,000)	$(256,000)	$(36,000)
As Rpt STD	$97,000	$23,000	$16,000	$45,000	$61,000
As Rpt Gross Debt	$843,000	$1,264,000	$1,532,000	$1,682,000	$1,682,000
As Rpt Total Debt	$940,000	$1,287,000	$1,548,000	$1,727,000	$1,743,000
Change in Debt		$347,000	$261,000	$179,000	$16,000
Pension Adjustment	$50,000	$20,000	$123,000	$97,000	$97,000
Lease Adjustment	$36,000	$36,000	$54,000	$60,000	$60,000
Other Adjustment	$-	$-	$-	$-	$-
Total Adjustments	$86,000	$56,000	$177,000	$157,000	$157,000
Total Adj Debt	$1,026,000	$1,343,000	$1,725,000	$1,884,000	$1,900,000
Minority Interest	$-	$-	$-	$-	$-
Total Adj Equity	$1,193,000	$1,435,000	$1,744,000	$1,952,000	$2,029,000
Deferred Tax Liability (LT)	$289,000	$285,000	$279,000	$336,000	$378,000
Total Adj Capitalization	$2,508,000	$3,063,000	$3,748,000	$4,172,000	$4,307,000
(CFO-w/c + Interest) / Interest	7.2x	6.4x	4.7x	5.2x	6.2x
(CFO-w/c) / Debt	26.6%	23.8%	17.9%	18.8%	23.6%
FFO / Debt	29.0%	24.2%	18.1%	18.4%	18.1%
(CFO-w/c - Dividends) / Debt	26.6%	23.8%	17.9%	18.8%	21.0%
RCF / Debt	29.0%	24.2%	18.1%	18.4%	15.5%
Debt / Capitalization	40.9%	43.8%	46.0%	45.2%	44.1%
FCF / Debt	-12.1%	-32.1%	-22.8%	-13.6%	-1.9%

Moody's Related Research

Industry Outlook:

» U.S. Electric Utilities Stable But Face Increasing Regulatory Uncertainty, July 2010 (125996)

Rating Methodologies:

» Regulated Electric and Gas Utilities, August 2009 (118481)

» Unregulated Utilities and Power Companies, August 2009 (118508)

» Regulated Electric and Gas Networks, August 2009 (118786)

Special Comments:

» Investment-Grade, Unregulated Power: Not Immune to Rating Pressures, November 2010 (128985)

» Regulatory Frameworks – Ratings and Credit Quality for Investor-Owned Utilities, June 2010 (125664)

» Cost Recovery Provisions Key to Investor Owned Utility Ratings and Credit Quality, June 2010 (122304)

» Liquidity: A Key Component to Investor-Owned Utility Ratings and Credit Quality, September 2010 (127546)

» Evaluating the Leverage of Unregulated Power Companies, October 2009 (120835)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients

Report Number: 129251

Author
Laura Schumacher

Associate Analyst
Namsoo Lee

Senior Production Associate
Ginger Kipps

MOODY'S
INVESTORS SERVICE