LG&E KU
PPL companies

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PUBLIC SERVICE COMMISSION

LG&E and KU Energy LLC
State Regulation and Rates
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Louisville, Kentucky 40232
www.lge-ku.com

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

November 5, 2013

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 dated September 30, 2010 in the aforementioned case, Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU"), (collectively, the "Companies") submit one copy of the Securities and Exchange Commission ("SEC") Form 10-Q for PPL Corporation and its current and former subsidiaries for Period Ended September 30, 2013. This information is being made pursuant to Appendix C, Commitment No. 21.

SEC documents for PPL Corporation are also available by selecting "Filings and Forms" at http://www.sec.gov. Click "Search for Company Filings", select option for "Company or Fund Name" and type in "PPL Corp".

Please confirm your receipt of this filing by placing the File Stamp of your Office with date received on the additional attached letter. Should you have any questions regarding the information filed herewith, please call me or Don Harris at (502) 627-2021.

Sincerely,

Rick E. Lovekamp

Rick E. Lovekamp

PPL CORP

FORM 10-Q
(Quarterly Report)

Filed 11/01/13 for the Period Ending 09/30/13

Address	TWO N NINTH ST ALLENTOWN, PA 181011179
Telephone	6107745151
CIK	0000922224
Symbol	PPL
SIC Code	4911 - Electric Services
Industry	Electric Utilities
Sector	Utilities
Fiscal Year	12/31

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the quarterly period ended September 30, 2013

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from ________ to __________

Commission File Number	Registrant; State of Incorporation; Address and Telephone Number	IRS Employer Identification No.
1-11459	**PPL Corporation** (Exact name of Registrant as specified in its charter) (Pennsylvania) Two North Ninth Street Allentown, PA 18101-1179 (610) 774-5151	23-2758192
1-32944	**PPL Energy Supply, LLC** (Exact name of Registrant as specified in its charter) (Delaware) Two North Ninth Street Allentown, PA 18101-1179 (610) 774-5151	23-3074920
1-905	**PPL Electric Utilities Corporation** (Exact name of Registrant as specified in its charter) (Pennsylvania) Two North Ninth Street Allentown, PA 18101-1179 (610) 774-5151	23-0959590
333-173665	**LG&E and KU Energy LLC** (Exact name of Registrant as specified in its charter) (Kentucky) 220 West Main Street Louisville, KY 40202-1377 (502) 627-2000	20-0523163
1-2893	**Louisville Gas and Electric Company** (Exact name of Registrant as specified in its charter) (Kentucky) 220 West Main Street Louisville, KY 40202-1377 (502) 627-2000	61-0264150
1-3464	**Kentucky Utilities Company** (Exact name of Registrant as specified in its charter) (Kentucky and Virginia) One Quality Street Lexington, KY 40507-1462 (502) 627-2000	61-0247570

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days.

PPL Corporation	Yes X	No ___
PPL Energy Supply, LLC	Yes X	No ___
PPL Electric Utilities Corporation	Yes X	No ___
LG&E and KU Energy LLC	Yes X	No ___
Louisville Gas and Electric Company	Yes X	No ___
Kentucky Utilities Company	Yes X	No ___

Indicate by check mark whether the registrants have submitted electronically and posted on their corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrants were required to submit and post such files).

PPL Corporation	Yes X	No ___
PPL Energy Supply, LLC	Yes X	No ___
PPL Electric Utilities Corporation	Yes X	No ___
LG&E and KU Energy LLC	Yes X	No ___
Louisville Gas and Electric Company	Yes X	No ___
Kentucky Utilities Company	Yes X	No ___

Indicate by check mark whether the registrants are large accelerated filers, accelerated filers, non-accelerated filers, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

	Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company
PPL Corporation	[X]	[ ]	[ ]	[ ]
PPL Energy Supply, LLC	[ ]	[ ]	[X]	[ ]
PPL Electric Utilities Corporation	[ ]	[ ]	[X]	[ ]
LG&E and KU Energy LLC	[ ]	[ ]	[X]	[ ]
Louisville Gas and Electric Company	[ ]	[ ]	[X]	[ ]
Kentucky Utilities Company	[ ]	[ ]	[X]	[ ]

Indicate by check mark whether the registrants are shell companies (as defined in Rule 12b-2 of the Exchange Act).

PPL Corporation	Yes ___	No X
PPL Energy Supply, LLC	Yes ___	No X
PPL Electric Utilities Corporation	Yes ___	No X
LG&E and KU Energy LLC	Yes ___	No X
Louisville Gas and Electric Company	Yes ___	No X
Kentucky Utilities Company	Yes ___	No X

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

PPL Corporation	Common stock, $0.01 par value, 630,249,634 shares outstanding at October 25, 2013.
PPL Energy Supply, LLC	PPL Corporation indirectly holds all of the membership interests in PPL Energy Supply, LLC.
PPL Electric Utilities Corporation	Common stock, no par value, 66,368,056 shares outstanding and all held by PPL Corporation at October 25, 2013.
LG&E and KU Energy LLC	PPL Corporation directly holds all of the membership interests in LG&E and KU Energy LLC.
Louisville Gas and Electric Company	Common stock, no par value, 21,294,223 shares outstanding and all held by LG&E and KU Energy LLC at October 25, 2013.
Kentucky Utilities Company	Common stock, no par value, 37,817,878 shares outstanding and all held by LG&E and KU Energy LLC at October 25, 2013.

This document is available free of charge at the Investor Center on PPL Corporation's website at www.pplweb.com. However, information on this website does not constitute a part of this Form 10-Q.

PPL CORPORATION
PPL ENERGY SUPPLY, LLC
PPL ELECTRIC UTILITIES CORPORATION
LG&E AND KU ENERGY LLC
LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY

FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2013

Table of Contents

This combined Form 10-Q is separately filed by the following Registrants in their individual capacity: PPL Corporation, PPL Energy Supply, LLC, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company. Information contained herein relating to any individual Registrant is filed by such Registrant solely on its own behalf, and no Registrant makes any representation as to information relating to any other Registrant, except that information under "Forward-Looking Information" relating to subsidiaries of PPL Corporation is also attributed to PPL Corporation and information relating to the subsidiaries of LG&E and KU Energy LLC is also attributed to LG&E and KU Energy LLC.

Unless otherwise specified, references in this Report, individually, to PPL Corporation, PPL Energy Supply, LLC, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company are references to such entities directly or to one or more of their subsidiaries, as the case may be, the financial results of which subsidiaries are consolidated into such Registrants' financial statements in accordance with GAAP. This presentation has been applied where identification of particular subsidiaries is not material to the matter being disclosed, and to conform narrative disclosures to the presentation of financial information on a consolidated basis.

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GLOSSARY OF TERMS AND ABBREVIATIONS
PPL Corporation and its subsidiaries

Central Networks - collectively, Central Networks East plc, Central Networks Limited and certain other related assets and liabilities. On April 1, 2011, PPL WEM Holdings plc (formerly WPD Investment Holdings Limited) purchased all of the outstanding ordinary share capital of these companies from E.ON AG subsidiaries. Central Networks West plc (subsequently renamed Western Power Distribution (West Midlands) plc), wholly owned by Central Networks Limited (subsequently renamed WPD Midlands Holdings Limited), and Central Networks East plc (subsequently renamed Western Power Distribution (East Midlands) plc) are British regional electricity distribution utility companies.

Kentucky Registrants - LKE, LG&E and KU, collectively, SEC Registrants that directly or through subsidiaries own or control operations primarily in Kentucky.

KU - Kentucky Utilities Company, a public utility subsidiary of LKE engaged in the regulated generation, transmission, distribution and sale of electricity, primarily in Kentucky.

LG&E - Louisville Gas and Electric Company, a public utility subsidiary of LKE engaged in the regulated generation, transmission, distribution and sale of electricity and the distribution and sale of natural gas in Kentucky.

LKE - LG&E and KU Energy LLC, a subsidiary of PPL and the parent of LG&E, KU and other subsidiaries.

LKS - LG&E and KU Services Company, a subsidiary of LKE that provides services to LKE and its subsidiaries.

PPL - PPL Corporation, the parent holding company of PPL Electric, PPL Energy Funding, PPL Capital Funding, LKE and other subsidiaries.

PPL Brunner Island - PPL Brunner Island, LLC, a subsidiary of PPL Generation that owns generating operations in Pennsylvania.

PPL Capital Funding - PPL Capital Funding, Inc., a financing subsidiary of PPL that provides financing for the operations of PPL and certain subsidiaries.

PPL Electric - PPL Electric Utilities Corporation, a public utility subsidiary of PPL engaged in the regulated transmission and distribution of electricity in its Pennsylvania service area and that provides electric supply to its retail customers as a PLR.

PPL Energy Funding - PPL Energy Funding Corporation, a subsidiary of PPL and the parent holding company of PPL Energy Supply, PPL Global and other subsidiaries.

PPL EnergyPlus - PPL EnergyPlus, LLC, a subsidiary of PPL Energy Supply that markets and trades wholesale and retail electricity and gas, and supplies energy and energy services in competitive markets.

PPL Energy Supply - PPL Energy Supply, LLC, a subsidiary of PPL Energy Funding and the parent company of PPL Generation, PPL EnergyPlus and other subsidiaries.

PPL Generation - PPL Generation, LLC, a subsidiary of PPL Energy Supply that owns and operates U.S. generating facilities through various subsidiaries.

PPL Global - PPL Global, LLC, a subsidiary of PPL Energy Funding that primarily, through its subsidiaries, owns and operates WPD, PPL's regulated electricity distribution businesses in the U.K.

PPL Ironwood - PPL Ironwood, LLC, an indirect subsidiary of PPL Generation that owns generating operations in Pennsylvania.

PPL Montana - PPL Montana, LLC, an indirect subsidiary of PPL Generation that generates electricity for wholesale sales in Montana and the Pacific Northwest.

PPL Montour - PPL Montour, LLC, a subsidiary of PPL Generation that owns generating operations in Pennsylvania.

PPL Services - PPL Services Corporation, a subsidiary of PPL that provides services to PPL and its subsidiaries.

PPL Susquehanna - PPL Susquehanna, LLC, a subsidiary of PPL Generation that owns a nuclear-powered generating station.

PPL WEM - PPL WEM Holdings plc (formerly WPD Investment Holdings Limited), an indirect, U.K. subsidiary of PPL Global. PPL WEM indirectly owns both WPD (East Midlands) and WPD (West Midlands).

PPL WW - PPL WW Holdings Limited (formerly Western Power Distribution Holdings Limited), an indirect, U.K. subsidiary of PPL Global. PPL WW Holdings indirectly owns WPD (South Wales) and WPD (South West).

Registrant(s) - refers to the Registrants named on the cover of this Report (each a "Registrant" and collectively, the "Registrants").

Subsidiary Registrant(s) - the Registrants that are subsidiaries of PPL. PPL Energy Supply, PPL Electric, LKE, LG&E and KU.

WPD - refers to PPL WW and PPL WEM and their subsidiaries.

WPD (East Midlands) - Western Power Distribution (East Midlands) plc, a British regional electricity distribution utility company. The company (formerly Central Networks East plc) was acquired and renamed in April 2011.

WPD Midlands - refers to WPD (East Midlands) and WPD (West Midlands), collectively.

WPD (South Wales) - Western Power Distribution (South Wales) plc, a British regional electricity distribution utility company.

WPD (South West) - Western Power Distribution (South West) plc, a British regional electricity distribution utility company.

WPD (West Midlands) - Western Power Distribution (West Midlands) plc, a British regional electricity distribution utility company. The company (formerly Central Networks West plc) was acquired and renamed in April 2011.

WKE - Western Kentucky Energy Corp., a subsidiary of LKE that leased certain non-utility generating plants in western Kentucky until July 2009.

Other terms and abbreviations

£ - British pound sterling.

2010 Equity Unit(s) - a PPL equity unit, issued in June 2010, consisting of a 2010 Purchase Contract and, initially, a 5.0% undivided beneficial ownership interest in $1,000 principal amount of PPL Capital Funding 4.625% Junior Subordinated Notes due 2018.

2010 Purchase Contract(s) - a contract that is a component of a 2010 Equity Unit requiring holders to purchase shares of PPL common stock on or prior to July 1, 2013.

2011 Equity Unit(s) - a PPL equity unit, issued in April 2011, consisting of a 2011 Purchase Contract and, initially, a 5.0% undivided beneficial ownership interest in $1,000 principal amount of PPL Capital Funding 4.32% Junior Subordinated Notes due 2019.

2011 Purchase Contract(s) - a contract that is a component of a 2011 Equity Unit requiring holders to purchase shares of PPL common stock on or prior to May 1, 2014.

2012 Form 10-K - Annual Report to the SEC on Form 10-K for the year ended December 31, 2012.

Act 11 - Act 11 of 2012 that became effective on April 16, 2012. The Pennsylvania legislation authorizes the PUC to approve two specific ratemaking mechanisms: the use of a fully projected future test year in base rate proceedings and, subject to certain conditions, a DSIC.

Act 129 - Act 129 of 2008 that became effective in October 2008. The law amends the Pennsylvania Public Utility Code and creates an energy efficiency and conservation program and smart metering technology requirements, adopts new PLR electricity supply procurement rules, provides remedies for market misconduct and changes the existing Alternative Energy Portfolio Standard.

AEPS - Alternative Energy Portfolio Standard.

AFUDC - Allowance for Funds Used During Construction, the cost of equity and debt funds used to finance construction projects of regulated businesses, which is capitalized as part of construction costs.

AOCI - accumulated other comprehensive income or loss.

ARO - asset retirement obligation.

Baseload generation - includes the output provided by PPL's nuclear, coal, hydroelectric and qualifying facilities.

Basis - when used in the context of derivatives and commodity trading, the commodity price differential between two locations, products or time periods.

CAIR - Clean Air Interstate Rule.

Cane Run Unit 7 - a combined-cycle natural gas unit under construction in Kentucky, jointly owned by LG&E and KU, which is expected to provide additional electric generating capacity of 141 MW and 499 MW to LG&E and KU by 2015.

CCR - Coal Combustion Residuals. CCRs include fly ash, bottom ash and sulfur dioxide scrubber wastes.

Clean Air Act - federal legislation enacted to address certain environmental issues related to air emissions, including acid rain, ozone and toxic air emissions.

COLA - license application for a combined construction permit and operating license from the NRC for a nuclear plant.

CSAPR - Cross-State Air Pollution Rule.

Customer Choice Act - the Pennsylvania Electricity Generation Customer Choice and Competition Act, legislation enacted to restructure the state's electric utility industry to create retail access to a competitive market for generation of electricity.

Depreciation not normalized - the flow-through income tax impact related to the state regulatory treatment of depreciation-related timing differences.

DPCR4 - Distribution Price Control Review 4, the U.K. 5-year rate review period applicable to WPD that commenced April 1, 2005.

DRIP - Dividend Reinvestment and Direct Stock Purchase Plan.

DSIC - Distribution System Improvement Charge authorized under Act 11, which is an alternative ratemaking mechanism providing more-timely cost recovery of qualifying distribution system capital expenditures.

DSM - Demand Side Management. Pursuant to Kentucky Revised Statute 278.285, the KPSC may determine the reasonableness of DSM plans proposed by any utility under its jurisdiction. Proposed DSM mechanisms may seek full recovery of DSM programs and revenues lost by implementing those programs and/or incentives designed to provide financial rewards to the utility for implementing cost-effective DSM programs. The cost of such programs shall be assigned only to the class or classes of customers which benefit from the programs.

ECR - Environmental Cost Recovery. Pursuant to Kentucky Revised Statute 278.183, Kentucky electric utilities are entitled to the current recovery of costs of complying with the Clean Air Act, as amended, and those federal, state or local environmental requirements which apply to coal combustion and by-products from the production of energy from coal.

EEI - Electric Energy, Inc., owns and operates a coal-fired plant and a natural gas facility in southern Illinois. KU's 20% ownership interest in EEI is accounted for as an equity method investment.

EPA - Environmental Protection Agency, a U.S. government agency.

EPS - earnings per share.

Equity Units - refers collectively to the 2011 and 2010 Equity Units.

ESOP - Employee Stock Ownership Plan.

FERC - Federal Energy Regulatory Commission, the federal agency that regulates, among other things, interstate transmission and wholesale sales of electricity, hydroelectric power projects and related matters.

Fitch - Fitch, Inc., a credit rating agency.

FTRs - financial transmission rights, which are financial instruments established to manage price risk related to electricity transmission congestion that entitle the holder to receive compensation or require the holder to remit payment for certain congestion-related transmission charges based on the level of congestion between two pricing locations (source and sink).

GAAP - Generally Accepted Accounting Principles in the U.S.

GBP - British pound sterling.

GHG - greenhouse gas(es).

GLT - Gas Line Tracker. The KPSC approved LG&E's recovery of costs associated with gas service lines, gas risers, leak mitigation, and gas main replacements. Rate recovery became effective on January 1, 2013.

If-Converted Method - A method applicable for calculating diluted EPS for a company with convertible debt outstanding. The method is applied as follows: Interest charges (after-tax) applicable to the convertible debt are added back to net income and the convertible debt is assumed to have been converted to equity at the beginning of the period and the resulting common shares are treated as outstanding shares. Both adjustments are made only for purposes of calculating diluted EPS. This method was applied to PPL's Equity Units prior to settlement beginning in the first quarter of 2013.

Intermediate and peaking generation - includes the output provided by PPL's competitive oil- and natural gas-fired units.

Ironwood Acquisition - In April 2012, PPL Ironwood Holdings, LLC, an indirect, wholly owned subsidiary of PPL Energy Supply, completed the acquisition from a subsidiary of The AES Corporation of all of the equity interests of AES Ironwood, L.L.C. (subsequently renamed PPL Ironwood, LLC) and AES Prescott, L.L.C. (subsequently renamed PPL Prescott, LLC), which together own and operate, a natural gas-fired power plant in Lebanon, Pennsylvania.

IRS - Internal Revenue Service, a U.S. government agency.

ISO - Independent System Operator.

KPSC - Kentucky Public Service Commission, the state agency that has jurisdiction over the regulation of rates and service of utilities in Kentucky.

kV - Kilovolt

LIBOR - London Interbank Offered Rate.

LTIIP - Long Term Infrastructure Improvement Plan.

MATS - Mercury and Air Toxics Standards.

MDEQ - Montana Department of Environmental Quality.

MEIC - Montana Environmental Information Center.

MMBtu - One million British Thermal Units.

Montana Power - The Montana Power Company, a Montana-based company that sold its generating assets to PPL Montana in December 1999. Through a series of transactions consummated during the first quarter of 2002, Montana Power sold its electricity delivery business to NorthWestern.

Moody's - Moody's Investors Service, Inc., a credit rating agency.

MW - megawatt, one thousand kilowatts.

MWh - megawatt-hour, one thousand kilowatt-hours.

NDT - PPL Susquehanna's nuclear plant decommissioning trust.

NERC - North American Electric Reliability Corporation.

NorthWestern - NorthWestern Corporation, a Delaware corporation, and successor in interest to Montana Power's electricity delivery business, including Montana Power's rights and obligations under contracts with PPL Montana.

NPNS - the normal purchases and normal sales exception as permitted by derivative accounting rules. Derivatives that qualify for this exception receive accrual accounting treatment.

NRC - Nuclear Regulatory Commission, the U.S. federal agency that regulates nuclear power facilities.

OCI - other comprehensive income or loss.

Ofgem - Office of Gas and Electricity Markets, the British agency that regulates transmission, distribution and wholesale sales of electricity and related matters.

Opacity - the degree to which emissions reduce the transmission of light and obscure the view of an object in the background. There are emission regulations that limit the opacity of power plant stack gas emissions.

OVEC - Ohio Valley Electric Corporation, located in Piketon, Ohio, an entity in which LKE indirectly owns an 8.13% interest (consists of LG&E's 5.63% and KU's 2.50% interests), which is accounted for as a cost-method investment. OVEC owns and operates two coal-fired power plants, the Kyger Creek plant in Ohio and the Clifty Creek plant in Indiana, with combined nameplate capacities of 2,390 MW.

PADEP - the Pennsylvania Department of Environmental Protection, a state government agency.

PJM - PJM Interconnection, L.L.C., operator of the electric transmission network and electric energy market in all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia and the District of Columbia.

PLR - Provider of Last Resort, the role of PPL Electric in providing default electricity supply within its delivery area to retail customers who have not chosen to select an alternative electricity supplier under the Customer Choice Act.

PP&E - property, plant and equipment.

PUC - Pennsylvania Public Utility Commission, the state agency that regulates certain ratemaking, services, accounting and operations of Pennsylvania utilities.

Purchase Contract(s) - refers collectively to the 2010 and 2011 Purchase Contracts (which are components of the 2010 and 2011 Equity Units.)

RAV - regulatory asset value. This term, used within the U.K. regulatory environment, is also commonly known as RAB or regulatory asset base.

RECs - renewable energy credits.

Regional Transmission Line Expansion Plan - PJM conducts a long-range Regional Transmission Expansion Planning process that identifies what changes and additions to the grid are needed to ensure future needs are met for both the reliability and the economic performance of the grid. Under PJM agreements, transmission owners are obligated to build transmission projects assigned to them by the PJM Board that are needed to maintain reliability standards.

Regulation S-X - SEC regulation governing the form and content of and requirements for financial statements required to be filed pursuant to the federal securities laws.

RFC - Reliability First Corporation, one of eight regional entities with delegated authority from NERC that work to safeguard the reliability of the bulk power systems throughout North America.

RMC - Risk Management Committee.

S&P - Standard & Poor's Ratings Services, a credit rating agency.

Sarbanes-Oxley - Sarbanes-Oxley Act of 2002, which sets requirements for management's assessment of internal controls for financial reporting and requires an independent auditor to make its own assessment.

SCR - selective catalytic reduction, a pollution control process for the removal of nitrogen oxide from exhaust gases.

Scrubber - an air pollution control device that can remove particulates and/or gases (primarily sulfur dioxide) from exhaust gases.

SEC - the U.S. Securities and Exchange Commission, a U.S. government agency primarily responsible to protect investors and maintain the integrity of the securities markets.

SERC - SERC Reliability Corporation, one of eight regional entities with delegated authority from NERC that work to safeguard the reliability of the bulk power systems throughout North America.

SIFMA Index - the Securities Industry and Financial Markets Association Municipal Swap Index.

Smart meter - an electric meter that utilizes smart metering technology.

Smart metering technology - technology that can measure, among other things, time of electricity consumption to permit offering rate incentives for usage during lower cost or demand intervals. The use of this technology also has the potential to strengthen network reliability.

SMGT - Southern Montana Electric Generation & Transmission Cooperative, Inc., a Montana cooperative and purchaser of electricity under a long-term supply contract with PPL EnergyPlus that was terminated effective April 1, 2012.

SNCR - selective non-catalytic reduction, a pollution control process for the removal of nitrogen oxide from exhaust gases using ammonia.

Spark Spread - a measure of gross margin representing the price of power on a per MWh basis less the equivalent measure of the natural gas cost to produce that power. This measure is used to describe the gross margin of PPL and its subsidiaries' competitive natural gas-fired generating fleet. This term is also used to describe a derivative contract in which PPL and its subsidiaries sell power and buy natural gas on a forward basis in the same contract.

Superfund - federal environmental legislation that addresses remediation of contaminated sites; states also have similar statutes.

TC2 - Trimble County Unit 2, a coal-fired plant located in Kentucky with a net summer capacity of 732 MW. LKE indirectly owns a 75% interest (consists of LG&E's 14.25% and KU's 60.75% interests) in TC2 or 549 MW of the capacity.

Tolling agreement - agreement whereby the owner of an electric generating facility agrees to use that facility to convert fuel provided by a third party into electricity for delivery back to the third party.

VaR - value-at-risk, a statistical model that attempts to estimate the value of potential loss over a given holding period under normal market conditions at a given confidence level.

VIE - variable interest entity.

Volumetric risk - the risk that the actual load volumes provided under full-requirement sales contracts could vary significantly from forecasted volumes.

VSCC - Virginia State Corporation Commission, the state agency that has jurisdiction over the regulation of Virginia corporations, including utilities.

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FORWARD-LOOKING INFORMATION

Statements contained in this Form 10-Q concerning expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements which are other than statements of historical fact are "forward-looking statements" within the meaning of the federal securities laws. Although the Registrants believe that the expectations and assumptions reflected in these statements are reasonable, there can be no assurance that these expectations will prove to be correct. Forward-looking statements are subject to many risks and uncertainties, and actual results may differ materially from the results discussed in forward-looking statements. In addition to the specific factors discussed in each Registrant's 2012 Form 10-K and in "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Form 10-Q, the following are among the important factors that could cause actual results to differ materially from the forward-looking statements.

- fuel supply cost and availability;
- continuing ability to recover fuel costs and environmental expenditures in a timely manner at LG&E and KU, and natural gas supply costs at LG&E;
- weather conditions affecting generation, customer energy use and operating costs;
- operation, availability and operating costs of existing generation facilities;
- the duration of and cost, including lost revenue, associated with scheduled and unscheduled outages at our generating facilities;
- transmission and distribution system conditions and operating costs;
- expansion of alternative sources of electricity generation;
- laws or regulations to reduce emissions of "greenhouse" gases or the physical effects of climate change;
- collective labor bargaining negotiations;
- the outcome of litigation against the Registrants and their subsidiaries;
- potential effects of threatened or actual terrorism, war or other hostilities, cyber-based intrusions or natural disasters;
- the commitments and liabilities of the Registrants and their subsidiaries;
- volatility in market demand and prices for energy, capacity, transmission services, emission allowances and RECs;
- competition in retail and wholesale power and natural gas markets;
- liquidity of wholesale power markets;
- defaults by counterparties under energy, fuel or other power product contracts;
- market prices of commodity inputs for ongoing capital expenditures;
- capital market conditions, including the availability of capital or credit, changes in interest rates and certain economic indices, and decisions regarding capital structure;
- stock price performance of PPL;
- volatility in the fair value of debt and equity securities and its impact on the value of assets in the NDT funds and in defined benefit plans, and the potential cash funding requirements if fair value declines;
- interest rates and their effect on pension, retiree medical, nuclear decommissioning liabilities and interest payable on certain debt securities;
- volatility in or the impact of other changes in financial or commodity markets and economic conditions;
- new accounting requirements or new interpretations or applications of existing requirements;
- changes in securities and credit ratings;
- changes in foreign currency exchange rates for British pound sterling;
- current and future environmental conditions, regulations and other requirements and the related costs of compliance, including environmental capital expenditures, emission allowance costs and other expenses;
- legal, regulatory, political, market or other reactions to the 2011 incident at the nuclear generating facility at Fukushima, Japan, including additional NRC requirements;
- changes in political, regulatory or economic conditions in states, regions or countries where the Registrants or their subsidiaries conduct business;
- receipt of necessary governmental permits, approvals and rate relief;
- new state, federal or foreign legislation or regulatory developments;
- the outcome of any rate cases or other cost recovery filings by PPL Electric, LG&E, KU or WPD;
- the impact of any state, federal or foreign investigations applicable to the Registrants and their subsidiaries and the energy industry;
- the effect of any business or industry restructuring;
- development of new projects, markets and technologies;
- performance of new ventures; and
- business dispositions or acquisitions and our ability to successfully operate acquired businesses and realize expected benefits from business acquisitions.

Any such forward-looking statements should be considered in light of such important factors and in conjunction with other documents of the Registrants on file with the SEC.

New factors that could cause actual results to differ materially from those described in forward-looking statements emerge from time to time, and it is not possible for the Registrants to predict all such factors, or the extent to which any such factor or combination of factors may cause actual results to differ from those contained in any forward-looking statement. Any forward-looking statement speaks only as of the date on which such statement is made, and the Registrants undertake no obligation to update the information contained in such statement to reflect subsequent developments or information.

PART I. FINANCIAL INFORMATION
ITEM 1. Financial Statements

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
PPL Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars, except share data)

	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Operating Revenues				
Utility	$ 1,739	$ 1,693	$ 5,344	$ 5,012
Unregulated retail electric and gas	264	218	758	620
Wholesale energy marketing				
Realized	980	1,076	2,767	3,367
Unrealized economic activity (Note 14)	(49)	(716)	(281)	(322)
Net energy trading margins	12	(11)	1	7
Energy-related businesses	159	143	423	380
Total Operating Revenues	3,105	2,403	9,012	9,064
Operating Expenses				
Operation				
Fuel	494	570	1,464	1,405
Energy purchases				
Realized	592	583	1,855	2,253
Unrealized economic activity (Note 14)	(37)	(569)	(192)	(420)
Other operation and maintenance	669	650	2,043	2,095
Depreciation	289	278	859	813
Taxes, other than income	90	90	272	268
Energy-related businesses	151	137	403	363
Total Operating Expenses	2,248	1,739	6,704	6,777
Operating Income	857	664	2,308	2,287
Other Income (Expense) - net	(116)	(44)	19	(31)
Other-Than-Temporary Impairments	1		1	1
Interest Expense	246	248	755	714
Income from Continuing Operations Before Income Taxes	494	372	1,571	1,541
Income Taxes	84	17	344	364
Income from Continuing Operations After Income Taxes	410	355	1,227	1,177
Income (Loss) from Discontinued Operations (net of income taxes)	1		2	(6)
Net Income	411	355	1,229	1,171
Net Income Attributable to Noncontrolling Interests	1		1	4
Net Income Attributable to PPL Shareowners	$ 410	$ 355	$ 1,228	$ 1,167
Amounts Attributable to PPL Shareowners:				
Income from Continuing Operations After Income Taxes	$ 409	$ 355	$ 1,226	$ 1,173
Income (Loss) from Discontinued Operations (net of income taxes)	1		2	(6)
Net Income	$ 410	$ 355	$ 1,228	$ 1,167
Earnings Per Share of Common Stock:				
Income from Continuing Operations After Income Taxes Available to PPL Common Shareowners:				
Basic	$ 0.65	$ 0.61	$ 2.03	$ 2.01
Diluted	$ 0.62	$ 0.61	$ 1.90	$ 2.01

Net Income Available to PPL Common Shareowners:								
Basic	**$**	**0.65**	$	0.61	**$**	**2.03**	$	2.00
Diluted	**$**	**0.62**	$	0.61	**$**	**1.90**	$	2.00
Dividends Declared Per Share of Common Stock	**$**	**0.3675**	$	0.36	**$**	**1.1025**	$	1.08
Weighted-Average Shares of Common Stock Outstanding (in thousands)								
Basic		**631,046**		580,585		**601,275**		579,847
Diluted		**664,343**		582,636		**662,094**		580,930

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
PPL Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars)

	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Net income	$ 411	$ 355	$ 1,229	$ 1,171
Other comprehensive income (loss):				
Amounts arising during the period - gains (losses), net of tax (expense) benefit:				
Foreign currency translation adjustments, net of tax of $8, $1, $1, $1	87	152	(165)	49
Available-for-sale securities, net of tax of ($15), ($14), ($42), ($32)	15	13	40	30
Qualifying derivatives, net of tax of $2, $14, ($41), ($29)	(9)	(41)	77	39
Equity investees' other comprehensive income (loss), net of tax of $0, $0, $0, $2				(3)
Defined benefit plans:				
Net actuarial gain (loss), net of tax of $0, $0, $0, $28				(85)
Reclassifications from AOCI - (gains) losses, net of tax expense (benefit):				
Available-for-sale securities, net of tax of $1, $0, $2, $1			(2)	(6)
Qualifying derivatives, net of tax of $11, $51, $68, $210	(6)	(61)	(122)	(335)
Equity investees' other comprehensive (income) loss, net of tax of $0, $0, $0, $0	(1)		(1)	
Defined benefit plans:				
Prior service costs, net of tax of ($1), ($1), ($3), ($4)	2	1	5	6
Net actuarial loss, net of tax of ($12), ($6), ($37), ($17)	33	17	101	54
Total other comprehensive income (loss) attributable to PPL Shareowners	121	81	(67)	(251)
Comprehensive income (loss)	532	436	1,162	920
Comprehensive income attributable to noncontrolling interests	1		1	4
Comprehensive income (loss) attributable to PPL Shareowners	$ 531	$ 436	$ 1,161	$ 916

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
PPL Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars)

	Nine Months Ended September 30, 2013	2012
Cash Flows from Operating Activities		
Net income	$ 1,229	$ 1,171
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	859	813
Amortization	164	144
Defined benefit plans - expense	135	123
Deferred income taxes and investment tax credits	301	298
Unrealized (gains) losses on derivatives, and other hedging activities	126	21
Other	92	34
Change in current assets and current liabilities		
Accounts receivable	(79)	19
Accounts payable	(140)	(175)
Unbilled revenues	197	121
Counterparty collateral	(77)	13
Taxes payable	76	29
Uncertain tax positions	(104)	(4)
Accrued interest	8	43
Other	(111)	8
Other operating activities		
Defined benefit plans - funding	(505)	(526)
Other assets	(59)	1
Other liabilities	111	(39)
Net cash provided by operating activities	2,223	2,094
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	(2,768)	(2,078)
Ironwood Acquisition, net of cash acquired		(84)
Purchases of nuclear plant decommissioning trust investments	(102)	(112)
Proceeds from the sale of nuclear plant decommissioning trust investments	92	102
Net (increase) decrease in restricted cash and cash equivalents	13	62
Other investing activities	(23)	(6)
Net cash provided by (used in) investing activities	(2,788)	(2,116)
Cash Flows from Financing Activities		
Issuance of long-term debt	862	824
Retirement of long-term debt	(309)	(105)
Repurchase of common stock	(74)	
Issuance of common stock	1,409	54
Payment of common stock dividends	(645)	(623)
Redemption of preference stock of a subsidiary		(250)
Debt issuance and credit facility costs	(37)	(10)
Contract adjustment payments	(72)	(71)
Net increase (decrease) in short-term debt	(148)	(51)
Other financing activities	(20)	(8)
Net cash provided by (used in) financing activities	966	(240)
Effect of Exchange Rates on Cash and Cash Equivalents	(11)	6
Net Increase (Decrease) in Cash and Cash Equivalents	390	(256)
Cash and Cash Equivalents at Beginning of Period	901	1,202
Cash and Cash Equivalents at End of Period	$ 1,291	$ 946

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED BALANCE SHEETS
PPL Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars, shares in thousands)

	September 30, 2013	December 31, 2012
Assets		
Current Assets		
Cash and cash equivalents	$ 1,291	$ 901
Restricted cash and cash equivalents	52	54
Accounts receivable (less reserve: 2013, $65; 2012, $64)		
Customer	857	745
Other	117	79
Unbilled revenues	652	857
Fuel, materials and supplies	686	673
Prepayments	173	166
Price risk management assets	1,045	1,525
Regulatory assets	31	19
Other current assets	67	49
Total Current Assets	4,971	5,068
Investments		
Nuclear plant decommissioning trust funds	804	712
Other investments	47	47
Total Investments	851	759
Property, Plant and Equipment		
Regulated utility plant	26,498	25,196
Less: accumulated depreciation - regulated utility plant	4,636	4,164
Regulated utility plant, net	21,862	21,032
Non-regulated property, plant and equipment		
Generation	11,653	11,295
Nuclear fuel	590	524
Other	834	726
Less: accumulated depreciation - non-regulated property, plant and equipment	6,173	5,942
Non-regulated property, plant and equipment, net	6,904	6,603
Construction work in progress	2,822	2,397
Property, Plant and Equipment, net (a)	31,588	30,032
Other Noncurrent Assets		
Regulatory assets	1,423	1,483
Goodwill	4,050	4,158
Other intangibles	932	925
Price risk management assets	550	572
Other noncurrent assets	623	637
Total Other Noncurrent Assets	7,578	7,775
Total Assets	$ 44,988	$ 43,634

(a) At September 30, 2013 and December 31, 2012, includes $413 million and $428 million of PP&E, consisting primarily of "Generation," including leasehold improvements from the consolidation of a VIE that is the owner/lessor of the Lower Mt. Bethel plant.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED BALANCE SHEETS
PPL Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars, shares in thousands)

	September 30, 2013	December 31, 2012
Liabilities and Equity		
Current Liabilities		
Short-term debt	$ 499	$ 652
Long-term debt due within one year	751	751
Accounts payable	1,079	1,252
Taxes	170	90
Interest	325	325
Dividends	232	210
Price risk management liabilities	823	1,065
Regulatory liabilities	68	61
Other current liabilities	1,001	1,219
Total Current Liabilities	4,948	5,625
Long-term Debt	19,092	18,725
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	3,777	3,387
Investment tax credits	345	328
Price risk management liabilities	538	629
Accrued pension obligations	1,529	2,076
Asset retirement obligations	678	536
Regulatory liabilities	1,054	1,010
Other deferred credits and noncurrent liabilities	665	820
Total Deferred Credits and Other Noncurrent Liabilities	8,586	8,786
Commitments and Contingent Liabilities (Notes 5, 6 and 10)		
Equity		
PPL Shareowners' Common Equity		
Common stock - $0.01 par value (a)	6	6
Additional paid-in capital	8,305	6,936
Earnings reinvested	6,040	5,478
Accumulated other comprehensive loss	(2,007)	(1,940)
Total PPL Shareowners' Common Equity	12,344	10,480
Noncontrolling Interests	18	18
Total Equity	12,362	10,498
Total Liabilities and Equity	$ 44,988	$ 43,634

(a) 780,000 shares authorized; 630,239 and 581,944 shares issued and outstanding at September 30, 2013 and December 31, 2012.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
PPL Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars)

	PPL Shareowners						
	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Accumulated other comprehensive loss	Non-controlling interests	Total
June 30, 2013 (b)	591,622	$ 6	$ 7,195	$ 5,863	$ (2,128)	$ 18	$ 10,954
Common stock issued (c)	40,117		1,151				1,151
Common stock repurchased (d)	(1,500)		(46)				(46)
Stock-based compensation (e)			5				5
Net income				410		1	411
Dividends, dividend equivalents, redemptions and distributions (f)				(233)		(1)	(234)
Other comprehensive income (loss)					121		121
September 30, 2013 (b)	630,239	$ 6	$ 8,305	$ 6,040	$ (2,007)	$ 18	$ 12,362
December 31, 2012 (b)	581,944	$ 6	$ 6,936	$ 5,478	$ (1,940)	$ 18	$ 10,498
Common stock issued (c)	50,725		1,433				1,433
Common stock repurchased (d)	(2,430)		(74)				(74)
Cash settlement of equity forward agreements (d)			(13)				(13)
Stock-based compensation (e)			23				23
Net income				1,228		1	1,229
Dividends, dividend equivalents, redemptions and distributions (f)				(666)		(1)	(667)
Other comprehensive income (loss)					(67)		(67)
September 30, 2013 (b)	630,239	$ 6	$ 8,305	$ 6,040	$ (2,007)	$ 18	$ 12,362
June 30, 2012	580,213	$ 6	$ 6,886	$ 5,190	$ (1,120)	$ 18	$ 10,980
Common stock issued (c)	757		21				21
Stock-based compensation (e)			5				5
Net income				355			355
Dividends, dividend equivalents redemptions and distributions (f)				(210)			(210)
Other comprehensive income (loss)					81		81
September 30, 2012	580,970	$ 6	$ 6,912	$ 5,335	$ (1,039)	$ 18	$ 11,232
December 31, 2011	578,405	$ 6	$ 6,813	$ 4,797	$ (788)	$ 268	$ 11,096
Common stock issued (c)	2,565		71				71
Stock-based compensation (e)			28				28
Net income				1,167		4	1,171
Dividends, dividend equivalents redemptions and distributions (f)				(629)		(254)	(883)
Other comprehensive income (loss)					(251)		(251)
September 30, 2012	580,970	$ 6	$ 6,912	$ 5,335	$ (1,039)	$ 18	$ 11,232

(a) Shares in thousands. Each share entitles the holder to one vote on any question presented at any shareowners' meeting.
(b) See Note 18 for disclosure of balances of each component of AOCI.
(c) Each period includes shares of common stock issued through various stock and incentive compensation plans. The 2013 periods include the April and July issuances of shares of common stock. See Note 7 for additional information.
(d) See Note 7 for additional information.
(e) The three and nine months ended September 30, 2013 include $8 million and $44 million and the three and nine months ended September 30, 2012 include $7 million and $42 million of stock-based compensation expense related to new and existing unvested equity awards. The three and nine months ended September 30, 2013 include $(3) million and $(21) million and the three and nine months ended September 30, 2012 include $(2) million and $(14) million related primarily to the reclassification from "Stock-based compensation" to "Common stock issued" for the issuance of common stock after applicable equity award vesting periods and tax adjustments related to stock-based compensation.
(f) "Earnings reinvested" includes dividends and dividend equivalents on PPL common stock and restricted stock units. "Noncontrolling interests" includes dividends, redemptions and distributions to noncontrolling interests. In June 2012, PPL Electric redeemed all of its outstanding preference stock at par value, which was classified as noncontrolling interest.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
PPL Energy Supply, LLC and Subsidiaries
(Unaudited)
(Millions of Dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Operating Revenues				
Wholesale energy marketing				
Realized	$ 980	$ 1,076	$ 2,767	$ 3,367
Unrealized economic activity (Note 14)	(49)	(716)	(281)	(322)
Wholesale energy marketing to affiliate	11	23	37	61
Unregulated retail electric and gas	266	219	761	623
Net energy trading margins	12	(11)	1	7
Energy-related businesses	143	128	378	336
Total Operating Revenues	1,363	719	3,663	4,072
Operating Expenses				
Operation				
Fuel	258	321	780	728
Energy purchases				
Realized	425	421	1,277	1,715
Unrealized economic activity (Note 14)	(37)	(569)	(192)	(420)
Energy purchases from affiliate	1	1	3	2
Other operation and maintenance	243	220	748	769
Depreciation	80	73	237	206
Taxes, other than income	18	18	51	53
Energy-related businesses	138	125	366	326
Total Operating Expenses	1,126	610	3,270	3,379
Operating Income	237	109	393	693
Other Income (Expense) - net	2	5	18	16
Other-Than-Temporary Impairments	1		1	1
Interest Expense	39	43	131	123
Income Before Income Taxes	199	71	279	585
Income Taxes	74	16	106	202
Net Income	125	55	173	383
Net Income Attributable to Noncontrolling Interests	1	1	1	1
Net Income Attributable to PPL Energy Supply Member	$ 124	$ 54	$ 172	$ 382

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
PPL Energy Supply, LLC and Subsidiaries
(Unaudited)
(Millions of Dollars)

	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Net income	$ 125	$ 55	$ 173	$ 383
Other comprehensive income (loss):				
Amounts arising during the period - gains (losses), net of tax (expense) benefit:				
Available-for-sale securities, net of tax of ($15), ($14), ($42), ($32)	15	13	40	30
Qualifying derivatives, net of tax of $0, ($1), $0, ($41)		(1)		58
Reclassifications from AOCI - (gains) losses, net of tax expense (benefit):				
Available-for-sale securities, net of tax of $1, $0, $2, $1			(2)	(6)
Qualifying derivatives, net of tax of $19, $62, $63, $218	(29)	(92)	(96)	(351)
Defined benefit plans:				
Prior service costs, net of tax of ($1), ($1), ($2), ($2)	1	1	3	4
Net actuarial loss, net of tax of ($2), ($1), ($7), ($1)	3	2	11	8
Total other comprehensive income (loss) attributable to PPL Energy Supply Member	(10)	(77)	(44)	(257)
Comprehensive income (loss)	115	(22)	129	126
Comprehensive income attributable to noncontrolling interests	1	1	1	1
Comprehensive income (loss) attributable to PPL Energy Supply Member	$ 114	$ (23)	$ 128	$ 125

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
PPL Energy Supply, LLC and Subsidiaries
(Unaudited)
(Millions of Dollars)

	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Cash Flows from Operating Activities		
Net income	$ 173	$ 383
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	237	206
Amortization	111	93
Defined benefit plans - expense	39	33
Deferred income taxes and investment tax credits	112	132
Unrealized (gains) losses on derivatives, and other hedging activities	98	(37)
Other	32	33
Change in current assets and current liabilities		
Accounts receivable	71	(26)
Accounts payable	(131)	(110)
Unbilled revenues	135	78
Fuel, materials and supplies	(18)	(20)
Counterparty collateral	(77)	12
Other	(32)	(28)
Other operating activities		
Defined benefit plans - funding	(107)	(70)
Other assets	(32)	(16)
Other liabilities	(28)	11
Net cash provided by operating activities	583	674
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	(341)	(460)
Ironwood Acquisition, net of cash acquired		(84)
Expenditures for intangible assets	(33)	(36)
Purchases of nuclear plant decommissioning trust investments	(102)	(112)
Proceeds from the sale of nuclear plant decommissioning trust investments	92	102
Net (increase) decrease in notes receivable from affiliates		198
Net (increase) decrease in restricted cash and cash equivalents	9	70
Other investing activities	24	14
Net cash provided by (used in) investing activities	(351)	(308)
Cash Flows from Financing Activities		
Retirement of long-term debt	(309)	(6)
Contributions from member	980	472
Distributions to member	(408)	(733)
Net increase (decrease) in short-term debt	(356)	(45)
Other financing activities	(1)	(1)
Net cash provided by (used in) financing activities	(94)	(313)
Net Increase (Decrease) in Cash and Cash Equivalents	138	53
Cash and Cash Equivalents at Beginning of Period	413	379
Cash and Cash Equivalents at End of Period	$ 551	$ 432

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED BALANCE SHEETS
PPL Energy Supply, LLC and Subsidiaries
(Unaudited)
(Millions of Dollars)

	September 30, 2013	December 31, 2012
Assets		
Current Assets		
Cash and cash equivalents	$ 551	$ 413
Restricted cash and cash equivalents	37	46
Accounts receivable (less reserve: 2013, $20; 2012, $23)		
Customer	203	183
Other	104	31
Accounts receivable from affiliates	37	125
Unbilled revenues	234	369
Fuel, materials and supplies	345	327
Prepayments	22	15
Price risk management assets	961	1,511
Other current assets	22	10
Total Current Assets	2,516	3,030
Investments		
Nuclear plant decommissioning trust funds	804	712
Other investments	41	41
Total Investments	845	753
Property, Plant and Equipment		
Non-regulated property, plant and equipment		
Generation	11,663	11,305
Nuclear fuel	590	524
Other	307	294
Less: accumulated depreciation - non-regulated property, plant and equipment	6,025	5,817
Non-regulated property, plant and equipment, net	6,535	6,306
Construction work in progress	739	987
Property, Plant and Equipment, net (a)	7,274	7,293
Other Noncurrent Assets		
Goodwill	86	86
Other intangibles	262	252
Price risk management assets	519	557
Other noncurrent assets	362	404
Total Other Noncurrent Assets	1,229	1,299
Total Assets	$ 11,864	$ 12,375

(a) At September 30, 2013 and December 31, 2012, includes $413 million and $428 million of PP&E, consisting primarily of "Generation," including leasehold improvements from the consolidation of a VIE that is the owner/lessor of the Lower Mt. Bethel plant.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED BALANCE SHEETS
PPL Energy Supply, LLC and Subsidiaries
(Unaudited)
(Millions of Dollars)

	September 30, 2013	December 31, 2012
Liabilities and Equity		
Current Liabilities		
Short-term debt		$ 356
Long-term debt due within one year	$ 741	751
Accounts payable	328	438
Accounts payable to affiliates	3	31
Taxes	19	62
Interest	53	31
Price risk management liabilities	773	1,010
Deferred income taxes	45	158
Other current liabilities	264	319
Total Current Liabilities	2,226	3,156
Long-term Debt	2,221	2,521
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	1,429	1,232
Investment tax credits	207	186
Price risk management liabilities	462	556
Accrued pension obligations	203	293
Asset retirement obligations	388	365
Other deferred credits and noncurrent liabilities	180	218
Total Deferred Credits and Other Noncurrent Liabilities	2,869	2,850
Commitments and Contingent Liabilities (Note 10)		
Equity		
Member's equity	4,530	3,830
Noncontrolling interests	18	18
Total Equity	4,548	3,848
Total Liabilities and Equity	$ 11,864	$ 12,375

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
PPL Energy Supply, LLC and Subsidiaries
(Unaudited)
(Millions of Dollars)

	Member's equity	Non-controlling interests	Total
June 30, 2013 (a)	$ 3,541	$ 18	$ 3,559
Net income	124	1	125
Other comprehensive income (loss)	(10)		(10)
Contributions from member	875		875
Distributions		(1)	(1)
September 30, 2013 (a)	$ 4,530	$ 18	$ 4,548
December 31, 2012 (a)	$ 3,830	$ 18	$ 3,848
Net income	172	1	173
Other comprehensive income (loss)	(44)		(44)
Contributions from member	980		980
Distributions	(408)	(1)	(409)
September 30, 2013 (a)	$ 4,530	$ 18	$ 4,548
June 30, 2012	$ 3,982	$ 18	$ 4,000
Net income	54	1	55
Other comprehensive income (loss)	(77)		(77)
Distributions	(76)	(1)	(77)
September 30, 2012	$ 3,883	$ 18	$ 3,901
December 31, 2011	$ 4,019	$ 18	$ 4,037
Net income	382	1	383
Other comprehensive income (loss)	(257)		(257)
Contributions from member	472		472
Distributions	(733)	(1)	(734)
September 30, 2012	$ 3,883	$ 18	$ 3,901

(a) See Note 18 for disclosure of balances of each component of AOCI.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF INCOME
PPL Electric Utilities Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Operating Revenues				
Retail electric	$ 463	$ 443	$ 1,388	$ 1,303
Electric revenue from affiliate	1	1	3	3
Total Operating Revenues	464	444	1,391	1,306
Operating Expenses				
Operation				
Energy purchases	144	137	436	410
Energy purchases from affiliate	11	23	37	61
Other operation and maintenance	134	148	391	431
Depreciation	45	41	132	119
Taxes, other than income	25	24	77	72
Total Operating Expenses	359	373	1,073	1,093
Operating Income	105	71	318	213
Other Income (Expense) - net	2	3	5	6
Interest Expense	30	25	80	73
Income Before Income Taxes	77	49	243	146
Income Taxes	26	16	83	47
Net Income (a)	51	33	160	99
Distributions on Preference Stock				4
Net Income Available to PPL	$ 51	$ 33	$ 160	$ 95

(a) Net income approximates comprehensive income.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
PPL Electric Utilities Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars)

	Nine Months Ended September 30,	
	2013	2012
Cash Flows from Operating Activities		
Net income	$ 160	$ 99
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	132	119
Amortization	13	13
Defined benefit plans - expense	16	17
Deferred income taxes and investment tax credits	103	72
Other	2	3
Change in current assets and current liabilities		
Accounts receivable	(14)	48
Accounts payable	(51)	(43)
Unbilled revenues	34	18
Taxes payable	24	
Other	(19)	(4)
Other operating activities		
Defined benefit plans - funding	(88)	(54)
Other assets	6	
Other liabilities	9	(27)
Net cash provided by operating activities	327	261
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	(688)	(407)
Net (increase) decrease in notes receivable from affiliates		(210)
Other investing activities	(9)	3
Net cash provided by (used in) investing activities	(697)	(614)
Cash Flows from Financing Activities		
Issuance of long-term debt	348	249
Contributions from parent	205	150
Redemption of preference stock		(250)
Payment of common stock dividends to parent	(94)	(75)
Other financing activities	(4)	(10)
Net cash provided by (used in) financing activities	455	64
Net Increase (Decrease) in Cash and Cash Equivalents	85	(289)
Cash and Cash Equivalents at Beginning of Period	140	320
Cash and Cash Equivalents at End of Period	$ 225	$ 31

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED BALANCE SHEETS
PPL Electric Utilities Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars, shares in thousands)

		September 30, 2013		December 31, 2012
Assets				
Current Assets				
Cash and cash equivalents	$	225	$	140
Accounts receivable (less reserve: 2013, $20; 2012, $18)				
Customer		273		249
Other		14		5
Accounts receivable from affiliates		4		29
Unbilled revenues		76		110
Materials and supplies		35		39
Prepayments		67		76
Deferred income taxes		46		45
Other current assets		18		4
Total Current Assets		758		697
Property, Plant and Equipment				
Regulated utility plant		6,771		6,286
Less: accumulated depreciation - regulated utility plant		2,421		2,316
Regulated utility plant, net		4,350		3,970
Other, net		2		2
Construction work in progress		519		370
Property, Plant and Equipment, net		4,871		4,342
Other Noncurrent Assets				
Regulatory assets		857		853
Intangibles		208		171
Other noncurrent assets		35		55
Total Other Noncurrent Assets		1,100		1,079
Total Assets	$	6,729	$	6,118

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED BALANCE SHEETS
PPL Electric Utilities Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars, shares in thousands)

	September 30, 2013	December 31, 2012
Liabilities and Equity		
Current Liabilities		
Long term debt due within one year	$ 10	
Accounts payable	244	$ 259
Accounts payable to affiliates	46	63
Taxes	36	12
Interest	23	26
Regulatory liabilities	51	52
Other current liabilities	94	93
Total Current Liabilities	504	505
Long-term Debt	2,305	1,967
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	1,334	1,233
Investment tax credits	3	3
Accrued pension obligations	157	237
Regulatory liabilities	14	8
Other deferred credits and noncurrent liabilities	79	103
Total Deferred Credits and Other Noncurrent Liabilities	1,587	1,584
Commitments and Contingent Liabilities (Notes 6 and 10)		
Stockholder's Equity		
Common stock - no par value (a)	364	364
Additional paid-in capital	1,340	1,135
Earnings reinvested	629	563
Total Equity	2,333	2,062
Total Liabilities and Equity	$ 6,729	$ 6,118

(a) 170,000 shares authorized; 66,368 shares issued and outstanding at September 30, 2013 and December 31, 2012.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF SHAREOWNERS' EQUITY
PPL Electric Utilities Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars)

	Common stock shares outstanding (a)	Preference stock	Common stock	Additional paid-in capital	Earnings reinvested	Total
June 30, 2013	66,368		$ 364	$ 1,340	$ 606	$ 2,310
Net income					51	51
Cash dividends declared on common stock					(28)	(28)
September 30, 2013	66,368		$ 364	$ 1,340	$ 629	$ 2,333
December 31, 2012	66,368		$ 364	$ 1,135	$ 563	$ 2,062
Net income					160	160
Capital contributions from PPL				205		205
Cash dividends declared on common stock					(94)	(94)
September 30, 2013	66,368		$ 364	$ 1,340	$ 629	$ 2,333
June 30, 2012	66,368		$ 364	$ 979	$ 538	$ 1,881
Net income					33	33
Capital contributions from PPL				150		150
Cash dividends declared on common stock					(19)	(19)
September 30, 2012	66,368		$ 364	$ 1,129	$ 552	$ 2,045
December 31, 2011	66,368	$ 250	$ 364	$ 979	$ 532	$ 2,125
Net income					99	99
Redemption of preference stock (b)		(250)				(250)
Capital contributions from PPL				150		150
Cash dividends declared on preference stock					(4)	(4)
Cash dividends declared on common stock					(75)	(75)
September 30, 2012	66,368	$	$ 364	$ 1,129	$ 552	$ 2,045

(a) Shares in thousands. All common shares of PPL Electric stock are owned by PPL.
(b) In June 2012, PPL Electric redeemed all of its outstanding preference stock.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF INCOME
LG&E and KU Energy LLC and Subsidiaries
(Unaudited)
(Millions of Dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Operating Revenues	$ 744	$ 732	$ 2,226	$ 2,095
Operating Expenses				
Operation				
Fuel	237	249	684	677
Energy purchases	23	27	146	135
Other operation and maintenance	188	186	582	589
Depreciation	84	87	249	259
Taxes, other than income	12	11	36	34
Total Operating Expenses	544	560	1,697	1,694
Operating Income	200	172	529	401
Other Income (Expense) - net	(4)	(4)	(6)	(14)
Interest Expense	37	37	110	112
Interest Expense with Affiliate			1	
Income from Continuing Operations Before Income Taxes	159	131	412	275
Income Taxes	59	48	153	89
Income from Continuing Operations After Income Taxes	100	83	259	186
Income (Loss) from Discontinued Operations (net of income taxes)			1	(6)
Net Income (a)	$ 100	$ 83	$ 260	$ 180

(a) Net income approximates comprehensive income.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
LG&E and KU Energy LLC and Subsidiaries
(Unaudited)
(Millions of Dollars)

	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Cash Flows from Operating Activities		
Net income	$ 260	$ 180
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	249	259
Amortization	19	20
Defined benefit plans - expense	38	30
Deferred income taxes and investment tax credits	99	92
Other	6	(5)
Change in current assets and current liabilities		
Accounts receivable	(78)	(25)
Accounts payable	34	4
Accounts payable to affiliates	1	
Unbilled revenues	19	26
Fuel, materials and supplies	1	4
Income tax receivable		3
Taxes payable	83	51
Accrued interest	30	29
Other		19
Other operating activities		
Defined benefit plans - funding	(159)	(66)
Settlement of interest rate swaps	98	
Other assets	(1)	(3)
Other liabilities	14	28
Net cash provided by operating activities	713	646
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	(891)	(525)
Net (increase) decrease in notes receivable from affiliates		9
Net (increase) decrease in restricted cash and cash equivalents	10	(3)
Other investing activities	2	
Net cash provided by (used in) investing activities	(879)	(519)
Cash Flows from Financing Activities		
Net increase (decrease) in notes payable with affiliates	27	
Net increase (decrease) in short-term debt	87	
Debt issuance and credit facility costs		(1)
Distributions to member	(116)	(95)
Contributions from member	146	
Net cash provided by (used in) financing activities	144	(96)
Net Increase (Decrease) in Cash and Cash Equivalents	(22)	31
Cash and Cash Equivalents at Beginning of Period	43	59
Cash and Cash Equivalents at End of Period	$ 21	$ 90

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED BALANCE SHEETS
LG&E and KU Energy LLC and Subsidiaries
(Unaudited)
(Millions of Dollars)

	September 30, 2013	December 31, 2012
Assets		
Current Assets		
Cash and cash equivalents	$ 21	$ 43
Accounts receivable (less reserve: 2013, $22; 2012, $19)		
Customer	216	133
Other	18	20
Unbilled revenues	137	156
Accounts receivable from affiliates		1
Fuel, materials and supplies	275	276
Prepayments	24	28
Price risk management assets from affiliates		14
Deferred income taxes	20	13
Regulatory assets	29	19
Other current assets	6	4
Total Current Assets	746	707
Property, Plant and Equipment		
Regulated utility plant	8,434	8,073
Less: accumulated depreciation - regulated utility plant	713	519
Regulated utility plant, net	7,721	7,554
Other, net	3	3
Construction work in progress	1,341	750
Property, Plant and Equipment, net	9,065	8,307
Other Noncurrent Assets		
Regulatory assets	566	630
Goodwill	996	996
Other intangibles	232	271
Other noncurrent assets	97	108
Total Other Noncurrent Assets	1,891	2,005
Total Assets	$ 11,702	$ 11,019

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED BALANCE SHEETS
LG&E and KU Energy LLC and Subsidiaries
(Unaudited)
(Millions of Dollars)

	September 30, 2013	December 31, 2012
Liabilities and Equity		
Current Liabilities		
Short-term debt	$ 212	$ 125
Notes payable with affiliates	52	25
Accounts payable	312	283
Accounts payable to affiliates	2	1
Customer deposits	49	48
Taxes	109	26
Price risk management liabilities	4	5
Price risk management liabilities with affiliates	14	
Regulatory liabilities	17	9
Interest	51	21
Other current liabilities	104	100
Total Current Liabilities	926	643
Long-term Debt	4,076	4,075
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	651	541
Investment tax credits	136	138
Accrued pension obligations	267	414
Asset retirement obligations	245	125
Regulatory liabilities	1,040	1,002
Price risk management liabilities	37	53
Other deferred credits and noncurrent liabilities	249	242
Total Deferred Credits and Other Noncurrent Liabilities	2,625	2,515
Commitments and Contingent Liabilities (Notes 6 and 10)		
Member's equity	4,075	3,786
Total Liabilities and Equity	$ 11,702	$ 11,019

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
LG&E and KU Energy LLC and Subsidiaries
(Unaudited)
(Millions of Dollars)

		Member's Equity
June 30, 2013	$	4,022
Net income		100
Distributions to member		(47)
September 30, 2013	$	4,075
December 31, 2012	$	3,786
Net income		260
Contributions from member		146
Distributions to member		(116)
Other comprehensive income (loss)		(1)
September 30, 2013	$	4,075
June 30, 2012	$	3,774
Net income		83
Distributions to member		(35)
September 30, 2012	$	3,822
December 31, 2011	$	3,741
Net income		180
Distributions to member		(95)
Other comprehensive income (loss)		(4)
September 30, 2012	$	3,822

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

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CONDENSED STATEMENTS OF INCOME
Louisville Gas and Electric Company
(Unaudited)
(Millions of Dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Operating Revenues				
Retail and wholesale	$ 332	$ 324	$ 1,003	$ 939
Electric revenue from affiliate	11	9	46	51
Total Operating Revenues	343	333	1,049	990
Operating Expenses				
Operation				
Fuel	100	100	284	281
Energy purchases	18	18	129	110
Energy purchases from affiliate	2	3	6	9
Other operation and maintenance	93	87	278	277
Depreciation	37	38	110	114
Taxes, other than income	6	6	18	17
Total Operating Expenses	256	252	825	808
Operating Income	87	81	224	182
Other Income (Expense) - net	(1)	(3)	(3)	(3)
Interest Expense	10	10	30	31
Income Before Income Taxes	76	68	191	148
Income Taxes	27	25	69	54
Net Income (a)	$ 49	$ 43	$ 122	$ 94

(a) Net income equals comprehensive income.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED STATEMENTS OF CASH FLOWS
Louisville Gas and Electric Company
(Unaudited)
(Millions of Dollars)

	Nine Months Ended September 30, 2013	2012
Cash Flows from Operating Activities		
Net income	$ 122	$ 94
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	110	114
Amortization	9	8
Defined benefit plans - expense	13	14
Deferred income taxes and investment tax credits	22	40
Other	10	(11)
Change in current assets and current liabilities		
Accounts receivable	(20)	(5)
Accounts payable	18	2
Accounts payable to affiliates	7	
Unbilled revenues	10	16
Fuel, materials and supplies	2	(10)
Taxes payable	32	21
Other	12	13
Other operating activities		
Defined benefit plans - funding	(45)	(26)
Settlement of interest rate swaps	49	
Other assets	(1)	(2)
Other liabilities	2	(1)
Net cash provided by operating activities	352	267
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	(376)	(193)
Net (increase) decrease in restricted cash and cash equivalents	10	(3)
Net cash provided by (used in) investing activities	(366)	(196)
Cash Flows from Financing Activities		
Net increase (decrease) in short-term debt	17	
Debt issuance and credit facility costs		(1)
Payment of common stock dividends to parent	(67)	(47)
Contributions from parent	54	
Net cash provided by (used in) financing activities	4	(48)
Net Increase (Decrease) in Cash and Cash Equivalents	(10)	23
Cash and Cash Equivalents at Beginning of Period	22	25
Cash and Cash Equivalents at End of Period	$ 12	$ 48

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED BALANCE SHEETS
Louisville Gas and Electric Company
(Unaudited)
(Millions of Dollars, shares in thousands)

	September 30, 2013	December 31, 2012
Assets		
Current Assets		
Cash and cash equivalents	$ 12	$ 22
Accounts receivable (less reserve: 2013, $2; 2012, $1)		
Customer	93	59
Other	9	16
Unbilled revenues	62	72
Accounts receivable from affiliates	8	14
Fuel, materials and supplies	140	142
Prepayments	4	7
Price risk management from affiliates		7
Deferred income taxes	3	
Regulatory assets	19	19
Other current assets	1	1
Total Current Assets	351	359
Property, Plant and Equipment		
Regulated utility plant	3,340	3,187
Less: accumulated depreciation - regulated utility plant	309	220
Regulated utility plant, net	3,031	2,967
Other, net	1	
Construction work in progress	490	259
Property, Plant and Equipment, net	3,522	3,226
Other Noncurrent Assets		
Regulatory assets	359	400
Goodwill	389	389
Other intangibles	126	144
Other noncurrent assets	33	44
Total Other Noncurrent Assets	907	977
Total Assets	$ 4,780	$ 4,562

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED BALANCE SHEETS
Louisville Gas and Electric Company
(Unaudited)
(Millions of Dollars, shares in thousands)

	September 30, 2013	December 31, 2012
Liabilities and Equity		
Current Liabilities		
Short-term debt	$ 72	$ 55
Accounts payable	147	117
Accounts payable to affiliates	30	23
Customer deposits	24	23
Taxes	34	2
Price risk management liabilities	4	5
Price risk management liabilities with affiliates	7	
Regulatory liabilities	11	4
Interest	10	5
Other current liabilities	34	34
Total Current Liabilities	373	268
Long-term Debt	1,112	1,112
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	577	544
Investment tax credits	39	40
Accrued pension obligations	56	102
Asset retirement obligations	69	56
Regulatory liabilities	489	471
Price risk management liabilities	37	53
Other deferred credits and noncurrent liabilities	109	106
Total Deferred Credits and Other Noncurrent Liabilities	1,376	1,372
Commitments and Contingent Liabilities (Notes 6 and 10)		
Stockholder's Equity		
Common stock - no par value (a)	424	424
Additional paid-in capital	1,332	1,278
Earnings reinvested	163	108
Total Equity	1,919	1,810
Total Liabilities and Equity	$ 4,780	$ 4,562

(a) 75,000 shares authorized; 21,294 shares issued and outstanding at September 30, 2013 and December 31, 2012.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED STATEMENTS OF EQUITY
Louisville Gas and Electric Company
(Unaudited)
(Millions of Dollars)

	Common stock shares outstanding (a)		Common stock		Additional paid-in capital		Earnings reinvested		Total
June 30, 2013	21,294	$	424	$	1,332	$	133	$	1,889
Net income							49		49
Cash dividends declared on common stock							(19)		(19)
September 30, 2013	21,294	$	424	$	1,332	$	163	$	1,919
December 31, 2012	21,294	$	424	$	1,278	$	108	$	1,810
Net income							122		122
Capital contributions from LKE					54				54
Cash dividends declared on common stock							(67)		(67)
September 30, 2013	21,294	$	424	$	1,332	$	163	$	1,919
June 30, 2012	21,294	$	424	$	1,278	$	80	$	1,782
Net income							43		43
Cash dividends declared on common stock							(16)		(16)
September 30, 2012	21,294	$	424	$	1,278	$	107	$	1,809
December 31, 2011	21,294	$	424	$	1,278	$	60	$	1,762
Net income							94		94
Cash dividends declared on common stock							(47)		(47)
September 30, 2012	21,294	$	424	$	1,278	$	107	$	1,809

(a) Shares in thousands. All common shares of LG&E stock are owned by LKE.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

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CONDENSED STATEMENTS OF INCOME
Kentucky Utilities Company
(Unaudited)
(Millions of Dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Operating Revenues				
Retail and wholesale	$ 412	$ 408	$ 1,223	$ 1,156
Electric revenue from affiliate	2	3	6	9
Total Operating Revenues	414	411	1,229	1,165
Operating Expenses				
Operation				
Fuel	137	149	400	396
Energy purchases	5	9	17	25
Energy purchases from affiliate	11	9	46	51
Other operation and maintenance	91	93	286	286
Depreciation	46	49	138	145
Taxes, other than income	6	5	18	17
Total Operating Expenses	296	314	905	920
Operating Income	118	97	324	245
Other Income (Expense) - net	(2)	1	(1)	(5)
Interest Expense	17	18	51	52
Income Before Income Taxes	99	80	272	188
Income Taxes	36	30	101	70
Net Income (a)	$ 63	$ 50	$ 171	$ 118

(a) Net income equals comprehensive income.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED STATEMENTS OF CASH FLOWS
Kentucky Utilities Company
(Unaudited)
(Millions of Dollars)

	Nine Months Ended September 30, 2013	2012
Cash Flows from Operating Activities		
Net income	$ 171	$ 118
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	138	145
Amortization	9	9
Defined benefit plans - expense	16	9
Deferred income taxes and investment tax credits	73	78
Other	(3)	1
Change in current assets and current liabilities		
Accounts receivable	(46)	(34)
Accounts payable	25	9
Accounts payable to affiliates	(9)	(4)
Unbilled revenues	9	10
Fuel, materials and supplies	(1)	16
Taxes payable	39	26
Accrued interest	15	14
Other	(3)	18
Other operating activities		
Defined benefit plans - funding	(62)	(20)
Settlement of interest rate swaps	49	
Other assets	(2)	(1)
Other liabilities	1	16
Net cash provided by operating activities	419	410
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	(512)	(331)
Other investing activities	2	
Net cash provided by (used in) investing activities	(510)	(331)
Cash Flows from Financing Activities		
Net increase (decrease) in short-term debt	70	
Payment of common stock dividends to parent	(83)	(68)
Contributions from parent	92	
Net cash provided by (used in) financing activities	79	(68)
Net Increase (Decrease) in Cash and Cash Equivalents	(12)	11
Cash and Cash Equivalents at Beginning of Period	21	31
Cash and Cash Equivalents at End of Period	$ 9	$ 42

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED BALANCE SHEETS
Kentucky Utilities Company
(Unaudited)
(Millions of Dollars, shares in thousands)

		September 30, 2013		December 31, 2012
Assets				
Current Assets				
Cash and cash equivalents	$	9	$	21
Accounts receivable (less reserve: 2013, $4; 2012, $2)				
Customer		123		74
Other		8		13
Unbilled revenues		75		84
Accounts receivable from affiliates		10		7
Fuel, materials and supplies		135		134
Prepayments		11		10
Price risk management assets from affiliates				7
Deferred income taxes		3		3
Regulatory assets		10		
Other current assets		5		3
Total Current Assets		389		356
Property, Plant and Equipment				
Regulated utility plant		5,094		4,886
Less: accumulated depreciation - regulated utility plant		404		299
Regulated utility plant, net		4,690		4,587
Other, net		1		1
Construction work in progress		849		490
Property, Plant and Equipment, net		5,540		5,078
Other Noncurrent Assets				
Regulatory assets		207		230
Goodwill		607		607
Other intangibles		106		127
Other noncurrent assets		57		57
Total Other Noncurrent Assets		977		1,021
Total Assets	$	6,906	$	6,455

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED BALANCE SHEETS
Kentucky Utilities Company
(Unaudited)
(Millions of Dollars, shares in thousands)

	September 30, 2013	December 31, 2012
Liabilities and Equity		
Current Liabilities		
Short-term debt	$ 140	$ 70
Accounts payable	155	147
Accounts payable to affiliates	24	33
Customer deposits	25	25
Taxes	65	26
Price risk management liabilities with affiliates	7	
Regulatory liabilities	6	5
Interest	25	10
Other current liabilities	31	33
Total Current Liabilities	478	349
Long-term Debt	1,843	1,842
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	660	587
Investment tax credits	97	98
Accrued pension obligations	45	104
Asset retirement obligations	176	69
Regulatory liabilities	551	531
Other deferred credits and noncurrent liabilities	93	92
Total Deferred Credits and Other Noncurrent Liabilities	1,622	1,481
Commitments and Contingent Liabilities (Notes 6 and 10)		
Stockholder's Equity		
Common stock - no par value (a)	308	308
Additional paid-in capital	2,440	2,348
Accumulated other comprehensive income (loss)	1	1
Earnings reinvested	214	126
Total Equity	2,963	2,783
Total Liabilities and Equity	$ 6,906	$ 6,455

(a) 80,000 shares authorized; 37,818 shares issued and outstanding at September 30, 2013 and December 31, 2012.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

CONDENSED STATEMENTS OF EQUITY
Kentucky Utilities Company
(Unaudited)
(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Accumulated other comprehensive income (loss)	Total
June 30, 2013	37,818	$ 308	$ 2,440	$ 179	$ 1	$ 2,928
Net income				63		63
Cash dividends declared on common stock				(28)		(28)
September 30, 2013	37,818	$ 308	$ 2,440	$ 214	$ 1	$ 2,963
December 31, 2012	37,818	$ 308	$ 2,348	$ 126	$ 1	$ 2,783
Net income				171		171
Capital contributions from LKE			92			92
Cash dividends declared on common stock				(83)		(83)
September 30, 2013	37,818	$ 308	$ 2,440	$ 214	$ 1	$ 2,963
June 30, 2012	37,818	$ 308	$ 2,348	$ 109	$ (4)	$ 2,761
Net income				50		50
Cash dividends declared on common stock				(20)		(20)
September 30, 2012	37,818	$ 308	$ 2,348	$ 139	$ (4)	$ 2,791
December 31, 2011	37,818	$ 308	$ 2,348	$ 89		$ 2,745
Net income				118		118
Cash dividends declared on common stock				(68)		(68)
Other comprehensive income (loss)					$ (4)	(4)
September 30, 2012	37,818	$ 308	$ 2,348	$ 139	$ (4)	$ 2,791

(a) Shares in thousands. All common shares of KU stock are owned by LKE.

The accompanying Notes to Condensed Financial Statements are an integral part of the financial statements.

1. Interim Financial Statements

(All Registrants)

Capitalized terms and abbreviations appearing in the unaudited combined notes to condensed financial statements are defined in the glossary. Dollars are in millions, except per share data, unless otherwise noted. The specific Registrant to which disclosures are applicable is identified in parenthetical headings in italics above the applicable disclosure or within the applicable disclosure for their related activities and disclosures. Within combined disclosures, amounts are disclosed for any Registrant when significant.

The accompanying unaudited condensed financial statements have been prepared in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X and, therefore, do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation in accordance with GAAP are reflected in the condensed financial statements. All adjustments are of a normal recurring nature, except as otherwise disclosed. Each Registrant's Balance Sheet at December 31, 2012 is derived from that Registrant's 2012 audited Balance Sheet. The financial statements and notes thereto should be read in conjunction with the financial statements and notes contained in each Registrant's 2012 Form 10-K. The results of operations for the three and nine months ended September 30, 2013, are not necessarily indicative of the results to be expected for the full year ending December 31, 2013, or other future periods, because results for interim periods can be disproportionately influenced by various factors, developments and seasonal variations.

The classification of certain prior period amounts has been changed to conform to the presentation in the September 30, 2013 financial statements.

2. Summary of Significant Accounting Policies

(All Registrants)

The following accounting policy disclosures represent updates to Note 1 in each Registrant's 2012 Form 10-K and should be read in conjunction with those disclosures.

Accounts Receivable *(PPL, PPL Energy Supply and PPL Electric)*

In accordance with a PUC-approved purchase of accounts receivable program, PPL Electric purchases certain accounts receivable from alternative suppliers (including PPL EnergyPlus) at a discount, which reflects a provision for uncollectible accounts. The alternative suppliers have no continuing involvement or interest in the purchased accounts receivable. The purchased accounts receivable are initially recorded at fair value using a market approach based on the purchase price paid and are classified as Level 2 in the fair value hierarchy. During the three and nine months ended September 30, 2013, PPL Electric purchased \$259 million and \$738 million of accounts receivable from unaffiliated third parties and \$75 million and \$222 million from PPL EnergyPlus. During the three and nine months ended September 30, 2012, PPL Electric purchased \$225 million and \$647 million of accounts receivable from unaffiliated third parties and \$81 million and \$237 million from PPL EnergyPlus.

Depreciation *(PPL and Kentucky Registrants)*

The KPSC approved new lower depreciation rates for LG&E and KU as part of the rate-case settlement agreement reached in 2012. The new rates became effective January 1, 2013 and will result in lower depreciation of approximately \$19 million (\$9 million for LG&E and \$10 million for KU) in 2013, exclusive of net additions to PP&E since the rate case.

New Accounting Guidance Adopted *(All Registrants)*

Improving Disclosures about Offsetting Balance Sheet Items

Effective January 1, 2013, the Registrants retrospectively adopted accounting guidance issued to enhance disclosures about derivative instruments that either (1) offset on the balance sheet or (2) are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset on the balance sheet.

The adoption of this guidance resulted in enhanced disclosures but did not have a significant impact on the Registrants. See Note 14 for the new disclosures.

Testing Indefinite-Lived Intangible Assets for Impairment

Effective January 1, 2013, the Registrants prospectively adopted accounting guidance that allows an entity to elect the option to first make a qualitative evaluation about the likelihood of an impairment of an indefinite-lived intangible asset. If, based on this assessment, the entity determines that it is more likely than not that the fair value of the indefinite-lived intangible asset exceeds the carrying amount, a quantitative impairment test does not need to be performed. If the entity concludes otherwise, a quantitative impairment test must be performed by determining the fair value of the asset and comparing it with the carrying value. The entity would record an impairment charge, if necessary.

The adoption of this guidance did not have a significant impact on the Registrants.

Reporting Amounts Reclassified Out of AOCI

Effective January 1, 2013, the Registrants prospectively adopted accounting guidance issued to improve the reporting of reclassifications out of AOCI. The Registrants are required to provide information about the effects on net income of significant amounts reclassified out of AOCI by their respective statement of income line item, if the item is required to be reclassified to net income in its entirety. For items not reclassified to net income in their entirety, the Registrants are required to reference other disclosures that provide greater detail about these reclassifications.

The adoption of this guidance resulted in enhanced disclosures but did not have a significant impact on the Registrants. See Note 18 for the new disclosures.

3. Segment and Related Information

(PPL)

See Note 2 in PPL's 2012 Form 10-K for a discussion of reportable segments. "Corporate and Other" primarily includes financing and certain other costs incurred at the corporate level that have not been allocated or assigned to the segments, as well as certain unallocated assets, which is presented to reconcile segment information to PPL's consolidated results. For 2012, there were no significant costs or assets in this category.

In 2013, costs included in the Corporate and Other category increased, as anticipated, primarily due to an increase in financing at PPL Capital Funding not directly attributable to a particular segment. PPL's growth in rate-regulated businesses provides the organization an enhanced corporate-level financing alternative, through PPL Capital Funding, that further enables PPL to cost-effectively support targeted credit profiles across all of PPL's rated companies. As a result, PPL plans to further utilize PPL Capital Funding in addition to continued direct financing by the operating companies. The financing costs associated primarily with PPL Capital Funding's new securities issuances, with certain exceptions including the remarketing of the debt component of the Equity Units, have not been directly assigned or allocated to any segment and generally have been reflected in Corporate and Other in 2013.

For the periods ended September 30, financial data for the segments are:

	Three Months		Nine Months	
	2013	2012	2013	2012
Income Statement Data				
Revenues from external customers				
U.K. Regulated	$ 543	$ 528	$ 1,763	$ 1,647
Kentucky Regulated	744	732	2,226	2,095
Pennsylvania Regulated	463	443	1,388	1,303
Supply (a)	1,352	700	3,626	4,019
Corporate and Other	3		9	
Total	$ 3,105	$ 2,403	$ 9,012	$ 9,064
Intersegment electric revenues				
Pennsylvania Regulated	$ 1	$ 1	$ 3	$ 3
Supply	11	23	37	61

	Three Months		Nine Months	
	2013	2012	2013	2012
Net Income Attributable to PPL Shareowners				
U.K. Regulated (a)	$ 183	$ 202	$ 741	$ 563
Kentucky Regulated	93	72	227	148
Pennsylvania Regulated	51	33	160	95
Supply (a)	91	48	122	361
Corporate and Other	(8)		(22)	
Total	$ 410	$ 355	$ 1,228	$ 1,167

	September 30, 2013	December 31, 2012
Balance Sheet Data		
Assets		
U.K. Regulated	$ 14,329	$ 14,073
Kentucky Regulated	11,368	10,670
Pennsylvania Regulated	6,729	6,023
Supply	12,198	12,868
Corporate and Other (b)	364	
Total assets	$ 44,988	$ 43,634

(a) Includes unrealized gains and losses from economic activity. See Note 14 for additional information.
(b) Primarily consists of unallocated assets, including cash, PP&E and the elimination of inter-segment transactions.

4. Earnings Per Share

(PPL)

Basic EPS is computed by dividing income available to PPL common shareowners by the weighted-average number of common shares outstanding during the applicable period. Diluted EPS is computed by dividing income available to PPL common shareowners by the weighted-average number of common shares outstanding, increased by incremental shares that would be outstanding if potentially dilutive non-participating securities were converted to common shares as calculated using the treasury stock method or If-Converted Method, as applicable. The If-Converted Method was applied to the Equity Units prior to settlement beginning in the first quarter of 2013. Incremental non-participating securities that have a dilutive impact are detailed in the table below.

See Note 7 for information on the April and May 2013 settlements of forward sale agreements and the July 2013 issuance of PPL common stock to settle the 2010 Purchase Contracts.

Reconciliations of the amounts of income and shares of PPL common stock (in thousands) for the periods ended September 30 used in the EPS calculation are:

	Three Months		Nine Months	
	2013	2012	2013	2012
Income (Numerator)				
Income from continuing operations after income taxes attributable to PPL shareowners	$ 409	$ 355	$ 1,226	$ 1,173
Less amounts allocated to participating securities	2	2	6	7
Income from continuing operations after income taxes available to PPL common shareowners - Basic	407	353	1,220	1,166
Plus interest charges (net of tax) related to Equity Units	7		37	
Income from continuing operations after income taxes available to PPL common shareowners - Diluted	$ 414	$ 353	$ 1,257	$ 1,166
Income (loss) from discontinued operations (net of income taxes) available to PPL common shareowners - Basic and Diluted	$ 1	$	$ 2	$ (6)
Net income attributable to PPL shareowners	$ 410	$ 355	$ 1,228	$ 1,167
Less amounts allocated to participating securities	2	2	6	7
Net income available to PPL common shareowners - Basic	408	353	1,222	1,160
Plus interest charges (net of tax) related to Equity Units	7		37	
Net income available to PPL common shareowners - Diluted	$ 415	$ 353	$ 1,259	$ 1,160

	Three Months		Nine Months	
	2013	2012	2013	2012
Shares of Common Stock (Denominator)				
Weighted-average shares - Basic EPS	631,046	580,585	601,275	579,847
Add incremental non-participating securities:				
Share-based payment awards	1,163	635	1,035	522
Equity Units	32,134	439	59,171	146
Forward sale agreements		977	613	415
Weighted-average shares - Diluted EPS	664,343	582,636	662,094	580,930
Basic EPS				
Available to PPL common shareowners:				
Income from continuing operations after income taxes	$ 0.65	$ 0.61	$ 2.03	$ 2.01
Income (loss) from discontinued operations (net of income taxes)				(0.01)
Net Income	$ 0.65	$ 0.61	$ 2.03	$ 2.00
Diluted EPS				
Available to PPL common shareowners:				
Income from continuing operations after income taxes	$ 0.62	$ 0.61	$ 1.90	$ 2.01
Income (loss) from discontinued operations (net of income taxes)				(0.01)
Net Income	$ 0.62	$ 0.61	$ 1.90	$ 2.00

For the periods ended September 30, PPL issued common stock related to stock-based compensation plans, ESOP and DRIP as follows:

(Shares in thousands)	Three Months		Nine Months	
	2013	2012	2013	2012
Stock-based compensation plans (a)	85	159	1,469	512
ESOP			275	280
DRIP		598	549	1,773

(a) Includes stock options exercised, vesting of restricted stock and restricted stock units and conversion of stock units granted to directors.

See Note 7 for information on the repurchase of shares of PPL common stock that offset the 2013 issuances of common stock under stock-based compensation plans, ESOP and DRIP.

For the periods ended September 30, the following were excluded from the computations of diluted EPS because the effect would have been antidilutive.

(Shares in thousands)	Three Months		Nine Months	
	2013	2012	2013	2012
Stock options	1,136	4,935	4,793	5,622
Performance units	1		73	76
Restricted stock units			39	

5. Income Taxes

Reconciliations of income taxes for the periods ended September 30 are:

(PPL)

	Three Months		Nine Months	
	2013	2012	2013	2012
Federal income tax on Income from Continuing Operations Before Income Taxes at statutory tax rate - 35%	$ 173	$ 130	$ 550	$ 539

	Three Months		Nine Months	
	2013	2012	2013	2012
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	12	6	29	38
State valuation allowance adjustments (a)	38	2	38	2
Impact of lower U.K. income tax rates (b)	(38)	(30)	(101)	(75)
U.S. income tax on foreign earnings - net of foreign tax credit (c)	10	1	5	2
Federal and state tax reserve adjustments (d)	(1)	(2)	(41)	(7)
Foreign tax reserve adjustments	(2)		(2)	(5)
Federal and state income tax return adjustments	(4)		(4)	
Enactment of the U.K.'s Finance Acts 2013 and 2012 (b)	(93)	(74)	(93)	(74)
Federal income tax credits	(4)	(5)	(9)	(12)
Amortization of investment tax credit	(1)	(2)	(6)	(7)
Depreciation not normalized	(2)	(2)	(6)	(6)
State deferred tax rate change (e)		(6)		(17)
Net operating loss carryforward adjustments (f)				(9)
Intercompany interest on U.K. financing entities (g)	(2)	(3)	(7)	(8)
Other	(2)	2	(9)	3
Total increase (decrease)	(89)	(113)	(206)	(175)
Total income taxes from continuing operations	$ 84	$ 17	$ 344	$ 364

(a) During the three and nine months ended September 30, 2013, PPL recorded an increase in state deferred income tax expense related to a deferred tax valuation allowance primarily due to a decrease in projected future taxable income over the remaining carryforward period of Pennsylvania net operating losses.

(b) The U.K. Finance Act 2013, enacted in July 2013, reduced the U.K. statutory income tax rate from 23% to 21% effective April 1, 2014 and from 21% to 20% effective April 1, 2015. As a result, PPL reduced its net deferred tax liabilities and recognized a deferred tax benefit in the third quarter of 2013 related to both rate decreases.

The U.K. Finance Act 2012, enacted in July 2012, reduced the U.K. statutory income tax rate from 25% to 24% retroactive to April 1, 2012 and from 24% to 23% effective April 1, 2013. As a result, PPL reduced its net deferred tax liabilities and recognized a deferred tax benefit in the third quarter of 2012 related to both rate decreases.

(c) During the three and nine months ended September 30, 2013, PPL recorded a $10 million and $24 million increase to income tax expense primarily attributable to a revision in the expected taxable amount of cash repatriation in 2013.

During the nine months ended September 30, 2013, PPL recorded a tax benefit of $19 million associated with a ruling obtained from the IRS impacting the recalculation of 2010 U.K. earnings and profits that was reflected on an amended 2010 U.S. tax return.

(d) In 1997, the U.K. imposed a Windfall Profits Tax (WPT) on privatized utilities, including WPD. PPL filed its tax returns for years subsequent to its 1997 and 1998 claims for refund on the basis that the U.K. WPT was creditable. In September 2010, the U.S. Tax Court (Tax Court) ruled in PPL's favor in a dispute with the IRS, concluding that the U.K. WPT is a creditable tax for U.S. tax purposes. In January 2011, the IRS appealed the Tax Court's decision to the U.S. Court of Appeals for the Third Circuit (Third Circuit). In December 2011, the Third Circuit issued its opinion reversing the Tax Court's decision, holding that the U.K. WPT is not a creditable tax. As a result of the Third Circuit's adverse determination, PPL recorded a $39 million expense in the fourth quarter of 2011. In June 2012, the U.S. Court of Appeals for the Fifth Circuit issued a contrary opinion in an identical case involving another company. In July 2012, PPL filed a petition for a writ of certiorari seeking U.S. Supreme Court review of the Third Circuit's opinion. The Supreme Court granted PPL's petition and oral argument was held in February 2013. On May 20, 2013, the Supreme Court reversed the Third Circuit's opinion and ruled that the WPT is a creditable tax. As a result of the Supreme Court ruling, PPL recorded a tax benefit of $44 million during the nine months ended September 30, 2013, of which $19 million relates to interest.

(e) During the three and nine months ended September 30, 2012, PPL recorded adjustments related to state deferred tax liabilities.

(f) During the nine months ended September 30, 2012, PPL recorded adjustments to deferred taxes related to net operating loss carryforwards of LKE based on income tax return adjustments.

(g) PPL recorded foreign income tax benefits related to interest expense on intercompany loans for which there was no domestic income tax expense.

(PPL Energy Supply)

	Three Months		Nine Months	
	2013	2012	2013	2012
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 70	$ 25	$ 98	$ 205
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	7	1	10	25
State valuation allowance adjustments	4	2	4	2
Federal and state tax reserve adjustments (a)			6	
Federal income tax credits	(4)	(4)	(7)	(10)
State deferred tax rate change (b)		(6)		(17)
Other	(3)	(2)	(5)	(3)
Total increase (decrease)	4	(9)	8	(3)
Total income taxes	$ 74	$ 16	$ 106	$ 202

(a) During the nine months ended September 30, 2013, PPL Energy Supply reversed $3 million in tax benefits related to a 2008 change in method of accounting for certain expenditures for tax purposes and recorded $4 million in federal tax reserves related to differences in over (under) payment interest rates applied to audit claims as a result of the U.S. Supreme Court decision related to Windfall Profits Tax.

(b) During the three and nine months ended September 30, 2012, PPL Energy Supply recorded adjustments related to state deferred tax liabilities.

(PPL Electric)

	Three Months		Nine Months	
	2013	2012	2013	2012
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 27	$ 17	$ 85	$ 51
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	5	2	13	7
Federal and state tax reserve adjustments	(2)	(2)	(6)	(5)
Depreciation not normalized	(2)	(1)	(6)	(5)
Other	(2)		(3)	(1)
Total increase (decrease)	(1)	(1)	(2)	(4)
Total income taxes	$ 26	$ 16	$ 83	$ 47

(LKE)

	Three Months		Nine Months	
	2013	2012	2013	2012
Federal income tax on Income from Continuing Operations Before Income Taxes at statutory tax rate - 35%	$ 56	$ 46	$ 144	$ 96
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	6	5	14	7
Amortization of investment tax credit	(1)	(1)	(3)	(4)
Net operating loss carryforward adjustments (a)				(9)
Other	(2)	(2)	(2)	(1)
Total increase (decrease)	3	2	9	(7)
Total income taxes from continuing operations	$ 59	$ 48	$ 153	$ 89

(a) During the nine months ended September 30, 2012, LKE recorded adjustments to deferred taxes related to net operating loss carryforwards based on income tax return adjustments.

(LG&E)

	Three Months		Nine Months	
	2013	2012	2013	2012
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 27	$ 24	$ 67	$ 52
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	3	2	7	5
Other	(3)	(1)	(5)	(3)
Total increase (decrease)		1	2	2
Total income taxes	$ 27	$ 25	$ 69	$ 54

(KU)

	Three Months		Nine Months	
	2013	2012	2013	2012
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 35	$ 28	$ 95	$ 66
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	4	3	10	6
Other	(3)	(1)	(4)	(2)
Total increase (decrease)	1	2	6	4
Total income taxes	$ 36	$ 30	$ 101	$ 70

Unrecognized Tax Benefits *(All Registrants)*

Changes to unrecognized tax benefits for the periods ended September 30 were as follows.

	Three Months 2013	Three Months 2012	Nine Months 2013	Nine Months 2012
PPL				
Beginning of period	$ 36	$ 113	$ 92	$ 145
Additions based on tax positions of prior years		2		6
Reductions based on tax positions of prior years			(26)	(31)
Additions based on tax positions related to the current year			4	
Reductions based on tax positions related to the current year		(1)		(2)
Settlements			(30)	
Lapse of applicable statutes of limitations	(5)	(2)	(9)	(6)
End of period	$ 31	$ 112	$ 31	$ 112
PPL Energy Supply				
Beginning of period	$ 15	$ 31	$ 30	$ 28
Additions based on tax positions of prior years				4
Reductions based on tax positions of prior years			(15)	(1)
End of period	$ 15	$ 31	$ 15	$ 31
PPL Electric				
Beginning of period	$ 12	$ 43	$ 26	$ 73
Reductions based on tax positions of prior years		(1)	(10)	(28)
Additions based on tax positions related to the current year				1
Lapse of applicable statutes of limitations	(3)	(2)	(7)	(6)
End of period	$ 9	$ 40	$ 9	$ 40

LKE's, LG&E's and KU's unrecognized tax benefits and changes in those unrecognized tax benefits were insignificant for the three and nine months ended September 30, 2013 and 2012.

At September 30, 2013, it was reasonably possible that during the next 12 months the total amount of unrecognized tax benefits could increase or decrease by the following amounts.

	Increase	Decrease
PPL	$ 16	$ 30
PPL Energy Supply		15
PPL Electric	16	8

These potential changes could result from subsequent recognition, derecognition and/or changes in the measurement of uncertain tax positions related to the creditability of foreign taxes, the timing and utilization of foreign tax credits and the related impact on alternative minimum tax and other credits, the timing and/or valuation of certain deductions, intercompany transactions and unitary filing groups. The events that could cause these changes are direct settlements with taxing authorities, litigation, legal or administrative guidance by relevant taxing authorities and the lapse of an applicable statute of limitation.

For LKE, LG&E and KU, no significant changes in unrecognized tax benefits are projected over the next 12 months.

At September 30, the total unrecognized tax benefits and related indirect effects that, if recognized, would decrease the effective income tax rate were as follows.

	2013	2012
PPL	$ 21	$ 34
PPL Energy Supply	14	14

The amounts for PPL Electric, LKE, LG&E and KU were insignificant.

Other *(PPL, PPL Energy Supply and PPL Electric)*

PPL changed its method of accounting for repair expenditures for tax purposes effective for its 2008 tax year for Pennsylvania operations. PPL made the same change for its Montana operations for the 2009 tax year. In 2011, the IRS issued guidance on repair expenditures related to network assets providing a safe harbor method of determining whether the repair expenditures can be currently deducted for tax purposes. On April 30, 2013, the IRS issued Revenue Procedure 2013-24 providing guidance to taxpayers to determine whether expenditures to maintain, replace or improve steam or electric generation property must be capitalized for tax purposes. The IRS may assert, and ultimately conclude, that PPL's deduction for generation-related expenditures should be less than the amount determined by PPL. PPL believes that it has established adequate reserves for this contingency.

6. Utility Rate Regulation

(All Registrants except PPL Energy Supply)

The following table provides information about the regulatory assets and liabilities of cost-based rate-regulated utility operations.

	PPL		PPL Electric	
	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
Current Regulatory Assets:				
ECR	$ 7			
Gas supply clause	13	$ 11		
Fuel adjustment clause		6		
Other	11	2	$ 2	
Total current regulatory assets	$ 31	$ 19	$ 2	
Noncurrent Regulatory Assets:				
Defined benefit plans	$ 683	$ 730	$ 345	$ 362
Taxes recoverable through future rates	302	293	302	293
Storm costs	152	168	55	59
Unamortized loss on debt	88	96	58	65
Interest rate swaps	49	67		
Accumulated cost of removal of utility plant	95	71	95	71
AROs	37	26		
Other	17	32	2	3
Total noncurrent regulatory assets	$ 1,423	$ 1,483	$ 857	$ 853
Current Regulatory Liabilities:				
Generation supply charge	$ 21	$ 27	$ 21	$ 27
ECR		4		
Gas supply clause	2	4		
Transmission service charge	9	6	9	6
Transmission formula rate	9		9	
Universal service rider	11	17	11	17
Gas line tracker	6			
Other	10	3	1	2
Total current regulatory liabilities	$ 68	$ 61	$ 51	$ 52
Noncurrent Regulatory Liabilities:				
Accumulated cost of removal of utility plant	$ 690	$ 679		
Coal contracts (a)	108	141		
Power purchase agreement - OVEC (a)	102	108		
Net deferred tax assets	32	34		
Act 129 compliance rider	14	8	$ 14	$ 8
Defined benefit plans	18	17		
Interest rate swaps	84	14		
Other	6	9		
Total noncurrent regulatory liabilities	$ 1,054	$ 1,010	$ 14	$ 8

	LKE		LG&E		KU	
	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
Current Regulatory Assets:						
ECR	$ 7		$ 2		$ 5	
Gas supply clause	13	$ 11	13	$ 11		
Fuel adjustment clause		6		6		
Other	9	2	4	2	5	
Total current regulatory assets	$ 29	$ 19	$ 19	$ 19	$ 10	

	LKE		LG&E		KU	
	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
Noncurrent Regulatory Assets:						
Defined benefit plans	$ 338	$ 368	$ 212	$ 232	$ 126	$ 136
Storm costs	97	109	53	59	44	50
Unamortized loss on debt	30	31	19	20	11	11
Interest rate swaps	49	67	49	67		
AROs	37	26	20	15	17	11
Other	15	29	6	7	9	22
Total noncurrent regulatory assets	$ 566	$ 630	$ 359	$ 400	$ 207	$ 230
Current Regulatory Liabilities:						
ECR		$ 4				$ 4
Gas supply clause	$ 2	4	$ 2	$ 4		
Gas line tracker	6		6			
Other	9	1	3		$ 6	1
Total current regulatory liabilities	$ 17	$ 9	$ 11	$ 4	$ 6	$ 5
Noncurrent Regulatory Liabilities:						
Accumulated cost of removal of utility plant	$ 690	$ 679	$ 300	$ 297	$ 390	$ 382
Coal contracts (a)	108	141	47	61	61	80
Power purchase agreement - OVEC (a)	102	108	71	75	31	33
Net deferred tax assets	32	34	26	28	6	6
Defined benefit plans	18	17			18	17
Interest rate swaps	84	14	42	7	42	7
Other	6	9	3	3	3	6
Total noncurrent regulatory liabilities	$ 1,040	$ 1,002	$ 489	$ 471	$ 551	$ 531

(a) These liabilities were recorded as offsets to certain intangible assets that were recorded at fair value upon the acquisition of LKE by PPL.

Regulatory Matters

Kentucky Activities *(PPL and Kentucky Registrants)*

Rate Case Proceedings

In December 2012, the KPSC approved a rate case settlement agreement providing for increases in annual base electricity rates of $34 million for LG&E and $51 million for KU and an increase in annual base gas rates of $15 million for LG&E using a 10.25% return on equity. The approved rates became effective January 1, 2013.

Pennsylvania Activities *(PPL and PPL Electric)*

Rate Case Proceeding

In December 2012, the PUC approved a total distribution revenue increase of about $71 million for PPL Electric, using a 10.40% return on equity. The approved rates became effective January 1, 2013.

Storm Damage Expense Rider

In its December 28, 2012 final rate case order, the PUC directed PPL Electric to file a proposed Storm Damage Expense Rider (SDER). PPL Electric filed its proposed SDER on March 28, 2013, including requested recovery of the 2012 qualifying storm costs related to Hurricane Sandy, which the PUC previously approved for deferral. PPL Electric proposed that the SDER become effective January 1, 2013 for storm costs incurred in 2013, with those costs and the 2012 Hurricane Sandy costs included in rates effective January 1, 2014. Several parties filed comments opposing the SDER. PPL Electric and several other parties filed reply comments in May 2013. In October 2013, the PUC adopted an Order requesting submission of additional comments and reply comments on PPL Electric's proposal. This matter remains pending before the PUC.

Act 129

Act 129 requires Pennsylvania Electric Distribution Companies (EDCs) to meet specified goals for reduction in customer electricity usage and peak demand by specified dates. EDCs not meeting the requirements of Act 129 are subject to significant penalties.

Under Act 129, EDCs must file an energy efficiency and conservation plan (EE&C Plan) with the PUC and contract with conservation service providers to implement all or a portion of the EE&C Plan. EDCs are able to recover the costs (capped at 2.0% of the EDC's 2006 revenue) of implementing their EE&C Plans. In October 2009, the PUC approved PPL Electric's Phase 1 EE&C Plan ending May 31, 2013.

Act 129 requires EDCs to reduce overall electricity consumption by 1.0% by May 2011 and by 3.0% by May 2013, and reduce peak demand by 4.5%. The overall consumption reduction is measured against PUC-forecasted consumption for the twelve months ended May 31, 2010. The peak demand reduction must occur for the 100 hours of highest demand, which is determined by actual demand reduction during the June 2012 through September 2012 period. PPL Electric believes it has met the May 2011 requirement and will determine if it met the May 2013 peak demand reduction and energy reduction targets after it completes the final program evaluation in the fourth quarter of 2013. PPL Electric does not expect the PUC to formally determine compliance for either the 2011 or 2013 requirements before the first quarter of 2014.

Act 129 requires the PUC to evaluate the costs and benefits of the EE&C program by November 30, 2013 and adopt additional reductions if the benefits of the program exceed the costs. In August 2012, after receiving input from stakeholders, the PUC issued a Final Implementation Order establishing a three-year Phase II program, ending May 31, 2016, with individual consumption reduction targets for each EDC. PPL Electric's Phase II reduction target is 2.1% of the total energy consumption forecasted by the PUC for the twelve months ended May 31, 2010. The PUC did not establish demand reduction targets for the Phase II program. PPL Electric filed its Phase II EE&C Plan with the PUC on November 15, 2012 and, in March 2013, the PUC approved PPL Electric's Phase II EE&C Plan with minor modifications. PPL Electric filed a Revised Phase II EE&C Plan on May 13, 2013 pursuant to the PUC's March Order. On July 11, 2013, the PUC issued an Order approving PPL Electric's Revised Phase II EE&C Plan. PPL Electric began its Phase II Plan implementation on June 1, 2013.

Act 129 also requires Default Service Providers (DSP) to provide electric generation supply service to customers pursuant to a PUC-approved default service procurement plan through auctions, requests for proposal and bilateral contracts at the sole discretion of the DSP. Act 129 requires a mix of spot market purchases, short-term contracts and long-term contracts (4 to 20 years), with long-term contracts limited to 25% of load unless otherwise approved by the PUC. A DSP is able to recover the costs associated with its default service procurement plan.

The PUC has approved PPL Electric's DSP procurement plan for the period January 1, 2011 through May 31, 2013, and PPL Electric has concluded all competitive solicitations to procure power for its PLR obligations under that plan.

The PUC has directed all EDCs to file default service procurement plans for the period June 1, 2013 through May 31, 2015. PPL Electric filed its plan in May 2012. In that plan, PPL Electric proposed a process to obtain supply for its default service customers and a number of initiatives designed to encourage more customers to purchase electricity from the competitive retail market. In January 2013, the PUC approved PPL Electric's plan with modifications and directed PPL Electric to establish collaborative processes to address several retail competition issues. In February 2013, PPL Electric filed a revised Default Service Supply Master Agreement and a revised Request for Proposals Process and Rules which the PUC approved. PPL Electric filed revised retail competition initiatives and a revised plan consistent with the PUC's January order, and in May 2013, the PUC approved PPL Electric's most recent filing with minor changes. PPL Electric began implementing its revised plan on June 1, 2013. See Note 10 for additional information.

Smart Meter Rider

Act 129 also requires installation of smart meters for new construction, upon the request of consumers and at their cost, or on a depreciation schedule not exceeding 15 years. Under Act 129, EDCs are able to recover the costs of providing smart metering technology. All of PPL Electric's metered customers currently have advanced meters installed at their service locations capable of many of the functions required under Act 129. PPL Electric continues to conduct pilot projects to evaluate additional applications of its current advanced metering technology pursuant to the requirements of Act 129. PPL Electric recovers the cost of its pilot projects through a cost recovery mechanism, the Smart Meter Rider (SMR). In August 2013, PPL Electric filed with the PUC an annual report describing the actions it was taking under its Smart Meter Plan during 2013 and its planned actions for 2014. PPL Electric also submitted revised SMR charges that will become effective January 1, 2014. PPL Electric will submit its final Smart Meter Plan by June 30, 2014.

PUC Investigation of Retail Electricity Market

In April 2011, the PUC opened an investigation of Pennsylvania's retail electricity market to be conducted in two phases. Phase one addressed the status of the existing retail market and explored potential changes. Questions issued by the PUC for phase one of the investigation focused primarily on default service issues. Phase two was initiated in July 2011 to develop specific proposals for changes to the retail market and default service model. From December 2011 through the end of 2012, the PUC issued several orders and other pronouncements related to the investigation. A final implementation order was issued in February 2013, and the PUC created several working groups to address continuing competitive issues. Although the final implementation order contains provisions that will require numerous modifications to PPL Electric's current default service model for retail customers, those modifications are not expected to have a material adverse effect on PPL Electric's results of operations.

Distribution System Improvement Charge

Act 11 authorizes the PUC to approve two specific ratemaking mechanisms: the use of a fully projected future test year in base rate proceedings and, subject to certain conditions, the use of a DSIC. Such alternative ratemaking procedures and mechanisms provide opportunity for accelerated cost-recovery and, therefore, are important to PPL Electric as it begins a period of significant capital investment to maintain and enhance the reliability of its delivery system, including the replacement of aging distribution assets. In August 2012, the PUC issued a Final Implementation Order adopting procedures, guidelines and a model tariff for the implementation of Act 11. Act 11 requires utilities to file an LTIIP as a prerequisite to filing for recovery through the DSIC. The LTIIP is mandated to be a five- to ten-year plan describing projects eligible for inclusion in the DSIC.

In September 2012, PPL Electric filed its LTIIP describing projects eligible for inclusion in the DSIC. The PUC approved the LTIIP on January 10, 2013 and, on January 15, 2013, PPL Electric filed a petition requesting permission to establish a DSIC. Several parties filed responses to PPL Electric's petition. In an order entered on May 23, 2013, the PUC approved PPL Electric's proposed DSIC with an initial rate effective July 1, 2013, subject to refund after hearings. The PUC also assigned four specific issues to the Office of Administrative Law Judge for hearing and preparation of a recommended decision. The Judge's recommended decision is expected in early 2014. The case remains pending before the PUC.

Federal Matters

FERC Audit Proceedings (All Registrants except PPL Energy Supply)

In November 2011, the FERC commenced an audit of PPL and its subsidiaries, including an audit of the FERC transmission formula rate mechanisms at PPL Electric, LG&E and KU beginning in April 2012. The audit identified several matters related to separate aspects of formula rate mechanics at PPL Electric, LG&E and KU. As previously reported, among the audit matters related to PPL Electric was the determination that PPL Electric had not obtained a waiver of the equity method accounting requirement with respect to its wholly owned subsidiary, PPL Receivables Corporation, which was formed in 2004 to purchase eligible accounts receivable and unbilled revenue from PPL Electric to collateralize commercial paper issuances and reduce borrowing costs. PPL, PPL Electric, LKE, LG&E and KU currently believe that the total amount of refunds, if any, that may be required with respect to the formula rate and all other issues identified during the course of the audit will not be material to any of these Registrants. PPL, PPL Electric, LKE, LG&E and KU, however, cannot predict the ultimate outcome of these matters.

Transmission rates are regulated by the FERC. PPL Electric's transmission revenues are billed in accordance with a FERC-approved PJM open access transmission tariff that utilizes a formula-based rate recovery mechanism. The formula rate is calculated, in part, based on financial results as reported in PPL Electric's annual FERC Form No. 1, filed under the FERC's Uniform System of Accounts. PPL Electric has initiated separate formula rate Annual Updates for each of the years 2010-2013. The 2010, 2011, and 2012 updates were subsequently challenged by a group of municipal customers, which challenges PPL Electric has opposed. In August 2011, the FERC issued an order substantially rejecting the 2010 formal challenge and the municipal customers filed a request for rehearing of that order. In September 2012, the FERC issued an order setting for evidentiary hearings and settlement judge procedures a number of issues raised in the 2010 and 2011 formal challenges. Settlement conferences were held in late 2012 and early 2013. In February 2013, the FERC set for evidentiary hearings and settlement judge procedures a number of issues in the 2012 formal challenge and consolidated that challenge with the 2010 and 2011 challenges. PPL Electric filed a request for rehearing of the February Order which remains pending before the FERC. PPL Electric and the group of municipal customers have exchanged confidential settlement proposals and PPL Electric anticipates that there will be additional settlement conferences held in 2013. PPL and PPL Electric cannot predict the outcome of the foregoing proceedings, which remain pending before the FERC.

U. K. Activities *(PPL)*

Ofgem Review of Line Loss Calculation

Ofgem is currently consulting on the methodology to be used by all network operators to calculate the final line loss incentive/penalty for the DPCR4. On July 12, 2013, Ofgem issued a decision paper on the process to follow for closing out the line loss incentive/penalty. Subsequent to the July 2013 decision paper, WPD received additional information from Ofgem and as a result revised the estimated potential loss exposure to be in the range of $93 million to $226 million as of September 30, 2013. On October 21, 2013, Ofgem issued a further consultation paper requesting additional information. During the three and nine months ended September 30, 2013, WPD recorded $21 million and $45 million increases to the liability with reductions to "Utility" revenue on the Statement of Income. At September 30, 2013, the liability was $93 million compared with $94 million at December 31, 2012. Other changes to this line loss liability included reductions of $41 million resulting from refunds being included in tariffs and foreign exchange movements during the nine months ended September 30, 2013. PPL cannot predict the outcome of this matter.

7. Financing Activities

Credit Arrangements and Short-term Debt

(All Registrants)

The Registrants maintain credit facilities to enhance liquidity, provide credit support, and provide a backstop to commercial paper programs. For reporting purposes, on a consolidated basis, the credit facilities and commercial paper programs of PPL Energy Supply, PPL Electric, LG&E and KU also apply to PPL and the credit facilities and commercial paper programs of LG&E and KU also apply to LKE. The amounts borrowed below are recorded as "Short-term debt" on the Balance Sheets. The following credit facilities were in place at:

	September 30, 2013					December 31, 2012	
	Expiration Date	Capacity	Borrowed	Letters of Credit Issued and Commercial Paper Backup	Unused Capacity	Borrowed	Letters of Credit Issued and Commercial Paper Backup
PPL							
WPD Credit Facilities							
PPL WW Syndicated Credit Facility (a) (b)	Dec. 2016	£ 210	£ 106	n/a	£ 104	£ 106	n/a
WPD (South West) Syndicated Credit Facility	Jan. 2017	245		n/a	245		n/a
WPD (East Midlands) Syndicated Credit Facility (b)	Apr. 2016	300	44		256		
WPD (West Midlands) Syndicated Credit Facility (b)	Apr. 2016	300	34		266		
Uncommitted Credit Facilities		84		£ 5	79		£ 4
Total WPD Credit Facilities (c)		£ 1,139	£ 184	£ 5	£ 950	£ 106	£ 4
PPL Energy Supply							
Syndicated Credit Facility	Nov. 2017	$ 3,000		$ 61	$ 2,939		$ 499
Letter of Credit Facility (d)	Mar. 2014	150	n/a	109	41	n/a	132
Uncommitted Credit Facilities (e)		175	n/a	51	124	n/a	40
Total PPL Energy Supply Credit Facilities		$ 3,325		$ 221	$ 3,104		$ 671
PPL Electric							
Syndicated Credit Facility	Oct. 2017	$ 300		$ 1	$ 299		$ 1
LG&E							
Syndicated Credit Facility	Nov. 2017	$ 500		$ 72	$ 428		$ 55
KU							
Syndicated Credit Facility	Nov. 2017	$ 400		$ 140	$ 260		$ 70
Letter of Credit Facility (f)	May 2016	198		198			198
Total KU Credit Facilities		$ 598		$ 338	$ 260		$ 268

(a) In December 2012, the PPL WW syndicated credit facility that was set to expire in January 2013 was replaced and the capacity was increased from £150 million.

(b) PPL WW's amounts borrowed at September 30, 2013 and December 31, 2012 were USD-denominated borrowings of $166 million and $171 million, which equated to £106 million at the time of borrowings and bore interest at 1.89% and 0.85%. WPD (East Midlands) amount borrowed at September 30, 2013 was a GBP-denominated borrowing of £44 million, which equated to $68 million and bore interest at 1.30%. WPD (West Midlands) amount borrowed at September 30, 2013 was a GBP-denominated borrowing of £34 million, which equated to $53 million and bore interest at 1.30%.
(c) At September 30, 2013, the USD equivalent of unused capacity under WPD's credit facilities was $1.5 billion.
(d) In February 2013, PPL Energy Supply extended the expiration date from March 2013 and, effective April 2013, the capacity was reduced from $200 million.
(e) In August 2013, the capacity was reduced from $200 million.
(f) In May 2013, KU extended the letter of credit facility from April 2014.

In September 2013, PPL Electric terminated its asset-backed commercial paper program sponsored by a financial institution. See Note 7 in PPL's and PPL Electric's 2012 Form 10-K for more information regarding the asset-backed commercial paper program.

In October 2013, LKE entered into a $75 million syndicated credit facility that expires in October 2018.

PPL Energy Supply, PPL Electric, LG&E and KU maintain commercial paper programs to provide an additional financing source to fund their short-term liquidity needs, if and when necessary. Commercial paper issuances, included in "Short-term debt" on the Balance Sheets, are supported by the respective Registrant's Syndicated Credit Facility. The following commercial paper programs were in place at:

	September 30, 2013				December 31, 2012	
	Weighted - Average Interest Rate	Capacity	Commercial Paper Issuances	Unused Capacity	Weighted - Average Interest Rate	Commercial Paper Issuances
PPL Energy Supply		$ 750		$ 750	0.50%	$ 356
PPL Electric		300		300		
LG&E (a)	0.28%	350	$ 72	278	0.42%	55
KU (a)	0.28%	350	140	210	0.42%	70
Total		$ 1,750	$ 212	$ 1,538		$ 481

(a) In April 2013, the capacity was increased from $250 million.

(PPL and PPL Energy Supply)

PPL Energy Supply maintains a $500 million Facility Agreement expiring June 2017, whereby PPL Energy Supply has the ability to request up to $500 million of committed letter of credit capacity at fees to be agreed upon at the time of each request, based on certain market conditions. At September 30, 2013, PPL Energy Supply had not requested any capacity for the issuance of letters of credit under this arrangement.

PPL Energy Supply, PPL EnergyPlus, PPL Montour and PPL Brunner Island maintain an $800 million secured energy marketing and trading facility, whereby PPL EnergyPlus will receive credit to be applied to satisfy collateral posting obligations related to its energy marketing and trading activities with counterparties participating in the facility. The credit amount is guaranteed by PPL Energy Supply, PPL Montour and PPL Brunner Island. PPL Montour and PPL Brunner Island have granted liens on their respective generating facilities to secure any amount they may owe under their guarantees. The facility expires in November 2017, but is subject to automatic one-year renewals under certain conditions. There were no secured obligations outstanding under this facility at September 30, 2013.

(LKE)

See Note 11 for discussion of intercompany borrowings.

Long-term Debt and Equity Securities

(PPL)

In connection with an April 2012 registered public offering of 9.9 million shares of PPL common stock, PPL entered into forward sale agreements with two counterparties. In conjunction with that offering, the underwriters exercised an overallotment option and PPL entered into additional forward sale agreements covering 591 thousand shares of PPL common stock.

In April 2013, PPL settled the initial forward sale agreements by issuing 8.4 million shares of PPL common stock and cash settling the remaining 1.5 million shares. PPL received net cash proceeds of $205 million, which was calculated based on an initial forward price of $27.02 per share, reduced during the period the contracts were outstanding as specified in the forward sale agreements. PPL used the net proceeds to repay short-term debt obligations and for other general corporate purposes. In May 2013, PPL cash settled the forward sale agreements covering the 591 thousand remaining shares for $4 million.

The forward sale agreements were classified as equity transactions. As a result, no amounts were recorded in the consolidated financial statements until the April 2013 settlement of the initial forward sale agreements. However, prior to settlement, incremental shares were included within the calculation of diluted EPS using the treasury stock method. See Note 4 for the impact on the calculation of diluted EPS.

In March 2013, PPL Capital Funding issued $450 million of 5.90% Junior Subordinated Notes due 2073. PPL Capital Funding received proceeds of $436 million, net of underwriting fees, which was loaned to or invested in affiliates of PPL Capital Funding and used to fund their capital expenditures and for other general corporate purposes.

In May 2013, PPL Capital Funding remarketed $1.150 billion of 4.625% Junior Subordinated Notes due 2018 that were originally issued in June 2010 as a component of PPL's 2010 Equity Units. In connection with the remarketing, PPL Capital Funding issued $300 million of 2.04% Junior Subordinated Notes due 2016 and $850 million of 2.77% Junior Subordinated Notes due 2018, which were simultaneously exchanged into three tranches of Senior Notes. As a result of the exchange, the new Senior Notes include $250 million of 1.90% Senior Notes due 2018, $600 million of 3.40% Senior Notes due 2023 and $300 million of 4.70% Senior Notes due 2043. The transaction was accounted for as a debt extinguishment, resulting in a $10 million loss on extinguishment of the Junior Subordinated Notes, which was recorded to "Interest Expense" on the Statement of Income. The transaction was considered non-cash activity that was excluded from the 2013 Statement of Cash Flows.

In July 2013, PPL issued 40 million shares of common stock at $28.73 per share to settle the 2010 Purchase Contracts. PPL received net cash proceeds of $1.150 billion, which will be used to repay short-term and long-term debt obligations and for other general corporate purposes.

During the nine months ended September 30, 2013, PPL repurchased 2.4 million shares of its common stock for $74 million to offset the 2013 issuances of common stock under stock-based compensation plans, ESOP and DRIP. These repurchases were recorded as a reduction to "Additional paid-in capital" on the Balance Sheet.

In September 2013, WPD (East Midlands) issued £40 million aggregate principal amount of 1.676% Index-linked Senior Notes due 2052. WPD (East Midlands) received proceeds of £40 million, which equated to $64 million at the time of issuance. The proceeds will be used for general corporate purposes. Although WPD's results are generally recorded on a one-month lag, this transaction was recognized in the current period financial statements.

In October 2013, WPD (East Midlands) issued £25 million aggregate principal amount of 1.676% Index-linked Senior Notes due 2052. WPD (East Midlands) received proceeds of £25 million, which equated to $40 million at the time of issuance. The proceeds will be used for general corporate purposes.

In October 2013, WPD (West Midlands) issued £400 million aggregate principal amount of 3.875% Senior Notes due 2024. WPD (West Midlands) received proceeds of £394 million, which equated to $637 million at the time of issuance, net of a discount and underwriting fees. The net proceeds will be used for general corporate purposes.

See Note 7 in PPL's 2012 Form 10-K for information on the 2011 Equity Units (with respect to which the related $978 million of Notes are expected to be remarketed as early as the first quarter of 2014).

(PPL and PPL Energy Supply)

In February 2013, PPL Energy Supply completed an offer to exchange up to all, but not less than a majority, of PPL Ironwood's 8.857% Senior Secured Bonds due 2025, (Ironwood Bonds), for newly issued PPL Energy Supply Senior Notes, Series 4.60% due 2021. A total of $167 million aggregate principal amount of outstanding Ironwood Bonds was exchanged for $212 million aggregate principal amount of Senior Notes, Series 4.60% due 2021. This transaction was accounted for as a modification of the existing debt; therefore, the amount of debt on the Balance Sheet remained at $167 million and will be accreted to $212 million over the life of the new Senior Notes. No gain or loss was recorded and the exchange was considered non-cash activity that was excluded from the 2013 Statement of Cash Flows.

In July 2013, PPL Energy Supply repaid the entire $300 million principal amount of its 6.30% Senior Notes upon maturity.

(PPL and PPL Electric)

In July 2013, PPL Electric issued $350 million of 4.75% First Mortgage Bonds due 2043. PPL Electric received proceeds of $345 million, net of a discount and underwriting fees, which will be used for capital expenditures, to fund pension obligations and for other general corporate purposes.

Legal Separateness

(All Registrants)

The subsidiaries of PPL are separate legal entities. PPL's subsidiaries are not liable for the debts of PPL. Accordingly, creditors of PPL may not satisfy their debts from the assets of PPL's subsidiaries absent a specific contractual undertaking by a subsidiary to pay PPL's creditors or as required by applicable law or regulation. Similarly, absent a specific contractual undertaking or as required by applicable law or regulation, PPL is not liable for the debts of its subsidiaries, nor are its subsidiaries liable for the debts of one another. Accordingly, creditors of PPL's subsidiaries may not satisfy their debts from the assets of PPL or its other subsidiaries absent a specific contractual undertaking by PPL or its other subsidiaries to pay such creditors or as required by applicable law or regulation.

Similarly, the subsidiaries of PPL Energy Supply, PPL Electric and LKE are each separate legal entities. These subsidiaries are not liable for the debts of PPL Energy Supply, PPL Electric and LKE. Accordingly, creditors of PPL Energy Supply, PPL Electric and LKE may not satisfy their debts from the assets of their subsidiaries absent a specific contractual undertaking by a subsidiary to pay the creditors or as required by applicable law or regulation. Similarly, absent a specific contractual undertaking or as required by applicable law or regulation, PPL Energy Supply, PPL Electric and LKE are not liable for the debts of their subsidiaries, nor are their subsidiaries liable for the debts of one another. Accordingly, creditors of these subsidiaries may not satisfy their debts from the assets of PPL Energy Supply, PPL Electric and LKE (or their other subsidiaries) absent a specific contractual undertaking by that parent or other subsidiary to pay such creditors or as required by applicable law or regulation.

Distributions and Capital Contributions

(PPL)

In August 2013, PPL declared its quarterly common stock dividend, payable October 1, 2013, at 36.75 cents per share (equivalent to $1.47 per annum). Future dividends, declared at the discretion of the Board of Directors, will be dependent upon future earnings, cash flows, financial and legal requirements and other factors.

(All Registrants except PPL)

During the nine months ended September 30, 2013, the following distributions and capital contributions occurred:

	PPL Energy Supply	PPL Electric	LKE	LG&E	KU
Dividends/distributions paid to parent/member	$ 408	$ 94	$ 116	$ 67	$ 83
Capital contributions received from parent/member	980	205	146	54	92

8. Acquisitions, Development and Divestitures

(All Registrants)

The Registrants from time to time evaluate opportunities for potential acquisitions, divestitures and development projects. Development projects are reexamined based on market conditions and other factors to determine whether to proceed with the projects, sell, cancel or expand them, execute tolling agreements or pursue other options. Any resulting transactions may impact future financial results.

Acquisitions

Ironwood Acquisition *(PPL and PPL Energy Supply)*

See Note 10 in PPL's and PPL Energy Supply's 2012 Form 10-K for information on the April 13, 2012 Ironwood Acquisition. See Note 7 for information on the February 2013 exchange of a portion of long-term debt assumed through consolidation as a result of the acquisition.

Development

Future Capacity Needs *(PPL and Kentucky Registrants)*

Construction activity continues on the previously announced natural gas combined-cycle generating unit at the Cane Run station, scheduled to be operational in May 2015. In October 2013, LG&E and KU announced plans to build a second natural gas combined-cycle generating unit at KU's Green River generating site. Subject to finalizing details, regulatory applications, permitting and construction schedules, the facility is expected to have approximately 700 MW of capacity at an estimated cost of $700 million and is planned to be operational in 2018. At the same time, LG&E and KU also announced plans for a potential 10 MW solar generation facility to be operational in 2016 at an estimated cost of $25 million.

(PPL and PPL Energy Supply)

Bell Bend COLA

The NRC continues to review the COLA submitted by a PPL Energy Supply subsidiary, PPL Bell Bend, LLC (PPL Bell Bend) for the proposed construction of the Bell Bend nuclear generating unit (Bell Bend) adjacent to PPL's Susquehanna nuclear generating plant. PPL Bell Bend does not expect to complete the COLA review process with the NRC prior to 2016. PPL Bell Bend has made no decision to proceed with construction of Bell Bend and expects that such decision will not be made for several years given the anticipated lengthy NRC license approval process. Additionally, PPL Bell Bend does not expect to proceed with construction absent favorable economics, a joint arrangement with other interested parties and a federal loan guarantee or other acceptable financing. PPL Bell Bend is currently authorized to spend up to $205 million on the COLA and other permitting costs necessary for construction, which is expected to be sufficient to fund the project through receipt of the license. At September 30, 2013 and December 31, 2012, $169 million and $154 million of costs, which includes capitalized interest, associated with the licensing application were capitalized and are included on the Balance Sheets in noncurrent "Other intangibles." PPL Bell Bend believes that the estimated fair value of the COLA currently exceeds the costs expected to be capitalized associated with the licensing application. See Note 8 in PPL's and PPL Energy Supply's 2012 Form 10-K for additional information.

Hydroelectric Expansion Project

In the first quarter of 2013, the 63 MW Rainbow hydroelectric redevelopment project in Great Falls, Montana was placed in service.

Regional Transmission Line Expansion Plan *(PPL and PPL Electric)*

Susquehanna-Roseland

On October 1, 2012, the National Park Service (NPS) issued its Record of Decision (ROD) on the proposed Susquehanna-Roseland transmission line affirming the route chosen by PPL Electric and Public Service Electric & Gas Company (PSE&G) as the preferred alternative under the NPS's National Environmental Policy Act review. In October 2012, a complaint was filed in the U.S. District Court for the District of Columbia by various environmental groups, including the Sierra Club, challenging the ROD and seeking to prohibit its implementation. PPL Electric and PSE&G intervened in the lawsuit. In December 2012, PPL Electric received federal construction and right of way permits to build on National Park Service lands.

On August 19, 2013, the environmental groups filed a petition for injunctive relief seeking to prohibit all construction activities until the court issued a final decision on the complaint. On August 30, 2013, the District Court ruled in favor of PPL Electric, PSE&G and the U.S. Government and dismissed the lawsuit filed by the environmental groups. The environmental groups have publicly stated that they do not intend to appeal the District Court decision. PPL Electric began construction on the National Park Service lands in Pennsylvania on October 1, 2013.

Construction activities have been underway on other portions of the 101-mile route in Pennsylvania since 2012. The line is expected to be completed before the peak summer demand period of 2015. At September 30, 2013, PPL Electric's estimated share of the project cost was $630 million.

PPL and PPL Electric cannot predict any future legal challenges to the project or what additional actions, if any, PJM might take in the event of a further delay to the scheduled in-service date for the new line.

Northeast/Pocono

In October 2012, the FERC issued an order in response to PPL Electric's December 2011 request for ratemaking incentives for the Northeast/Pocono Reliability project (a new 58-mile 230 kV transmission line that includes three new substations and upgrades to adjacent facilities). The FERC granted the incentive for inclusion in rate base of all prudently incurred construction work in progress (CWIP) costs but denied the incentive for a 100 basis point adder to the return on equity. The order required a follow-up compliance filing from PPL Electric to ensure proper accounting treatment of AFUDC and CWIP for the project, which PPL Electric submitted to the FERC in March 2013 and the FERC subsequently approved in April 2013.

In December 2012, PPL Electric submitted an application to the PUC requesting permission to site and construct the project. A number of parties have protested the application, which has been assigned to an Administrative Law Judge (ALJ). Evidentiary hearings were held in July 2013. In October 2013, the ALJ concluded that PPL met its burden on all issues, and recommended that the PUC approve the siting application, two zoning petitions, and the remaining eminent domain applications. A final PUC order is expected in the first quarter of 2014. PPL Electric expects the project to be completed in 2017. At September 30, 2013, PPL Electric's estimated cost of the project was $335 million, an increase from its original estimate of $200 million at December 31, 2012. The increased cost is primarily related to higher material and labor costs and additional scope due to revised construction standards. Of the total estimated cost, $308 million qualifies for the CWIP treatment.

See Note 8 in PPL's and PPL Electric's 2012 Form 10-K for additional information.

Other *(PPL and PPL Energy Supply)*

Montana Transactions

In September 2013, PPL Montana executed a definitive agreement to sell 633 MW of hydroelectric facilities to NorthWestern for $900 million in cash, subject to certain adjustments. The sale, which is not expected to close before the second half of 2014, includes 11 hydroelectric power facilities and related assets. The sale is subject to closing conditions, including receipt of regulatory approvals by the FERC and Montana Public Service Commission and certain third-party consents. Due to the uncertainties related to certain of these conditions as of September 30, 2013, the sale did not meet the applicable accounting criteria for the assets and liabilities included in the transaction to be classified as held for sale on the Balance Sheet.

In a related transaction, in September 2013, PPL Montana negotiated and entered into an agreement to pay $271 million to terminate a sale-leaseback arrangement and reacquire its interests in the Colstrip coal-fired facilities. See Note 11 in PPL's and PPL Energy Supply's 2012 Form 10-K for additional information on the sale-leaseback. This transaction is anticipated to occur by the end of the first quarter of 2014, subject to approval by the FERC. At lease termination, in addition to recording a charge for the cash payment, a non-cash charge is expected to be recorded related to the existing lease-related assets on PPL's and PPL Energy Supply's Balance Sheets. The book value of these assets was approximately $450 million at September 30, 2013. These lease-related assets will be written-off and the reacquired Colstrip assets will be recorded at fair value as of the acquisition date. The total loss is currently estimated at between $310 million and $430 million, after-tax, which is dependent on the fair value assigned to the reacquired Colstrip assets.

Lower Mt. Bethel Plant Transaction

In December 2001, a subsidiary of PPL Energy Supply entered into an operating lease arrangement, as lessee, for the development, construction and operation of the Lower Mt. Bethel plant. The owner/lessor of the Lower Mt. Bethel plant was determined to be a VIE and has been consolidated in PPL's and PPL Energy Supply's financial statements since December 31, 2003. See Note 22 in PPL's and PPL Energy Supply's 2012 Form 10-K for additional information on the VIE. A subsidiary of PPL Energy Supply now intends to purchase the Lower Mt. Bethel plant for $455 million at the lease termination date in December 2013, subject to approval by the FERC. The proceeds are expected to be used by the VIE to repay outstanding debt and make a distribution to its equity investors (currently presented as noncontrolling interests in PPL's and PPL Energy Supply's financial statements). The transaction will not result in any gain or loss as it will be treated as a transfer of assets between entities under common control and will not result in any change to the presentation of the Lower Mt. Bethel plant assets as they are currently included in PPL's and PPL Energy Supply's consolidated financial statements.

9. Defined Benefits

(All Registrants except PPL Electric and KU)

Certain net periodic defined benefit costs are applied to accounts that are further distributed between capital and expense, including certain costs allocated to applicable subsidiaries for plans sponsored by PPL Services and LKE. Following are the net periodic defined benefit costs (credits) of the plans sponsored by PPL, PPL Energy Supply, LKE and LG&E for the periods ended September 30:

	Pension Benefits							
	Three Months				Nine Months			
	U.S.		U.K.		U.S.		U.K.	
	2013	2012	2013	2012	2013	2012	2013	2012
PPL								
Service cost	$ 31	$ 25	$ 18	$ 13	$ 94	$ 77	$ 52	$ 40
Interest cost	53	55	79	85	160	165	238	254
Expected return on plan assets	(73)	(65)	(115)	(115)	(220)	(195)	(346)	(340)
Amortization of:								
Prior service cost	6	6		1	17	18		3
Actuarial (gain) loss	20	11	37	19	60	32	112	59
Net periodic defined benefit costs (credits)	$ 37	$ 32	$ 19	$ 3	$ 111	$ 97	$ 56	$ 16

	Pension Benefits			
	Three Months		Nine Months	
	2013	2012	2013	2012
PPL Energy Supply				
Service cost	$ 1	$ 1	$ 5	$ 4
Interest cost	2	2	6	6
Expected return on plan assets	(2)	(2)	(7)	(7)
Amortization of:				
Actuarial (gain) loss	1	1	2	2
Net periodic defined benefit costs (credits)	$ 2	$ 2	$ 6	$ 5
LKE				
Service cost	$ 6	$ 5	$ 19	$ 16
Interest cost	16	16	47	48
Expected return on plan assets	(20)	(17)	(61)	(52)
Amortization of:				
Prior service cost	1	2	3	4
Actuarial (gain) loss	8	5	25	16
Net periodic defined benefit costs (credits)	$ 11	$ 11	$ 33	$ 32
LG&E				
Service cost	$ 1		$ 2	$ 1
Interest cost	3	$ 4	10	11
Expected return on plan assets	(5)	(5)	(15)	(14)
Amortization of:				
Prior service cost	1	1	2	2
Actuarial (gain) loss	3	3	10	8
Net periodic defined benefit costs (credits)	$ 3	$ 3	$ 9	$ 8

	Other Postretirement Benefits			
	Three Months		Nine Months	
	2013	2012	2013	2012
PPL				
Service cost	$ 4	$ 3	$ 11	$ 9
Interest cost	7	7	21	23
Expected return on plan assets	(6)	(6)	(18)	(17)
Amortization of:				
Transition obligation				1
Prior service cost		1		1
Actuarial (gain) loss	1	1	4	3
Net periodic defined benefit costs (credits)	$ 6	$ 6	$ 18	$ 20

	Other Postretirement Benefits			
	Three Months		Nine Months	
	2013	2012	2013	2012
LKE				
Service cost	$ 2	$ 1	$ 4	$ 3
Interest cost	2	3	6	7
Expected return on plan assets	(2)	(1)	(4)	(3)
Amortization of:				
Transition obligation				1
Prior service cost	1		2	2
Actuarial (gain) loss				(1)
Net periodic defined benefit costs (credits)	$ 3	$ 3	$ 8	$ 9

(All Registrants except PPL)

In addition to the specific defined benefit plans they sponsor, PPL Energy Supply subsidiaries are also allocated costs of defined benefit plans sponsored by PPL Services and LG&E is allocated costs of defined benefit plans sponsored by LKE based on their participation in those plans, which management believes are reasonable. PPL Electric and KU do not independently sponsor any defined benefit plans. PPL Electric is allocated costs of defined benefit plans sponsored by PPL Services and KU is allocated costs of defined benefit plans sponsored by LKE based on their participation in those plans, which management believes are reasonable. For the periods ended September 30, PPL Services allocated the following net periodic defined benefit costs to PPL Energy Supply subsidiaries and PPL Electric, and LKE allocated the following net periodic defined benefit costs to LG&E and KU.

	Three Months		Nine Months	
	2013	2012	2013	2012
PPL Energy Supply	$ 11	$ 10	$ 34	$ 29
PPL Electric	9	8	27	23
LG&E	3	3	9	9
KU	4	4	13	13

10. Commitments and Contingencies

Energy Purchase Commitments

(PPL and PPL Energy Supply)

PPL Energy Supply enters into long-term purchase contracts to supply the coal requirements for its coal-fired generating facilities. These contracts include commitments to purchase coal through 2019. In 2012, as a result of lower electricity and natural gas prices, coal unit utilization began to decrease. To mitigate the risk of exceeding available coal storage, PPL Energy Supply incurred pre-tax charges of $17 million and $29 million during the three and nine months ended September 30, 2012 to reduce its 2012 and 2013 contracted coal deliveries. These charges were recorded to "Fuel" on the Statement of Income.

(PPL and PPL Electric)

In May 2012, PPL Electric filed a plan with the PUC to purchase its electricity supply for default customers for the period June 2013 through May 2015. The PUC approved the plan in January 2013. The approved plan provides that PPL Electric procure this electricity through competitive solicitations twice each plan year beginning in April 2013. The solicitations will include layered short-term full-requirement products ranging from three months to 12 months for residential and small commercial and industrial PLR customers as well as a recurring 12 month spot market product for large commercial and industrial PLR customers. Through October 2013, two of four solicitations have been completed.

(PPL Electric)

See Note 11 for information on the power supply agreements between PPL EnergyPlus and PPL Electric.

Legal Matters

(All Registrants)

PPL and its subsidiaries are involved in legal proceedings, claims and litigation in the ordinary course of business. PPL and its subsidiaries cannot predict the outcome of such matters, or whether such matters may result in material liabilities, unless otherwise noted.

WKE Indemnification *(PPL and LKE)*

See footnote (l) to the table in "Guarantees and Other Assurances" below for information on an LKE indemnity relating to its former WKE lease, including related legal proceedings.

(PPL and PPL Energy Supply)

Sierra Club Litigation

In July 2012, PPL Montana received a Notice of Intent to Sue (Notice) for violations of the Clean Air Act at Colstrip Steam Electric Station (Colstrip) from counsel on behalf of the Sierra Club and the Montana Environmental Information Center (MEIC). An Amended Notice was received on September 4, 2012, and a Second Amended Notice was received in October 2012. A Supplemental Notice was received in December 2012. The Notice, Amended Notice, Second Amended Notice and Supplemental Notice (the Notices) were all addressed to the Owner or Managing Agent of Colstrip, and to the other Colstrip co-owners: Avista Corporation, Puget Sound Energy, Portland General Electric Company, Northwestern Energy and PacificCorp. The Notices allege certain violations of the Clean Air Act, including New Source Review, Title V and opacity requirements.

On March 6, 2013, the Sierra Club and MEIC filed a complaint against PPL Montana and the other Colstrip co-owners in the U.S. District Court, District of Montana, Billings Division. PPL Montana operates Colstrip on behalf of the co-owners. The complaint is generally consistent with the prior Notices and lists 39 separate claims for relief. All but three of the claims allege Prevention of Significant Deterioration (PSD) related violations under the federal Clean Air Act for various plant maintenance projects completed since 1992. For each such project or set of projects, there are separate claims for failure to obtain a PSD permit, for failure to obtain a Montana Air Quality Permit to operate after the project(s) were completed and for operating after completion of such project(s) without "Best Available Control Technology". The remaining three claims relate to the alleged failure to update the Title V operating permit for Colstrip to reflect the alleged major modifications described in the other claims, allege that the previous Title V compliance certifications were incomplete because they did not address the major plant modifications, and that numerous opacity violations have occurred at the plant since 2007. The complaint requests injunctive relief and civil penalties on average of $36,000 per day per violation, including a request that the owners remediate environmental damage and that $100,000 of the civil penalties be used for beneficial mitigation projects. Trial in this matter as to liability has been scheduled for October 2014. Trial as to remedies, if there is a finding of liability, is scheduled for August 2015.

On July 27, 2013, the Sierra Club and MEIC filed an additional Notice, identifying additional plant projects that are alleged not to be in compliance with the Clean Air Act. On September 27, 2013, the plaintiffs filed an amended complaint. This amended complaint drops all claims regarding pre-2001 plant projects, as well as the plaintiffs' Title V and opacity claims. It does, however, add claims with respect to a number of post-2000 plant projects, which effectively increased the number of projects subject to the litigation by about 40. PPL Montana and the other Colstrip Owners filed a motion to dismiss the amended complaint on October 11, 2013. Although PPL Montana believes it and the other co-owners have numerous defenses to the allegations set forth in this complaint and will vigorously assert the same, PPL Montana cannot predict the ultimate outcome of this matter at this time.

Regulatory Issues

(All Registrants)

See Note 6 for information on regulatory matters related to utility rate regulation. See Note 15 to the Registrants' 2012 Form 10-K for a discussion of Enactment of Financial Reform Legislation.

(PPL, PPL Energy Supply and PPL Electric)

New Jersey Capacity Legislation

In January 2011, New Jersey enacted a law that intervenes in the wholesale capacity market exclusively regulated by the FERC: S. No. 2381, 214th Leg. (N.J. 2011) (the Act). To create incentives for the development of new, in-state electric generation facilities, the Act implements a "long-term capacity agreement pilot program (LCAPP)." The Act requires New Jersey utilities to pay a guaranteed fixed price for wholesale capacity, imposed by the New Jersey Board of Public Utilities (BPU), to certain new generators participating in PJM, with the ultimate costs of that guarantee to be borne by New Jersey ratepayers. PPL believes the intent and effect of the LCAPP is to encourage the construction of new generation in New Jersey even when, under the FERC-approved PJM economic model, such new generation would not be economic. The Act could depress capacity prices in PJM in the short term, impacting PPL Energy Supply's revenues, and harm the long-term ability of the PJM capacity market to incent necessary generation investment throughout PJM. In February 2011, the PJM Power Providers Group (P3), an organization in which PPL is a member, filed a complaint before the FERC seeking changes in PJM's capacity market rules designed to ensure that subsidized generation, such as the generation that may result from the implementation of the LCAPP, will not be able to set capacity prices artificially low as a result of their exercise of buyer market power. In April 2011, the FERC issued an order granting in part and denying in part P3's complaint and ordering changes in PJM's capacity rules consistent with a significant portion of P3's requested changes. Several parties have filed appeals of the FERC's order. PPL, PPL Energy Supply and PPL Electric cannot predict the outcome of this proceeding or the economic impact on their businesses or operations, or the markets in which they transact business.

In addition, in February 2011, PPL and several other generating companies and utilities filed a complaint in U.S. District Court in New Jersey challenging the Act on the grounds that it violates well-established principles under the Supremacy Clause and the Commerce Clause of the U.S. Constitution and requesting declaratory and injunctive relief barring implementation of the Act by the BPU Commissioners. In October 2011, the court denied the BPU's motion to dismiss the proceeding and in September 2012 the U.S. District Court denied all summary judgment motions. Trial of this matter was completed in June 2013. In October 2013, the U.S. District Court in New Jersey issued a decision finding the Act unconstitutional under the Supremacy Clause on the grounds that it infringes upon the FERC's exclusive authority to regulate the wholesale sale of electricity in interstate commerce. The decision has been appealed to the U.S. Court of Appeals for the Third Circuit by CPV Power Development, Inc. and is expected to be appealed by the State of New Jersey. PPL, PPL Energy Supply and PPL Electric cannot predict the outcome of this proceeding or the economic impact on their businesses or operations, or the markets in which they transact business.

Maryland Capacity Order

In April 2012, the Maryland Public Service Commission (MD PSC) ordered three electric utilities in Maryland to enter into long-term contracts to support the construction of new electric generating facilities in Maryland, specifically a 661 MW natural gas-fired combined-cycle generating facility to be owned by CPV Maryland, LLC. PPL believes the intent and effect of the action by the MD PSC is to encourage the construction of new generation in Maryland even when, under the FERC-approved PJM economic model, such new generation would not be economic. The MD PSC action could depress capacity prices in PJM in the short term, impacting PPL Energy Supply's revenues, and harm the long-term ability of the PJM capacity market to encourage necessary generation investment throughout PJM.

In April 2012, PPL and several other generating companies filed a complaint in U.S. District Court in Maryland challenging the MD PSC order on the grounds that it violates well-established principles under the Supremacy and Commerce clauses of the U.S. Constitution and requested declaratory and injunctive relief barring implementation of the order by the MD PSC Commissioners. In August 2012, the court denied the MD PSC and CPV Maryland, LLC motions to dismiss the proceeding. Trial of this matter was completed in March 2013. In September 2013, the U.S. District Court in Maryland issued a decision finding the MD PSC order unconstitutional under the Supremacy Clause on the grounds that it infringes upon the FERC's exclusive authority to regulate the wholesale sale of electricity in interstate commerce. The decision is expected to be appealed to the U.S. Court of Appeals for the Fourth Circuit. PPL, PPL Energy Supply, and PPL Electric cannot predict the outcome of this proceeding or the economic impact on their businesses or operations, or the markets in which they transact business.

Pacific Northwest Markets *(PPL and PPL Energy Supply)*

Through its subsidiaries, PPL Energy Supply made spot market bilateral sales of power in the Pacific Northwest during the period from December 2000 through June 2001. Several parties subsequently claimed refunds at FERC as a result of these sales. In June 2003, the FERC terminated proceedings to consider whether to order refunds for spot market bilateral sales made in the Pacific Northwest, including sales made by PPL Montana, during the period December 2000 through June 2001. In August 2007, the U.S. Court of Appeals for the Ninth Circuit reversed the FERC's decision and ordered the FERC to consider additional evidence. In October 2011, FERC initiated proceedings to consider additional evidence. In July 2012, PPL Montana and the City of Tacoma, one of the two parties claiming refunds at FERC, reached a settlement whereby PPL Montana paid $75 thousand to resolve the City of Tacoma's $23 million claim. The settlement does not resolve the remaining claim outstanding at September 30, 2013 by the City of Seattle for approximately $50 million. In April 2013, the FERC issued an order on reconsideration allowing the parties to seek refunds for the period January 2000 through December 2000. As a result, the City of Seattle may be able to seek refunds from PPL Montana for such period. Hearings before a FERC Administrative Law Judge regarding the City of Seattle's refund claims were completed in October 2013. A briefing schedule has been set and an initial decision is expected in mid-March 2014.

Although PPL and its subsidiaries believe they have not engaged in any improper trading or marketing practices affecting the Pacific Northwest markets, PPL and PPL Energy Supply cannot predict the outcome of the above-described proceedings or whether any subsidiaries will be the subject of any additional governmental investigations or named in other lawsuits or refund proceedings. Consequently, PPL and PPL Energy Supply cannot estimate a range of reasonably possible losses, if any, related to this matter.

Electric - Reliability Standards *(All Registrants)*

The NERC is responsible for establishing and enforcing mandatory reliability standards (Reliability Standards) regarding the bulk power system. The FERC oversees this process and independently enforces the Reliability Standards. The Reliability Standards have the force and effect of law and apply to certain users of the bulk power electricity system, including electric utility companies, generators and marketers. Under the Federal Power Act, the FERC may assess civil penalties of up to $1 million per day, per violation, for certain violations.

LG&E, KU , PPL Electric and certain subsidiaries of PPL Energy Supply monitor their compliance with the Reliability Standards and continue to self-report potential violations of certain applicable reliability requirements and submit accompanying mitigation plans, as required. The resolution of a number of potential violations is pending. Any Regional Reliability Entity (including RFC or SERC) determination concerning the resolution of violations of the Reliability Standards remains subject to the approval of the NERC and the FERC.

In the course of implementing their programs to ensure compliance with the Reliability Standards by those PPL affiliates subject to the standards, certain other instances of potential non-compliance may be identified from time to time. The Registrants cannot predict the outcome of these matters, and cannot estimate a range of reasonably possible losses, if any, other than the amounts currently recorded.

In October 2012, the FERC issued a Notice of Proposed Rulemaking (NOPR) concerning Reliability Standards for geomagnetic disturbances (GMDs). The FERC proposed to direct the NERC to submit for approval Reliability Standards that address the impact of GMDs on the reliable operation of the bulk-power system. In May 2013, the FERC issued its Final Rule, Order No. 779, which directs the NERC to submit GMD Reliability Standards to the FERC for approval in two stages. In the first stage, the NERC must submit one or more Reliability Standards by January 22, 2014 that require owners and operators of the bulk-power system to develop and implement operational procedures to mitigate the effects of GMDs on the bulk-power system. In the second stage, the NERC must submit one or more Reliability Standards by January 22, 2015 that require owners and operators of bulk-power system facilities to assess yet to be determined "benchmark GMD events" and develop and implement plans to protect the bulk-power system from such GMD events. The Registrants are unable to predict the specific requirements that will be contained in the Reliability Standards that the NERC has been directed to submit or the amount of any expenditures that may be required as a result of the approval of any such Reliability Standards.

Environmental Matters - Domestic

(All Registrants)

Due to the environmental issues discussed below or other environmental matters, it may be necessary for the Registrants to modify, curtail, replace or cease operation of certain facilities or performance of certain operations to comply with statutes, regulations and other requirements of regulatory bodies or courts. In addition, legal challenges to new environmental permits or rules add to the uncertainty of estimating the future cost impact of these permits and rules.

LG&E and KU are entitled to recover, through the ECR mechanism, certain costs of complying with the Clean Air Act as amended and those federal, state or local environmental requirements applicable to coal combustion wastes and by-products from facilities that generate electricity from coal in accordance with approved compliance plans. Costs not covered by the ECR mechanism for LG&E and KU and all such costs for PPL Electric are subject to rate recovery before the companies' respective state regulatory authorities, or the FERC, if applicable. Because PPL Electric does not own any generating plants, its exposure to related environmental compliance costs is reduced. As PPL Energy Supply is not a rate regulated entity, it cannot seek to recover environmental compliance costs through the mechanism of rate recovery. PPL, PPL Electric, LKE, LG&E and KU can provide no assurances as to the ultimate outcome of future environmental or rate proceedings before regulatory authorities.

(All Registrants except PPL Electric)

Air

CSAPR (formerly Clean Air Transport Rule) and CAIR

In July 2011, the EPA adopted the CSAPR. The CSAPR replaced the EPA's previous CAIR which was invalidated in July 2008 by the U.S. Court of Appeals for the District of Columbia Circuit (D.C. Circuit Court). CAIR subsequently was effectively reinstated by the D.C. Circuit Court in December 2008, pending finalization of the CSAPR. Like CAIR, CSAPR targeted sources in the eastern U.S. and required reductions in sulfur dioxide and nitrogen oxides in two phases (2012 and 2014).

In December 2011, the D.C. Circuit Court stayed implementation of the CSAPR and left CAIR in effect pending a final decision on the validity of the rule. In August 2012, the D.C. Circuit Court issued a ruling invalidating CSAPR, remanding the rule to the EPA for further action, and leaving CAIR in place during the interim. In June 2013, the U.S. Supreme Court granted the EPA's petition for review of the D.C. Circuit Court's August 2012 decision. Oral argument before the U.S. Supreme Court has been scheduled for December 2013. Prior to a revised rule from the EPA, coal-fired generating plants could face tighter nitrous oxide emission limitations through state action.

The Kentucky fossil-fueled generating plants can meet the CAIR sulfur dioxide emission requirements by utilizing sulfur dioxide allowances (including banked allowances and optimizing existing controls). To meet nitrogen oxide standards under the CAIR, the Kentucky companies will need to buy allowances and/or make operational changes. LG&E and KU do not currently anticipate that the costs of meeting these reinstated CAIR requirements or standards will be significant.

PPL Energy Supply's Pennsylvania fossil-fueled generating plants can meet the CAIR sulfur dioxide emission requirements with the existing scrubbers that were placed in service in 2008 and 2009. To meet the CAIR nitrogen oxide standards, PPL Energy Supply will need to buy allowances and/or make operational changes, the costs of which are not anticipated to be significant.

National Ambient Air Quality Standards

PPL fossil-fueled generating plants may face further reductions in emissions as a result of more stringent national ambient air quality standards for ozone, nitrogen oxide, sulfur dioxide and/or fine particulates.

In 2010, the EPA finalized a new one-hour standard for sulfur dioxide, and states are required to identify areas that meet those standards and areas that are in non-attainment. In July 2013, the EPA finalized non-attainment designations for parts of the country, including part of Yellowstone County in Montana (Billings area), including the Corette plant and its immediate vicinity, and part of Jefferson County in Kentucky. Attainment must be achieved by 2018. States are working on designations for other areas.

In December 2012, the EPA issued final rules that strengthen the fine particulate standards. Under the final rules, states and the EPA have until 2015 to identify non-attainment areas, and states have until 2020 to achieve attainment status for those areas.

PPL, PPL Energy Supply, LKE, LG&E and KU anticipate that some of the measures required for compliance with the CAIR, or the MATS, or the Regional Haze requirements (as discussed below), such as upgraded or new sulfur dioxide scrubbers at certain plants and, in the case of LG&E and KU, the previously announced retirement of coal-fired generating units at the Cane Run, Green River and Tyrone plants, will help to achieve compliance with the new one-hour sulfur dioxide standard. If additional reductions were to be required, the financial impact could be significant. The short-term impact on the Corette plant from the EPA's final designation of part of Yellowstone County in Montana as non-attainment as noted above is not expected to be significant, as PPL Energy Supply previously announced its intent to place the plant in long-term reserve status beginning in April 2015 (see "MATS" below). The longer-term impact will depend on the status of plant operations at that time and what the MDEQ requires in its State Implementation Plan for reestablishing attainment, due in January 2015.

Until particulate matter and sulfur dioxide maintenance and compliance plans are developed by the EPA and state or local agencies, including identification and finalization of attainment designations for particulate matter, PPL, PPL Energy Supply, LKE, LG&E and KU cannot predict the impact of the new standards.

MATS

In May 2011, the EPA published a proposed regulation requiring stringent reductions of mercury and other hazardous air pollutants from power plants. In February 2012, the EPA published the final rule, known as the MATS, with an effective date of April 2012. The rule is being challenged by industry groups and states in the D.C. Circuit Court, where oral argument is scheduled for December 2013. The rule provides for a three-year compliance deadline with the potential for a one-year extension as provided under the statute. PPL has received two extensions in Kentucky and has requested an extension for one plant in Pennsylvania. Other extension requests are under consideration.

At the time the MATs rule was proposed, LG&E and KU filed requests with the KPSC for environmental cost recovery based on their expected need to install environmental controls, including chemical additive and fabric-filter baghouses to remove certain air pollutants. Recovery of the cost of certain controls was granted by the KPSC in December 2011. LG&E's and KU's anticipated retirement of certain coal-fired electricity generating units is in response to this and other environmental regulations. LG&E and KU are continuing to assess whether any revisions of their approved compliance plans will be necessary.

With respect to PPL Energy Supply's Pennsylvania plants, PPL Energy Supply believes that installation of chemical additive systems may be necessary at certain coal-fired plants, the capital cost of which is not expected to be significant. PPL Energy Supply continues to analyze the potential impact of MATS on operating costs. With respect to PPL Energy Supply's Montana plants, modifications to the air pollution controls installed on Colstrip may be required, the cost of which is not expected to be significant. For the Corette plant, PPL Energy Supply announced in September 2012 its intention, beginning in April 2015, to place the plant in long-term reserve status, suspending the plant's operation, due to expected market conditions and the costs to comply with the MATS requirements. The Corette plant asset group's carrying amount at September 30, 2013 was $67 million. Although the Corette plant asset group was not determined to be impaired at September 30, 2013, it is reasonably possible that an impairment could occur in future periods, as the Company continues to assess its plans for Corette and as higher priced sales contracts settle, adversely impacting projected cash flows. PPL Energy Supply, LG&E and KU are continuing to conduct in-depth reviews of the MATS, including the potential implications to scrubber wastewater discharges. See the discussion of effluent limitations guidelines and standards below.

Upon reconsideration of the MATS rule, in March 2013 the EPA revised certain emission limits and related requirements for new power plants. The revised limits are somewhat less onerous than the original proposal, and thereby pose less of an impediment to the construction of new coal-fired power plants.

Regional Haze and Visibility

The EPA's regional haze programs were developed under the Clean Air Act to eliminate man-made visibility degradation by 2064. Under the programs, states are required to take action via state plans to make reasonable progress every decade, including the application of Best Available Retrofit Technology (BART) on power plants commissioned between 1962 and 1977.

The primary power plant emissions affecting visibility are sulfur dioxide, nitrogen oxide and particulates. To date, the focus of regional haze activity has been the western U.S. because, until recently, BART requirements for sulfur dioxide and nitrogen oxide reductions in the eastern U.S. were largely addressed through compliance with other regulatory programs, such as CSAPR or CAIR. More specifically, before CAIR was temporarily invalidated in 2008, the EPA had determined, and the D.C. Circuit Court had affirmed, that a state could accept region-wide reductions under the CAIR trading program to satisfy BART requirements. After CAIR was temporarily invalidated, the EPA adopted a final rule providing that states subject to CSAPR (which replaced CAIR) may rely on participation in the CSAPR trading program as an alternative to BART. However, the D.C. Circuit Court's August 2012 decision to vacate and remand CSAPR and to implement CAIR in its place on an interim basis leaves power plants located in the eastern U.S., including PPL's plants in Pennsylvania and Kentucky, exposed to reductions in sulfur dioxide and nitrogen oxides as required by BART, unless the D.C. Circuit Court's decision, now pending before the U.S. Supreme Court, is overturned.

In addition to this exposure stemming from the remand of CSAPR, LG&E's Mill Creek Units 3 and 4 are required to reduce sulfuric acid mist emissions because they were determined to have a significant regional haze impact. These reductions are in the Kentucky Division of Air Quality's regional haze state implementation plan that was submitted to the EPA. LG&E is currently installing sorbent injection technology to comply with these reductions, the costs of which are not expected to be significant.

In Montana, the EPA Region 8 developed the regional haze plan as the MDEQ declined to develop a BART state implementation plan. In September 2012, the EPA issued its final Federal Implementation Plan (FIP) for the Montana regional haze rule. The final FIP assumed no additional controls for Corette or Colstrip Units 3 and 4, but proposed tighter limits for Corette and Colstrip Units 1 and 2. PPL Energy Supply expects to meet these tighter permit limits at Corette without any significant changes to operations, although other requirements have led to the planned suspension of operations at Corette beginning in April 2015 (see "MATS" above). Under the final FIP, Colstrip Units 1 and 2 may require additional controls, including the possible installation of an SNCR and other technology, to meet more stringent nitrogen oxide and sulfur dioxide limits. The cost of these potential additional controls, if required, could be significant. In November 2012, PPL filed a petition for review of the Montana Regional Haze FIP with the U.S. Court of Appeals for the Ninth Circuit. Environmental groups have also filed a petition for review. The two matters have been consolidated, and litigation is on-going.

New Source Review (NSR)

The EPA has continued its NSR enforcement efforts targeting coal-fired generating plants. The EPA has asserted that modification of these plants has increased their emissions and, consequently, that they are subject to stringent NSR requirements under the Clean Air Act. In April 2009, PPL received EPA information requests for its Montour and Brunner Island plants. PPL and the EPA have exchanged certain information regarding this matter. In January 2009, PPL, PPL Energy Supply and other companies that own or operate the Keystone plant in Pennsylvania received a notice of violation from the EPA alleging that certain projects were undertaken without proper NSR compliance. In May and November 2012, PPL Montana received information requests from the EPA regarding projects undertaken during a Spring 2012 maintenance outage at Colstrip Unit 1. In September 2012, PPL Montana received an information request from the Montana Department of Environmental Quality regarding Colstrip Unit 1 and other projects. PPL and PPL Energy Supply cannot predict the outcome of these matters, and cannot estimate a range of reasonably possible losses, if any.

In March 2009, KU received an EPA notice alleging that KU violated certain provisions of the Clean Air Act's rules governing NSR and prevention of significant deterioration by installing sulfur dioxide scrubbers and SCR controls at its Ghent plant without assessing potential increased sulfuric acid mist emissions. KU contends that the projects in question were pollution control projects, and therefore exempt from the requirements cited by the EPA. In December 2009, the EPA issued an information request on this matter. In September 2012, the parties reached a tentative settlement addressing the Ghent NSR matter that seeks to resolve a September 2007 notice of violation alleging opacity violations at the plant. The parties subsequently entered into a consent decree which was approved by the court on September 11, 2013. The consent decree requires the incurrence of non-material costs that have already been accrued.

In August 2007, LG&E received information requests for the Mill Creek and Trimble County plants, and KU received requests for the Ghent plant, but they have received no further communications from the EPA since providing their responses. PPL, LKE, LG&E and KU cannot predict the outcome of these matters, and cannot estimate a range of reasonably possible losses, if any.

States and environmental groups also have commenced litigation alleging violations of the NSR regulations by coal-fired generating plants across the nation. See "Legal Matters" above for information on a lawsuit filed by environmental groups in March 2013 against PPL Montana and other owners of Colstrip.

If PPL subsidiaries are found to have violated NSR regulations, PPL, PPL Energy Supply, LKE, LG&E and KU would, among other things, be required to meet permit limits reflecting Best Available Control Technology (BACT) for the emissions of any pollutant found to have significantly increased due to a major plant modification. The costs to meet such limits, including installation of technology at certain units, could be significant.

TC2 Air Permit (PPL and Kentucky Registrants)

The Sierra Club and other environmental groups petitioned the Kentucky Environmental and Public Protection Cabinet to overturn the air permit issued for the TC2 baseload generating unit, but the agency upheld the permit in an order issued in September 2007. In response to subsequent petitions by environmental groups, the EPA ordered certain non-material changes to the permit which in January 2010 were incorporated into a final revised permit issued by the KDAQ. In March 2010, the environmental groups petitioned the EPA to object to the revised state permit. Until the EPA issues a final ruling on the pending petition and all available appeals are exhausted, PPL, LKE, LG&E and KU cannot predict the outcome of this matter or the potential impact on the capital costs of this project, if any.

Cane Run Environmental Claims (PPL, LKE and LG&E)

On September 6, 2013, PPL, LKE and LG&E received a letter on behalf of two residents adjacent to the Cane Run plant notifying various federal, state, and local agencies of their intent to file a citizen suit for alleged violations of the Clean Air Act and Resource Conservation and Recovery Act. The claimants allege various environmental harms including an imminent and substantial endangerment to health or the environment and state that they will seek civil penalties, injunctive relief and attorneys' fees. PPL, LKE and LG&E cannot predict the outcome of this matter or the potential impact on operations of the Cane Run plant. In the 2011 to 2013 time period, the Louisville Metro Air Pollution Control District issued several notices of violation alleging violations of local air quality rules at the Cane Run plant. The agency is seeking civil penalties and remedial measures which are not expected to result in the incurrence of material costs. LG&E is currently in settlement negotiations with the agency. LG&E has previously announced that it anticipates retiring the coal-fired units at Cane Run before the end of 2015.

(All Registrants)

GHG Regulations and Tort Litigation

As a result of the April 2007 U.S. Supreme Court decision that the EPA has authority under the Clean Air Act to regulate GHG emissions from new motor vehicles, in April 2010, the EPA and the U.S. Department of Transportation issued new light-duty vehicle emissions standards that applied beginning with 2012 model year vehicles. The EPA also clarified that this standard, beginning in 2011, authorized regulation of GHG emissions from stationary sources under the NSR and Title V operating permit provisions of the Clean Air Act. As a result, any new sources or major modifications to existing GHG sources causing a net significant emissions increase now require adherence to the BACT permit limits for GHGs. The rules were challenged, and in June 2012 the D.C. Circuit Court upheld the EPA's regulations. In December 2012, the D.C. Circuit Court denied petitions for rehearing pertaining to its June 2012 opinion. On October 15, 2013, the U.S. Supreme Court granted certiorari for several petitions to decide whether the NSR provisions of the Clean Air Act require the EPA to regulate GHG emissions from stationary sources, such as power plants.

In June 2013, President Obama released his Climate Action Plan which reiterates the goal of reducing greenhouse gas emissions in the U.S. "in the range of" 17% below 2005 levels by 2020 through such actions as regulating power plant emissions, promoting increased use of renewables and clean energy technology, and establishing tighter energy efficiency standards. Also, by Presidential Memorandum the EPA was directed to issue a new proposal for new power plants by September 20, 2013, with a final rule in a timely fashion thereafter, and to issue proposed standards for existing plants by June 1, 2014 with a final rule to be issued by June 1, 2015. The EPA was further directed to require that states develop implementation plans for existing plants by June 2016. Regulation of existing plants could have a significant industry-wide impact depending on the structure and stringency of the final rule and the state implementation plans. The Administration's recent increase in its estimate of the "social cost of carbon" (which is used to calculate benefits associated with proposed regulations) from $23.80 to $38 per metric ton in 2015 may also lead to more costly regulatory requirements. Additionally, the Climate Action Plan requirements related to preparing the U.S. for the impacts of climate change could affect PPL and others in the industry as transmission system modifications to improve the ability to withstand major storms may be needed in order to meet those requirements.

The EPA issued its revised proposal (re-proposal) for new sources on September 20, 2013 as directed by the White House. Unlike the EPA's April 2012 Carbon Dioxide (CO2) New Source Performance Standards (NSPS) for new plants, the re-proposal established separate emission standards for coal and gas units based on the application of different technologies. The coal standard is based on the application of partial carbon capture and sequestration technology, but because there is no commercially viable CO2 reduction technology available presently to allow new coal plants to meet the proposed standards, this proposal effectively precludes the construction of new coal plants. The EPA proposed the same standard for natural gas combined-cycle power plants as it had proposed in April 2012. A slightly less stringent standard, however, was offered in the re-proposal for smaller gas plants. Simple cycle natural gas plants are no longer explicitly exempt from the standard under the EPA's re-proposal.

At the regional level, ten northeastern states signed a Memorandum of Understanding (MOU) agreeing to establish a GHG emission cap-and-trade program, called the Regional Greenhouse Gas Initiative (RGGI). The program commenced in January 2009 and calls for stabilizing carbon dioxide emissions, at base levels established in 2005, from electric power plants with capacity greater than 25 MW. The MOU also provides for a 10% reduction, by 2019, in carbon dioxide emissions from base levels.

Pennsylvania has not stated an intention to join the RGGI, but enacted the Pennsylvania Climate Change Act of 2008 (PCCA). The PCCA established a Climate Change Advisory Committee to advise the PADEP on the development of a Climate Change Action Plan. In December 2009, the Advisory Committee finalized its Climate Change Action Report and identified specific actions that could result in reducing GHG emissions by 30% by 2020. Some of the proposed actions, such as a mandatory 5% efficiency improvement at power plants, could be unachievable. To date, there have been no regulatory or legislative actions taken to implement the recommendations of the report.

In November 2008, the Governor of Kentucky issued a comprehensive energy plan including non-binding targets aimed at promoting improved energy efficiency, development of alternative energy, development of carbon capture and sequestration projects, and other actions to reduce GHG emissions. In December 2009, the Kentucky Climate Action Plan Council was established to develop an action plan addressing potential GHG reductions and related measures. To date, the state has not issued a final plan. The impact of any such plan is not now determinable, but the costs to comply with the plan could be significant.

A number of lawsuits have been filed asserting common law claims including nuisance, trespass and negligence against various companies with GHG emitting plants and, although the decided cases to date have not sustained claims brought on the basis of these theories of liability, the law remains unsettled on these claims. In September 2009, the U.S. Court of Appeals for the Second Circuit in the case of AEP v. Connecticut reversed a federal district court's decision and ruled that several states and public interest groups, as well as the City of New York, could sue five electric utility companies under federal common law for allegedly causing a public nuisance as a result of their emissions of GHGs. In June 2011, the U.S. Supreme Court overturned the Second Circuit and held that such federal common law claims were displaced by the Clean Air Act and regulatory actions of the EPA. In addition, in Comer v. Murphy Oil (Comer case), the U.S. Court of Appeals for the Fifth Circuit (Fifth Circuit) declined to overturn a district court ruling that plaintiffs did not have standing to pursue state common law claims against companies that emit GHGs. The complaint in the Comer case named the previous indirect parent of LKE as a defendant based upon emissions from the Kentucky plants. In January 2011, the Supreme Court denied a petition to reverse the Fifth Circuit's ruling. In May 2011, the plaintiffs in the Comer case filed a substantially similar complaint in federal district court in Mississippi against 87 companies, including KU and three other indirect subsidiaries of LKE, under a Mississippi statute that allows the re-filing of an action in certain circumstances. In March 2012, the Mississippi federal district court granted defendants' motions to dismiss the state common law claims. Plaintiffs appealed to the U.S. Court of Appeals for the Fifth Circuit and in May 2013 the Fifth Circuit affirmed the district court's dismissal of the case. Additional litigation in federal and state courts over such issues is continuing. PPL, LKE and KU cannot predict the outcome of these lawsuits or estimate a range of reasonably possible losses, if any.

Renewable Energy Legislation (All Registrants)

There has been interest in renewable energy legislation at both the state and federal levels. Federal legislation on renewable energy is not expected to be enacted this year. In Pennsylvania, bills were recently introduced calling for an increase in AEPS Tier 1 obligations and to create a $25 million permanent funding program for solar generation. A bill adding new hydropower to Montana's renewable portfolio standard was enacted with an effective date of October 1, 2013. An interim legislative committee in Montana is reviewing the state's RPS. PPL and PPL Energy Supply cannot predict at this time whether the committee will recommend any changes to existing laws.

The Registrants believe there are financial, regulatory and logistical uncertainties related to the implementation of renewable energy mandates that will need to be resolved before the impact of such requirements on them can be estimated. Such uncertainties, among others, include the need to provide back-up supply to augment intermittent renewable generation, potential generation over-supply that could result from such renewable generation and back-up, impacts to PJM's capacity market and the need for substantial changes to transmission and distribution systems to accommodate renewable energy sources. These uncertainties are not directly addressed by proposed legislation. PPL and PPL Energy Supply cannot predict at this time the effect on their competitive plants' future competitive position, results of operation, cash flows and financial position of renewable energy mandates that may be adopted, although the costs to implement and comply with any such requirements could be significant.

Water/Waste

Coal Combustion Residuals (CCRs) (All Registrants except PPL Electric)

In June 2010, the EPA proposed two approaches to regulating the disposal and management of CCRs (as either hazardous or non-hazardous) under the Resource Conservation and Recovery Act (RCRA). CCRs include fly ash, bottom ash and sulfur dioxide scrubber wastes. Regulating CCRs as a hazardous waste under Subtitle C of the RCRA would materially increase costs and result in early retirements of many coal-fired plants, as it would require plants to retrofit their operations to comply with full hazardous waste requirements for the generation of CCRs and associated waste waters through generation, transportation and disposal. This would also have a negative impact on the beneficial use of CCRs and could eliminate existing markets for CCRs. The EPA's proposed approach to regulate CCRs as non-hazardous waste under Subtitle D of the RCRA would mainly affect disposal and most significantly affect any wet disposal operations. Under this approach, many of the current markets for beneficial uses would not be affected. Currently, PPL expects that several of its plants in Kentucky and Montana could be significantly impacted by the EPA's proposed non-hazardous waste regulations, as these plants are using surface impoundments for management and disposal of CCRs.

The EPA has issued information requests on CCR management practices at numerous plants throughout the power industry as it considers whether or not to regulate CCRs as hazardous waste. PPL has provided information on CCR management practices at most of its plants in response to the EPA's requests. In addition, the EPA has conducted follow-up inspections to evaluate the structural stability of CCR management facilities at several PPL plants and PPL has implemented or is implementing certain actions in response to recommendations from these inspections.

The EPA is continuing to evaluate the unprecedented number of comments it received on its June 2010 proposed regulations. In October 2011, the EPA issued a Notice of Data Availability (NODA) requesting comments on selected documents it received during the comment period for the proposed regulations. On September 20, 2013, in response to the proposed Effluent Limitation Guidelines, PPL submitted comments on the proposed CCR regulations. Also, on September 3, 2013, PPL commented on a second CCR NODA seeking comment on additional information related to the EPA's proposal. In July 2013, the U.S. House of Representatives passed House Bill H.R. 2218, the Coal Residuals and Reuse Management Act of 2013, which would preempt the EPA from issuing final CCR regulations and would set non-hazardous CCR standards under RCRA and authorize state permit programs. It remains uncertain whether similar legislation will likely be passed by the U.S. Senate.

A coalition of environmental groups and two CCR recycling companies have filed lawsuits against the EPA for failure to perform nondiscretionary duties under RCRA, which could require a deadline for the EPA to issue strict CCR regulations. The two CCR recycling companies are asserting that the EPA should regulate CCRs as a non-hazardous waste that would allow for continued recycling.

As a result of litigation by environmental groups, final rulemaking could be issued as early as the end of 2014.

PPL, PPL Energy Supply, LKE, LG&E and KU cannot predict at this time the final requirements of the EPA's CCR regulations or potential changes to the RCRA and what impact they would have on their facilities, but the financial and operational impact is expected to be material if CCRs are regulated as hazardous waste and significant if regulated as non-hazardous.

Trimble County Landfill Permit (PPL and Kentucky Registrants)

In May 2011, LG&E submitted an application for a special waste landfill permit to handle coal combustion residuals generated at the Trimble County plant. After extensive review of the permit application in May 2013, the Kentucky Division of Waste Management denied the permit application on the grounds that the proposed facility would violate the Kentucky Cave Protection Act because it would eliminate an on-site karst feature considered to be a cave. LG&E and KU are assessing additional options for managing coal combustion residuals including construction of a landfill at an alternate site adjacent to the plant. Submittal of a new permit application for an alternative site may result in additional environmental considerations in the course of the permitting process and substantial additional costs. PPL, LKE, LG&E and KU are unable to determine the precise impact of this matter until they select an alternate management option and complete a detailed engineering design.

Seepages and Groundwater Infiltration - Pennsylvania, Montana and Kentucky

(All Registrants except PPL Electric)

Seepages or groundwater infiltration have been detected at active and retired wastewater basins and landfills at various PPL, PPL Energy Supply, LKE, LG&E and KU plants. PPL, PPL Energy Supply, LKE, LG&E and KU have completed or are completing assessments of seepages or groundwater infiltration at various facilities and have completed or are working with agencies to implement assessment or abatement measures, where required. A range of reasonably possible losses cannot currently be estimated.

(PPL and PPL Energy Supply)

In 2007, six plaintiffs filed a lawsuit in the Montana Sixteenth Judicial District Court against the Colstrip plant owners asserting property damage due to seepage from plant wastewater ponds. A settlement agreement was reached in July 2010 which would have resulted in a payment by PPL Montana, but certain of the plaintiffs later argued the settlement was not final. The Colstrip plant owners filed a motion to enforce the settlement and in October 2011 the court granted the motion and ordered the settlement to be completed in 60 days. The plaintiffs appealed the October 2011 order to the Montana Supreme Court, which affirmed the district court's order enforcing the settlement in December 2012 and denied plaintiff's motion for rehearing in February 2013. Final settlement documents were executed and the settlement was effective on October 28, 2013. PPL Montana's share of the settlement payment was not significant.

In August 2012, PPL Montana entered into an Administrative Order on Consent (AOC) with the MDEQ which establishes a comprehensive process to investigate and remediate groundwater seepage impacts related to the wastewater facilities at the Colstrip power plant. The AOC requires that within five years, PPL Montana provide financial assurance to the MDEQ for the costs associated with closure and future monitoring of the waste-water treatment facilities. PPL Montana cannot predict at this time if the actions required under the AOC will create the need to adjust the existing ARO related to these facilities.

In September 2012, Earthjustice filed an affidavit pursuant to Montana's Major Facility Siting Act (MFSA) that sought review of the AOC by Montana's Board of Environmental Review (BER) on behalf of the Sierra Club, the MEIC, and the National Wildlife Federation (NWF). In September 2012, PPL Montana filed an election with the BER to have this proceeding conducted in Montana state district court as contemplated by the MFSA. In October 2012, Earthjustice filed a petition for review of the AOC in the Montana state district court in Rosebud County.

In late October 2012, Earthjustice filed a second complaint against the MDEQ and PPL Montana in state district court in Lewis and Clark County on behalf of the Sierra Club, the MEIC and the NWF. This complaint alleges that the defendants have failed to take action under the MFSA and the Montana Water Quality Act to effectively monitor and correct issues of coal ash disposal and wastewater ponds at the Colstrip plant. The complaint seeks a declaration that the operations of the impoundments violate the statutes referred to above, requests a writ of mandamus directing the MDEQ to enforce the same and seeks recovery of attorneys' fees and costs. In May 2013, the court granted MDEQ's and PPL Montana's motion to dismiss. It is unknown at this time whether the complainants will appeal this decision.

(All Registrants except PPL Electric)

Clean Water Act 316(b)

The EPA published proposed rule 316(b) for existing facilities in April 2011. The EPA has been evaluating the comments it received to the proposed rule and meeting with industry groups to discuss options. The proposed rule contains two requirements to reduce impact to aquatic organisms at cooling water intake structures. The first requires all existing facilities to meet standards for the reduction of mortality of aquatic organisms that become trapped against water intake screens (impingement) regardless of the levels of mortality actually occurring or the cost to achieve the standards. The second requirement is to determine and install the best technology available to reduce mortality of aquatic organisms pulled through a plant's cooling water system (entrainment). A form of cost-benefit analysis is allowed for this second requirement involving a site-specific evaluation based on nine factors, including impacts to energy delivery reliability and the remaining useful life of the plant. The final rule is expected to be issued in November 2013. Until the final rule is issued, PPL, PPL Energy Supply, LKE, LG&E and KU cannot reasonably estimate a range of reasonably possible costs, if any, that would be required to comply with such a regulation.

Effluent Limitations Guidelines (ELGs) and Standards

In June 2013, the EPA published proposed regulations to revise discharge limitations for steam electric generation wastewater permits. The proposed limitations are based on the EPA review of available treatment technologies and their capacity for reducing pollutants and include new requirements for fly ash and bottom ash transport water and metal cleaning waste waters, as well as new limits for scrubber wastewater and landfill leachate. The EPA's proposed ELG regulations contain requirements that would affect the inspection and operation of CCR facilities, if finalized. The EPA has indicated that it will coordinate these regulations with the regulation of CCRs discussed above. The proposal contains alternative approaches, some of which could significantly impact PPL's coal-fired plants. PPL, PPL Energy Supply, LKE, LG&E and KU worked with industry groups to comment on the proposed regulation on September 20, 2013. The final regulation is expected to be issued in May 2014. At the present time, PPL, PPL Energy Supply, LKE, LG&E and KU are currently unable to predict the outcome of this matter or estimate a range of reasonably possible costs, but the costs could be significant. Pending finalization of the ELGs, states, including Pennsylvania and Kentucky, are proposing more stringent technology-based limits in permit renewals. Depending on the final limits imposed, the costs of compliance could be significant and costs could be imposed ahead of federal timelines.

Other Issues

The EPA is reassessing its polychlorinated biphenyls (PCB) regulations under the Toxic Substance Control Act, which currently allow certain PCB articles to remain in use. In April 2010, the EPA issued an Advanced Notice of Proposed Rulemaking for changes to these regulations. This rulemaking could lead to a phase-out of all PCB-containing equipment. The EPA is planning to propose the revised regulations in 2014. PCBs are found, in varying degrees, in all of the Registrants' operations. The Registrants cannot predict at this time the outcome of these proposed EPA regulations and what impact, if any, they would have on their facilities, but the costs could be significant.

PPL Energy Supply has investigated alternatives to exclude fish from the discharge channel at its Brunner Island plant, but the subsidiary and the PADEP have concluded that a barrier method to exclude fish is not workable. In June 2012, a Consent Order and Agreement (COA) was signed that allows the subsidiary to study a change in a cooling tower operational method that may keep fish from entering the channel. Should this approach fail, the COA requires a retrofit of impingement control technology at the intakes to the cooling towers, the cost of which could be significant.

In May 2010, the Kentucky Waterways Alliance and other environmental groups filed a petition with the Kentucky Energy and Environment Cabinet challenging the Kentucky Pollutant Discharge Elimination System permit issued in April 2010, which covers water discharges from the Trimble County plant. In November 2010, the Cabinet issued a final order upholding the permit. In December 2010, the environmental groups appealed the order to the Trimble Circuit Court, but the case was subsequently transferred to the Franklin Circuit Court. In September 2013, the court reversed the Cabinet order upholding the permit and remanded the permit to the agency for further proceedings. In October 2013, LG&E filed a notice of appeal with the Kentucky Court of Appeals. PPL, LKE, LG&E and KU are unable to predict the outcome of this matter or estimate a range of reasonably possible losses, if any.

The EPA and the Army Corps of Engineers are working on a guidance document that will expand the federal government's interpretation of what constitutes "waters of the U.S." subject to regulation under the Clean Water Act. This change has the potential to affect generation and delivery operations, with the most significant effect being the potential elimination of the existing regulatory exemption for plant waste water treatment systems. The costs that may be imposed on the Registrants as a result of any eventual expansion of this interpretation cannot reliably be estimated at this time but could be significant.

Superfund and Other Remediation *(All Registrants)*

PPL Electric is potentially responsible for costs at several sites listed by the EPA under the federal Superfund program, including the Columbia Gas Plant site, the Metal Bank site and the Ward Transformer site. Clean-up actions have been or are being undertaken at all of these sites, the costs of which have not been significant to PPL Electric. However, should the EPA require different or additional measures in the future, or should PPL Electric's share of costs at multi-party sites increase substantially more than currently expected, the costs could be significant.

PPL Electric, LG&E and KU are remediating or have completed the remediation of several sites that were not addressed under a regulatory program such as Superfund, but for which PPL Electric, LG&E and KU may be liable for remediation. These include a number of former coal gas manufacturing plants in Pennsylvania and Kentucky previously owned or operated or currently owned by predecessors or affiliates of PPL Electric, LG&E and KU. There are additional sites, formerly owned or operated by PPL Electric, LG&E and KU predecessors or affiliates, for which PPL Electric, LG&E and KU lack information on current site conditions and are therefore unable to predict what, if any, potential liability they may have.

Depending on the outcome of investigations at sites where investigations have not begun or been completed or developments at sites for which PPL Electric, LG&E and KU currently lack information, the costs of remediation and other liabilities could be material. PPL, PPL Electric, LKE, LG&E and KU cannot estimate a range of reasonably possible losses, if any, related to these matters.

The EPA is evaluating the risks associated with polycyclic aromatic hydrocarbons and naphthalene, chemical by-products of coal gas manufacturing. As a result of the EPA's evaluation, individual states may establish stricter standards for water quality and soil cleanup. This could require several PPL subsidiaries to take more extensive assessment and remedial actions at former coal gas manufacturing plants. PPL, PPL Electric, LKE, LG&E and KU cannot estimate a range of reasonably possible losses, if any, related to these matters.

From time to time, PPL Energy Supply, PPL Electric, LG&E and KU undertake remedial action in response to spills or other releases at various on-site and off-site locations, negotiate with the EPA and state and local agencies regarding actions necessary for compliance with applicable requirements, negotiate with property owners and other third parties alleging impacts from PPL's operations and undertake similar actions necessary to resolve environmental matters which arise in the course of normal operations. Based on analyses to date, resolution of these environmental matters is not expected to have a significant adverse impact on their operations.

Future cleanup or remediation work at sites currently under review, or at sites not currently identified, may result in significant additional costs for the Registrants.

Environmental Matters - WPD *(PPL)*

WPD's distribution businesses are subject to environmental regulatory and statutory requirements. PPL believes that WPD has taken and continues to take measures to comply with the applicable laws and governmental regulations for the protection of the environment.

Other

Nuclear Insurance *(PPL and PPL Energy Supply)*

PPL Susquehanna is a member of certain insurance programs that provide coverage for property damage to members' nuclear generating plants. Effective April 1, 2013, facilities at the Susquehanna plant are insured against property damage losses up to $2.50 billion under these programs. PPL Susquehanna is also a member of an insurance program that provides insurance coverage for the cost of replacement power during prolonged outages of nuclear units caused by certain specified conditions.

Under the property and replacement power insurance programs, PPL Susquehanna could be assessed retroactive premiums in the event of the insurers' adverse loss experience. Effective April 1, 2013, this maximum assessment was $46 million.

In the event of a nuclear incident at the Susquehanna plant, PPL Susquehanna's public liability for claims resulting from such incident would be limited to $12.6 billion under provisions of The Price-Anderson Act as amended. PPL Susquehanna is protected against this liability by a combination of commercial insurance and an industry assessment program.

In the event of a nuclear incident at any of the reactors covered by The Price-Anderson Act, as amended, PPL Susquehanna could be assessed up to $235 million per incident, payable at $35 million per year.

Guarantees and Other Assurances

(All Registrants)

In the normal course of business, the Registrants enter into agreements that provide financial performance assurance to third parties on behalf of certain subsidiaries. Such agreements include, for example, guarantees, stand-by letters of credit issued by financial institutions and surety bonds issued by insurance companies. These agreements are entered into primarily to support or enhance the creditworthiness attributed to a subsidiary on a stand-alone basis or to facilitate the commercial activities in which these subsidiaries engage.

(PPL)

PPL fully and unconditionally guarantees all of the debt securities of PPL Capital Funding.

(All Registrants)

The table below details guarantees provided at September 30, 2013. The total recorded liability at September 30, 2013 and December 31, 2012, was $23 million and $24 million for PPL and $20 million for both periods for LKE. The probability of expected payment/performance under each of these guarantees is remote except for "WPD guarantee of pension and other obligations of unconsolidated entities" and "Indemnification of lease termination and other divestitures." For reporting purposes, on a consolidated basis, all guarantees of PPL Energy Supply (other than the letters of credit), PPL Electric, LKE, LG&E and KU also apply to PPL, and all guarantees of LG&E and KU also apply to LKE.

		Exposure at September 30, 2013 (a)	Expiration Date
PPL			
Indemnifications related to the WPD Midlands acquisition		(b)	
WPD indemnifications for entities in liquidation and sales of assets	$	11 (c)	2018
WPD guarantee of pension and other obligations of unconsolidated entities		125 (d)	2015
PPL Energy Supply			
Letters of credit issued on behalf of affiliates		23 (e)	2013 - 2014
Retrospective premiums under nuclear insurance programs		46 (f)	
Nuclear claims assessment under The Price-Anderson Act as amended		235 (g)	
Indemnifications for sales of assets		250 (h)	2025
Indemnification to operators of jointly owned facilities		6 (i)	
Guarantee of a portion of a divested unconsolidated entity's debt		22 (j)	2018
PPL Electric			
Guarantee of inventory value		32 (k)	2017
LKE			
Indemnification of lease termination and other divestitures		301 (l)	2021 - 2023
LG&E and KU			
LG&E and KU guarantee of shortfall related to OVEC		(m)	

(a) Represents the estimated maximum potential amount of future payments that could be required to be made under the guarantee.

(b) Prior to PPL's acquisition, WPD Midlands Holdings Limited had agreed to indemnify certain former directors of a Turkish entity, in which WPD Midlands Holdings Limited previously owned an interest, for any liabilities that may arise as a result of an investigation by Turkish tax authorities, and PPL WEM has received a cross-indemnity from E.ON AG with respect to these indemnification obligations. Additionally, PPL subsidiaries agreed to provide indemnifications to subsidiaries of E.ON AG for certain liabilities relating to properties and assets owned by affiliates of E.ON AG that were transferred to WPD Midlands in connection with the acquisition. The maximum exposure and expiration of these indemnifications cannot be estimated because the maximum potential liability is not capped and the expiration date is not specified in the transaction documents.

(c) In connection with the liquidation of wholly owned subsidiaries that have been deconsolidated upon turning the entities over to the liquidators, certain affiliates of PPL Global have agreed to indemnify the liquidators, directors and/or the entities themselves for any liabilities or expenses arising during the liquidation process, including liabilities and expenses of the entities placed into liquidation. In some cases, the indemnifications are limited to a maximum amount that is based on distributions made from the subsidiary to its parent either prior or subsequent to being placed into liquidation. In other cases, the maximum amount of the indemnifications is not explicitly stated in the agreements. The indemnifications generally expire two to seven years subsequent to the date of dissolution of the entities. The exposure noted only includes those cases in which the agreements provide for a specific limit on the amount of the indemnification, and the expiration date was based on an estimate of the dissolution date of the entities.

In connection with their sales of various businesses, WPD and its affiliates have provided the purchasers with indemnifications that are standard for such transactions, including indemnifications for certain pre-existing liabilities and environmental and tax matters. In addition, in connection with certain of these sales, WPD and its affiliates have agreed to continue their obligations under existing third-party guarantees, either for a set period of time following the transactions or upon the condition that the purchasers make reasonable efforts to terminate the guarantees. Finally, WPD and its affiliates remain secondarily responsible for lease payments under certain leases that they have assigned to third parties.

(d) As a result of the privatization of the utility industry in the U.K., certain electric associations' roles and responsibilities were discontinued or modified. As a result, certain obligations, primarily pension-related, associated with these organizations have been guaranteed by the participating members. Costs are allocated to the members based on predetermined percentages as outlined in specific agreements. However, if a member becomes insolvent, costs can be reallocated to and are guaranteed by the remaining members. At September 30, 2013, WPD has recorded an estimated discounted liability based on its current allocated percentage of the total expected costs for which the expected payment/performance is probable. Neither the expiration date nor the maximum amount of potential payments for certain obligations is explicitly stated in the related agreements. Therefore, they have been estimated based on the types of obligations.

(e) Standby letter of credit arrangements under PPL Energy Supply's credit facilities for the purposes of protecting various third parties against nonperformance by PPL. This is not a guarantee by PPL on a consolidated basis.

(f) PPL Susquehanna is contingently obligated to pay this amount related to potential retrospective premiums that could be assessed under its nuclear insurance programs. See "Nuclear Insurance" above for additional information.

(g) This is the maximum amount PPL Susquehanna could be assessed for each incident at any of the nuclear reactors covered by this Act. See "Nuclear Insurance" above for additional information.

(h) PPL Energy Supply's maximum exposure with respect to certain indemnifications and the expiration of the indemnifications cannot be estimated because, in the case of certain indemnification provisions, the maximum potential liability is not capped by the transaction documents and the expiration date is based on the applicable statute of limitations. The exposure and expiration dates noted are only for those cases in which the agreements provide for specific limits. The indemnification provisions described below are in each case subject to certain customary limitations, including thresholds for allowable claims, caps on aggregate liability, and time limitations for claims arising out of breaches of most representations and warranties.

A subsidiary of PPL Energy Supply has agreed to provide indemnification to the purchaser of the Long Island generation business for damages arising out of any breach of the representations, warranties and covenants under the related transaction agreement and for damages arising out of certain other matters, including liabilities relating to certain renewable energy facilities which were previously owned by one of the PPL subsidiaries sold in the transaction but which were unrelated to the Long Island generation business. The indemnification provisions for most representations and warranties expired in the third quarter of 2011.

A subsidiary of PPL Energy Supply has agreed to provide indemnification to the purchasers of the Maine hydroelectric facilities for damages arising out of any breach of the representations, warranties and covenants under the respective transaction agreements and for damages arising out of certain other matters, including liabilities of the PPL Energy Supply subsidiary relating to the pre-closing ownership or operation of those hydroelectric facilities. The indemnification provisions for most representations and warranties expired in the fourth quarter of 2012.

Subsidiaries of PPL Energy Supply have agreed to provide indemnification to the purchasers of certain non-core generation facilities sold in March 2011 for damages arising out of any breach of the representations, warranties and covenants under the related transaction agreements and for damages arising out of certain other matters relating to the facilities that were the subject of the transaction, including certain reduced capacity payments (if any) at one of the facilities in the event specified PJM rule changes are proposed and become effective. The indemnification provisions for most representations and warranties expired in the first quarter of 2012.

(i) In December 2007, a subsidiary of PPL Energy Supply executed revised owners agreements for two jointly owned facilities, the Keystone and Conemaugh generating plants. The agreements require that in the event of any default by an owner, the other owners fund contributions for the operation of the generating plants, based upon their ownership percentages. The non-defaulting owners, who make up the defaulting owner's obligations, are entitled to the generation entitlement of the defaulting owner, based upon their ownership percentage. The exposure shown reflects the PPL Energy Supply subsidiary's share of the maximum obligation. The agreements do not have an expiration date.

(j) A PPL Energy Supply subsidiary owned a one-third equity interest in Safe Harbor Water Power Corporation (Safe Harbor) that was sold in March 2011. Beginning in 2008, PPL Energy Supply guaranteed one-third of any amounts payable with respect to certain senior notes issued by Safe Harbor. Under the terms of the sale agreement, PPL Energy Supply continues to guarantee the portion of Safe Harbor's debt, but received a cross-indemnity from the purchaser, secured by a lien on the purchaser's stock of Safe Harbor, in the event PPL Energy Supply is required to make a payment under the guarantee. The exposure noted reflects principal only.

(k) PPL Electric entered into contracts with a third party logistics firm that provides inventory procurement and fulfillment services. Under the contracts, the logistics firm has title to the inventory purchased for PPL Electric's use. Upon termination of the contracts, PPL Electric has guaranteed to purchase any remaining inventory that has not been used or sold by the logistics firm at the weighted-average cost at which the logistics firm purchased the inventory.

(l) LKE provides certain indemnifications, the most significant of which relate to the termination of the WKE lease in July 2009. These guarantees cover the due and punctual payment, performance and discharge by each party of its respective present and future obligations. The most comprehensive of these guarantees is the LKE guarantee covering operational, regulatory and environmental commitments and indemnifications made by WKE under the WKE Transaction Termination Agreement. This guarantee has a term of 12 years ending July 2021, and a cumulative maximum exposure of $200 million. Certain items such as government fines and penalties fall outside the cumulative cap. LKE has contested the applicability of the indemnification requirement relating to one matter presented by a counterparty under this guarantee. Another guarantee with a maximum exposure of $100 million covering other indemnifications expires in 2023. In May 2012, LKE's indemnitee received an arbitration panel's decision affecting this matter, which granted LKE's indemnitee certain rights of first refusal to purchase excess power at a market-based price rather than at an absolute fixed price. In January 2013, LKE's indemnitee commenced a proceeding in the Kentucky Court of Appeals appealing the December 2012 order of the Henderson Circuit Court, confirming the arbitration award. A decision in the appellate matter may occur during late 2013 or early 2014. LKE believes its indemnification obligations in this matter remain subject to various uncertainties, including potential for additional legal challenges regarding the arbitration decision as well as future prices, availability and demand for the subject excess power. LKE continues to evaluate various legal and commercial options with respect to this indemnification matter. The ultimate outcomes of the WKE termination-related indemnifications cannot be predicted at this time. Additionally, LKE has indemnified various third parties related to historical obligations for other divested subsidiaries and affiliates. The indemnifications vary by entity and the maximum exposures range from being capped at the sale price to no specified maximum; however, LKE is not aware of formal claims under such indemnities made by any party at this time. LKE could be required to perform on these indemnifications in the event of covered losses or liabilities being claimed by an indemnified party. In the second quarter of 2012, LKE adjusted its estimated liability for certain of these indemnifications by $9 million ($5 million after-tax), which is reflected in "Income (Loss) from Discontinued Operations (net of income taxes)" on the Statement of Income. The adjustment was recorded in the Kentucky Regulated segment for PPL. LKE cannot predict the ultimate outcomes of such indemnification circumstances, but does not currently expect such outcomes to result in significant losses above the amounts recorded.

(m) Pursuant to the OVEC power purchase contract, expiring in June 2040, LG&E and KU are obligated to pay a demand charge which includes, among other charges, debt service and amortization toward principal retirement, decommissioning costs, post-retirement and post-employment benefits costs (other than pensions), and reimbursement of plant operating, maintenance and other expenses. The demand charge is expected to cover LG&E's and KU's shares of the cost of the listed items over the term of the contract. However, in the event there is a shortfall in covering these costs, LG&E and KU are obligated to pay their share of the excess debt service, post-retirement and decommissioning costs. The maximum exposure and the expiration date of these potential obligations are not presently determinable.

The Registrants provide other miscellaneous guarantees through contracts entered into in the normal course of business. These guarantees are primarily in the form of indemnification or warranties related to services or equipment and vary in duration. The amounts of these guarantees often are not explicitly stated, and the overall maximum amount of the obligation under such guarantees cannot be reasonably estimated. Historically, no significant payments have been made with respect to these types of guarantees and the probability of payment/performance under these guarantees is remote.

PPL, on behalf of itself and certain of its subsidiaries, maintains insurance that covers liability assumed under contract for bodily injury and property damage. The coverage provides maximum aggregate coverage of $225 million. This insurance may be applicable to obligations under certain of these contractual arrangements.

11. Related Party Transactions

PLR Contracts/Purchase of Accounts Receivable *(PPL Energy Supply and PPL Electric)*

PPL Electric holds competitive solicitations for PLR generation supply. PPL EnergyPlus has been awarded a portion of the PLR generation supply through these competitive solicitations. The sales and purchases between PPL EnergyPlus and PPL Electric are included in the Statements of Income as "Wholesale energy marketing to affiliate" by PPL Energy Supply and as "Energy purchases from affiliate" by PPL Electric.

Under the standard Default Service Supply Master Agreement for the solicitation process, PPL Electric requires all suppliers to post collateral once credit exposures exceed defined credit limits. PPL EnergyPlus is required to post collateral with PPL Electric: (a) when the market price of electricity to be delivered by PPL EnergyPlus exceeds the contract price for the forecasted quantity of electricity to be delivered; and (b) this market price exposure exceeds a contractual credit limit. Based on the current credit rating of PPL Energy Supply, as guarantor, PPL EnergyPlus' credit limit was $35 million at September 30, 2013. In no instance is PPL Electric required to post collateral to suppliers under these supply contracts.

PPL Electric's customers may choose an alternative supplier for their generation supply. See Note 2 for additional information regarding PPL Electric's purchases of accounts receivable from alternative suppliers, including PPL EnergyPlus.

At September 30, 2013, PPL Energy Supply had a net credit exposure of $25 million from PPL Electric from its commitment as a PLR supplier and from the sale of its accounts receivable to PPL Electric.

Allocations of PPL Services Costs *(PPL Energy Supply, PPL Electric and LKE)*

PPL Services provides corporate functions such as financial, legal, human resources and information technology services. PPL Services charges the respective PPL subsidiaries for the cost of such services when they can be specifically identified. The cost of the services that is not directly charged to PPL subsidiaries is allocated to applicable subsidiaries based on an average of the subsidiaries' relative invested capital, operation and maintenance expenses and number of employees. PPL Services charged the following amounts for the periods ended September 30, which PPL management believes are reasonable, including amounts applied to accounts that are further distributed between capital and expense:

	Three Months		Nine Months	
	2013	2012	2013	2012
PPL Energy Supply	$ 52	$ 49	$ 161	$ 159
PPL Electric	37	35	109	116
LKE	3	3	11	11

Intercompany Billings by LKS *(LG&E and KU)*

LKS provides LG&E and KU with a variety of centralized administrative, management and support services. The cost of these services is directly charged to the company or, for general costs that cannot be directly attributed, charged based on predetermined allocation factors, including the following measures: number of customers, total assets, revenues, number of employees and/or other statistical information. LKS charged the amounts in the table below for the periods ended September 30, which LKE management believes are reasonable, including amounts that are further distributed between capital and expense:

	Three Months		Nine Months	
	2013	2012	2013	2012
LG&E	$ 53	$ 51	$ 159	$ 132
KU	36	33	146	114

In addition, LG&E and KU provide services to each other and to LKS. Billings between LG&E and KU relate to labor and overheads associated with union and hourly employees performing work for the other company, charges related to jointly-owned generating units and other miscellaneous charges. Tax settlements between LKE and LG&E and LKE and KU are reimbursed through LKS.

Intercompany Borrowings *(LKE)*

LKE maintains a $300 million revolving demand note with a PPL Energy Funding subsidiary whereby LKE can borrow funds on a short-term basis at market-based rates. The interest rates on borrowings are equal to one-month LIBOR plus a spread. At September 30, 2013 and December 31, 2012, $52 million and $25 million were outstanding and were reflected in "Notes payable with affiliates" on the Balance Sheet. The interest rate on the outstanding borrowing at September 30, 2013 was 1.68%. Interest on the demand note was not significant for the three and nine months ended September 30, 2013 and 2012. In October 2013, the capacity of the revolving demand note was reduced by $75 million.

Intercompany Derivatives *(Kentucky Registrants)*

Periodically, LG&E and KU enter into forward-starting interest rate swaps with PPL. These hedging instruments have terms identical to forward-starting swaps entered into by PPL with third parties. See Note 14 for additional information on intercompany derivatives.

Intercompany Insurance *(PPL Electric)*

In May 2013, PPL Electric received $18.25 million from the settlement of its 2012 storm insurance claims with PPL Power Insurance Ltd., a subsidiary of PPL that provides certain insurance coverage to PPL and its subsidiaries.

Effective January 1, 2013, PPL Electric no longer has storm insurance coverage with PPL Power Insurance Ltd. See Note 6 for discussion regarding the proposed Storm Damage Expense Rider filed with the PUC by PPL Electric.

Other *(All Registrants except PPL)*

See Note 7 for a discussion regarding capital transactions by PPL Energy Supply, PPL Electric, LKE, LG&E and KU. For PPL Energy Supply, PPL Electric, LG&E and KU, refer to Note 9 for discussions regarding intercompany allocations associated with defined benefits.

12. Other Income (Expense) - net

(All Registrants)

The breakdown of "Other Income (Expense) - net" for the periods ended September 30 was:

	Three Months		Nine Months	
	2013	2012	2013	2012
PPL				
Other Income				
Earnings on securities in NDT funds	$ 4	$ 5	$ 14	$ 17
Interest income	1	1	2	4
AFUDC - equity component	3	2	8	7
Earnings (losses) from equity method investments		(1)		(7)
Miscellaneous - Domestic		3	9	8
Miscellaneous - U.K.		(1)	1	1
Total Other Income	8	9	34	30
Other Expense				
Economic foreign currency exchange contracts (Note 14)	117	47	(6)	40
Charitable contributions	5	1	13	7
Miscellaneous - Domestic	2	4	7	12
Miscellaneous - U.K.		1	1	2
Total Other Expense	124	53	15	61
Other Income (Expense) - net	$ (116)	$ (44)	$ 19	$ (31)
PPL Energy Supply				
Other Income				
Earnings on securities in NDT funds	$ 4	$ 5	$ 14	$ 17
Interest income	1		3	1
Miscellaneous		2	7	5
Total Other Income	5	7	24	23
Other Expense				
Charitable contributions	1	1	3	2
Miscellaneous	2	1	3	5
Total Other Expense	3	2	6	7
Other Income (Expense) - net	$ 2	$ 5	$ 18	$ 16

"Other Income (Expense) - net" for the three and nine months ended September 30, 2013 and 2012 for PPL Electric is primarily the equity component of AFUDC. The components of "Other Income (Expense) - net" for the three and nine months ended September 30, 2013 for LKE, LG&E and KU are not significant. The components of "Other Income (Expense) - net" for the three months ended September 30, 2012 for LKE, LG&E and KU are not significant. "Other Income (Expense) - net" for the nine months ended September 30, 2012 for LKE and KU is primarily losses from an equity method investment. The components of "Other Income (Expense) - net" for the nine months ended September 30, 2012 for LG&E are not significant.

13. Fair Value Measurements and Credit Concentration

(All Registrants)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). A market approach (generally, data from market transactions), an income approach (generally, present value techniques and option-pricing models), and/or a cost approach (generally, replacement cost) are used to measure the fair value of an asset or liability, as appropriate. These valuation approaches incorporate inputs such as observable, independent market data and/or unobservable data that management believes are predicated on the assumptions market participants would use to price an asset or liability. These inputs may incorporate, as applicable, certain risks such as nonperformance risk, which includes credit risk. The fair value of a group of financial assets and liabilities is measured on a net basis. Transfers between levels are recognized at end-of-reporting-period values. During the three and nine months ended September 30, 2013 and 2012, there were no transfers between Level 1 and Level 2. See Note 1 in each Registrant's 2012 Form 10-K for information on the levels in the fair value hierarchy.

Recurring Fair Value Measurements

The assets and liabilities measured at fair value were:

	September 30, 2013				December 31, 2012			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
PPL								
Assets								
Cash and cash equivalents	$ 1,291	$ 1,291			$ 901	$ 901		
Restricted cash and cash equivalents (a)	120	120			135	135		
Price risk management assets:								
Energy commodities	1,480	7	$ 1,421	$ 52	2,068	2	$ 2,037	$ 29
Interest rate swaps	86		86		15		15	
Foreign currency contracts	1		1					
Cross-currency swaps	28		28		14		13	1
Total price risk management assets	1,595	7	1,536	52	2,097	2	2,065	30
NDT funds:								
Cash and cash equivalents	14	14			11	11		
Equity securities								
U.S. large-cap	494	369	125		412	308	104	
U.S. mid/small-cap	74	30	44		60	25	35	
Debt securities								
U.S. Treasury	96	96			95	95		
U.S. government sponsored agency	6		6		9		9	
Municipality	75		75		82		82	
Investment-grade corporate	40		40		40		40	
Other	3		3		3		3	
Receivables (payables), net	2		2			(2)	2	
Total NDT funds	804	509	295		712	437	275	
Auction rate securities (b)	19			19	19		3	16
Total assets	$ 3,829	$ 1,927	$ 1,831	$ 71	$ 3,864	$ 1,475	$ 2,343	$ 46
Liabilities								
Price risk management liabilities:								
Energy commodities	$ 1,235	$ 4	$ 1,226	$ 5	$ 1,566	$ 2	$ 1,557	$ 7
Interest rate swaps	58		58		80		80	
Foreign currency contracts	67		67		44		44	
Cross-currency swaps	1		1		4		4	
Total price risk management liabilities	$ 1,361	$ 4	$ 1,352	$ 5	$ 1,694	$ 2	$ 1,685	$ 7

	September 30, 2013				December 31, 2012			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
PPL Energy Supply								
Assets								
Cash and cash equivalents	$ 551	$ 551			$ 413	$ 413		
Restricted cash and cash equivalents (a)	54	54			63	63		
Price risk management assets:								
Energy commodities	1,480	7	$ 1,421	$ 52	2,068	2	$ 2,037	$ 29
Total price risk management assets	1,480	7	1,421	52	2,068	2	2,037	29
NDT funds:								
Cash and cash equivalents	14	14			11	11		
Equity securities								
U.S. large-cap	494	369	125		412	308	104	
U.S. mid/small-cap	74	30	44		60	25	35	
Debt securities								
U.S. Treasury	96	96			95	95		
U.S. government sponsored agency	6		6		9		9	
Municipality	75		75		82		82	
Investment-grade corporate	40		40		40		40	
Other	3		3		3		3	
Receivables (payables), net	2		2			(2)	2	
Total NDT funds	804	509	295		712	437	275	
Auction rate securities (b)	16			16	16		3	13
Total assets	$ 2,905	$ 1,121	$ 1,716	$ 68	$ 3,272	$ 915	$ 2,315	$ 42
Liabilities								
Price risk management liabilities:								
Energy commodities	$ 1,235	$ 4	$ 1,226	$ 5	$ 1,566	$ 2	$ 1,557	$ 7
Total price risk management liabilities	$ 1,235	$ 4	$ 1,226	$ 5	$ 1,566	$ 2	$ 1,557	$ 7
PPL Electric								
Assets								
Cash and cash equivalents	$ 225	$ 225			$ 140	$ 140		
Restricted cash and cash equivalents (c)	12	12			13	13		
Total assets	$ 237	$ 237			$ 153	$ 153		
LKE								
Assets								
Cash and cash equivalents	$ 21	$ 21			$ 43	$ 43		
Restricted cash and cash equivalents (d)	22	22			32	32		
Price risk management assets:								
Interest rate swaps					14		$ 14	
Total price risk management assets					14		14	
Total assets	$ 43	$ 43			$ 89	$ 75	$ 14	
Liabilities								
Price risk management liabilities:								
Interest rate swaps	$ 55		$ 55		$ 58		$ 58	
Total price risk management liabilities	$ 55		$ 55		$ 58		$ 58	
LG&E								
Assets								
Cash and cash equivalents	$ 12	$ 12			$ 22	$ 22		
Restricted cash and cash equivalents (d)	22	22			32	32		
Price risk management assets:								
Interest rate swaps					7		$ 7	
Total price risk management assets					7		7	
Total assets	$ 34	$ 34			$ 61	$ 54	$ 7	
Liabilities								
Price risk management liabilities:								
Interest rate swaps	$ 48		$ 48		$ 58		$ 58	
Total price risk management liabilities	$ 48		$ 48		$ 58		$ 58	

	September 30, 2013				December 31, 2012			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
KU								
Assets								
Cash and cash equivalents	$ 9	$ 9			$ 21	$ 21		
Price risk management assets:								
Interest rate swaps					7		$ 7	
Total price risk management assets					7		7	
Total assets	$ 9	$ 9			$ 28	$ 21	$ 7	
Liabilities								
Price risk management liabilities:								
Interest rate swaps	$ 7		$ 7					
Total price risk management liabilities	$ 7		$ 7					

(a) Current portion is included in "Restricted cash and cash equivalents" and the long-term portion is included in "Other noncurrent assets" on the Balance Sheets.
(b) Included in "Other investments" on the Balance Sheets.
(c) Current portion is included in "Other current assets" and the long-term portion is included in "Other noncurrent assets" on the Balance Sheets.
(d) Included in "Other noncurrent assets" on the Balance Sheets.

A reconciliation of net assets and liabilities classified as Level 3 for the periods ended September 30, 2013 is as follows:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
	Three Months				Nine Months			
	Energy Commodities, net	Auction Rate Securities	Cross-Currency Swaps	Total	Energy Commodities, net	Auction Rate Securities	Cross-Currency Swaps	Total
PPL								
Balance at beginning of period	$ 40	$ 19	$ 3	$ 62	$ 22	$ 16	$ 1	$ 39
Total realized/unrealized gains (losses)								
Included in earnings	18			18	23			23
Included in OCI (a)			(2)	(2)			1	1
Sales					(2)			(2)
Settlements	(2)			(2)	1			1
Transfers into Level 3	(7)			(7)	1	3	3	7
Transfers out of Level 3	(2)		(1)	(3)	2		(5)	(3)
Balance at end of period	$ 47	$ 19	$	$ 66	$ 47	$ 19	$	$ 66
PPL Energy Supply								
Balance at beginning of period	$ 40	$ 16		$ 56	$ 22	$ 13		$ 35
Total realized/unrealized gains (losses)								
Included in earnings	18			18	23			23
Sales					(2)			(2)
Settlements	(2)			(2)	1			1
Transfers into Level 3	(7)			(7)	1	3		4
Transfers out of Level 3	(2)			(2)	2			2
Balance at end of period	$ 47	$ 16		$ 63	$ 47	$ 16		$ 63

(a) "Energy Commodities, net" and "Cross-Currency Swaps" are included in "Qualifying derivatives" and "Auction Rate Securities" are included in "Available-for-sale securities" on the Statements of Comprehensive Income.

A reconciliation of net assets and liabilities classified as Level 3 for the periods ended September 30, 2012 is as follows:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)							
	Three Months				Nine Months			
	Energy Commodities, net	Auction Rate Securities	Cross-Currency Swaps	Total	Energy Commodities, net	Auction Rate Securities	Cross-Currency Swaps	Total
PPL								
Balance at beginning of period	$ 34	$ 15	$ 10	$ 59	$ 13	$ 24	$ 4	$ 41
Total realized/unrealized gains (losses)								
Included in earnings	(17)			(17)	(1)		(1)	(2)
Included in OCI (a)		1	(8)	(7)	1		2	3
Sales						(5)		(5)
Settlements	2			2	(9)			(9)
Transfers into Level 3	(2)			(2)	12			12
Transfers out of Level 3	8			8	9	(3)	(3)	3
Balance at end of period	$ 25	$ 16	$ 2	$ 43	$ 25	$ 16	$ 2	$ 43
PPL Energy Supply								
Balance at beginning of period	$ 34	$ 12		$ 46	$ 13	$ 19		$ 32
Total realized/unrealized gains (losses)								
Included in earnings	(17)			(17)	(1)			(1)
Included in OCI (a)		1		1	1			1
Sales						(3)		(3)
Settlements	2			2	(9)			(9)
Transfers into Level 3	(2)			(2)	12			12
Transfers out of Level 3	8			8	9	(3)		6
Balance at end of period	$ 25	$ 13		$ 38	$ 25	$ 13		$ 38

(a) "Energy Commodities, net" and "Cross-Currency Swaps" are included in "Qualifying derivatives" and "Auction Rate Securities" are included in "Available-for-sale securities" on the Statements of Comprehensive Income.

The significant unobservable inputs used in and quantitative information about the fair value measurement of assets and liabilities classified as Level 3 are as follows:

	September 30, 2013			
	Fair Value, net Asset (Liability)	Valuation Technique	Unobservable Input(s)	Range (Weighted Average) (a)
PPL				
Energy commodities				
Retail natural gas sales contracts (b)	$ 35	Discounted cash flow	Observable wholesale prices used as proxy for retail delivery points	13% - 100% (80%)
Heat rate call options (d)	9	Discounted cash flow	Implied correlation, implied volatility, and market implied heat rate	33% - 60% (58%)
FTR purchase contracts (g)	3	Discounted cash flow	Historical settled prices used to model forward prices	100% (100%)
Auction rate securities (e)	19	Discounted cash flow	Modeled from SIFMA Index	12% - 80% (64%)
PPL Energy Supply				
Energy commodities				
Retail natural gas sales contracts (b)	$ 35	Discounted cash flow	Observable wholesale prices used as proxy for retail delivery points	13% - 100% (80%)
Heat rate call options (d)	9	Discounted cash flow	Implied correlation, implied volatility, and market implied heat rate	33% - 60% (58%)
FTR purchase contracts (g)	3	Discounted cash flow	Historical settled prices used to model forward prices	100% (100%)
Auction rate securities (e)	16	Discounted cash flow	Modeled from SIFMA Index	12% - 80% (63%)

	December 31, 2012			
	Fair Value, net Asset (Liability)	Valuation Technique	Unobservable Input(s)	Range (Weighted Average) (a)
PPL				
Energy commodities				
Retail natural gas sales contracts (b)	$ 24	Discounted cash flow	Observable wholesale prices used as proxy for retail delivery points	21% - 100% (75%)
Power sales contracts (c)	(4)	Discounted cash flow	Proprietary model used to calculate forward basis prices	24% (24%)
FTR purchase contracts (g)	2	Discounted cash flow	Historical settled prices used to model forward prices	100% (100%)
Auction rate securities (e)	16	Discounted cash flow	Modeled from SIFMA Index	54% - 74% (64%)
Cross-currency swaps (f)	1	Discounted cash flow	Credit valuation adjustment	22% (22%)
PPL Energy Supply				
Energy commodities				
Retail natural gas sales contracts (b)	$ 24	Discounted cash flow	Observable wholesale prices used as proxy for retail delivery points	21% - 100% (75%)
Power sales contracts (c)	(4)	Discounted cash flow	Proprietary model used to calculate forward basis prices	24% (24%)
FTR purchase contracts (g)	2	Discounted cash flow	Historical settled prices used to model forward prices	100% (100%)
Auction rate securities (e)	13	Discounted cash flow	Modeled from SIFMA Index	57% - 74% (65%)

(a) For energy commodities and auction rate securities, the range and weighted average represent the percentage of fair value derived from the unobservable inputs. For cross-currency swaps, the range and weighted average represent the percentage decrease in fair value due to the unobservable inputs used in the model to calculate the credit valuation adjustment.
(b) At September 30, 2013, retail natural gas sales contracts extend through 2019, and $14 million of the fair value is scheduled to deliver within the next 12 months. As the forward price of natural gas increases/(decreases), the fair value of the contracts (decreases)/increases.
(c) As the forward price of basis increases/(decreases), the fair value of the contracts (decreases)/increases.
(d) At September 30, 2013, heat rate call options extend through 2020, and $1 million of the fair value is scheduled to deliver within the next 12 months. As the implied correlation in heat rate call options increases/(decreases), the fair value of the heat rate call options (decreases)/increases, as all implied volatilities in heat rate call options increase/(decrease), the fair value of the heat rate call options increases/(decreases), and as the market implied heat rate increases/(decreases), the fair value of the heat rate call options increases/(decreases).
(e) At September 30, 2013, auction rate securities have a weighted average contractual maturity of 22 years. The model used to calculate fair value incorporates an assumption that the auctions will continue to fail. As the modeled forward rates of the SIFMA Index increase/(decrease), the fair value of the securities increases/(decreases).
(f) The credit valuation adjustment incorporates projected probabilities of default and estimated recovery rates. As the credit valuation adjustment increases/(decreases), the fair value of the swaps (decreases)/increases.
(g) At September 30, 2013, FTR purchase contracts extend through 2015, and $1 million of the fair value is scheduled to deliver within the next 12 months. As the forward implied spread increases/(decreases), the fair value of the contracts increases/(decreases).

Net gains and losses on assets and liabilities classified as Level 3 and included in earnings for the periods ended September 30 are reported in the Statements of Income as follows:

	Three Months									
	Energy Commodities, net									
	Unregulated Retail Electric and Gas		Wholesale Energy Marketing		Net Energy Trading Margins		Fuel		Energy Purchases	
PPL and PPL Energy Supply	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Total gains (losses) included in earnings	$ 3	$ (3)	$ (8)	$ (4)	$ 11	$ (8)	$ 3		$ 9	$ (2)
Change in unrealized gains (losses) relating to positions still held at the reporting date	3	(2)		(1)	17	2				

	Nine Months											
	Energy Commodities, net										Cross-Currency Swaps	
	Unregulated Retail Electric and Gas		Wholesale Energy Marketing		Net Energy Trading Margins		Fuel		Energy Purchases		Interest Expense	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
PPL												
Total gains (losses) included in earnings	$ 18	$ 16	$ (15)	$ (7)	$ 8	$ (9)	$ 3		$ 9	$ (1)		$ (1)
Change in unrealized gains (losses) relating to positions still held at the reporting date	18	29	(1)		8	2			5	1		
PPL Energy Supply												
Total gains (losses) included in earnings	$ 18	$ 16	$ (15)	$ (7)	$ 8	$ (9)	$ 3		$ 9	$ (1)		
Change in unrealized gains (losses) relating to positions still held at the reporting date	18	29	(1)		8	2			5	1		

Price Risk Management Assets/Liabilities - Energy Commodities *(PPL and PPL Energy Supply)*

Energy commodity contracts for electricity, gas, oil and/or emission allowances are generally valued using the income approach, except for exchange-traded derivative gas and oil contracts, which are valued using the market approach and are classified as Level 1. When the lowest level inputs that are significant to the fair value measurement of a contract are observable, the contract is classified as Level 2. Level 2 contracts are valued using inputs which may include quotes obtained from an exchange (where there is insufficient market liquidity to warrant inclusion in Level 1), binding and non-binding broker quotes, prices posted by ISOs or published tariff rates. Furthermore, independent quotes are obtained from the market to validate the forward price curves. Energy commodity contracts include forwards, futures, swaps, options and structured transactions and may be offset with similar positions in exchange-traded markets. To the extent possible, fair value measurements utilize various inputs that include quoted prices for similar contracts or market-corroborated inputs. In certain instances, these contracts may be valued using models, including standard option valuation models and standard industry models. For example, the fair value of a full-requirement sales contract that delivers power to an illiquid delivery point may be measured by valuing the nearest liquid trading point plus the value of the basis between the two points. The basis input may be from market quotes or historical prices.

When unobservable inputs are significant to the fair value measurement, a contract is classified as Level 3. Level 3 contracts are valued using PPL proprietary models which include significant unobservable inputs such as delivery at a location where pricing is unobservable, assumptions for customer migration, delivery dates that are beyond the dates for which independent quotes are available, implied volatilities, implied correlations, and market implied heat rates. Forward transactions, including forward transactions classified as Level 3, are analyzed by PPL's Risk Management department, which reports to the Chief Financial Officer (CFO). Accounting personnel, who also report to the CFO, interpret the analysis quarterly to appropriately classify the forward transactions in the fair value hierarchy. Valuation techniques are evaluated periodically. Additionally, Level 2 and Level 3 fair value measurements include adjustments for credit risk based on PPL's own creditworthiness (for net liabilities) and its counterparties' creditworthiness (for net assets). PPL's credit department assesses all reasonably available market information which is used by accounting personnel to calculate the credit valuation adjustment.

In certain instances, energy commodity contracts are transferred between Level 2 and Level 3. The primary reasons for the transfers during 2013 and 2012 were changes in the availability of market information and changes in the significance of the unobservable inputs utilized in the valuation of the contract. As the delivery period of a contract becomes closer, market information may become available. When this occurs, the model's unobservable inputs are replaced with observable market information.

Price Risk Management Assets/Liabilities - Interest Rate Swaps/Foreign Currency Contracts/Cross-Currency Swaps *(PPL and Kentucky Registrants)*

To manage interest rate risk, PPL, LKE, LG&E and KU use interest rate contracts such as forward-starting swaps, floating-to-fixed swaps and fixed-to-floating swaps. To manage foreign currency exchange risk, PPL uses foreign currency contracts such as forwards, options and cross-currency swaps that contain characteristics of both interest rate and foreign currency contracts. An income approach is used to measure the fair value of these contracts, utilizing readily observable inputs, such as forward interest rates (e.g., LIBOR and government security rates) and forward foreign currency exchange rates (e.g., GBP), as well as inputs that may not be observable, such as credit valuation adjustments. In certain cases, market information cannot practicably be obtained to value credit risk and therefore internal models are relied upon. These models use projected probabilities of default and estimated recovery rates based on historical observances. When the credit valuation adjustment is significant to the overall valuation, the contracts are classified as Level 3. For PPL, the primary reason for the transfers during 2013 and 2012 was the change in the significance of the credit valuation adjustment. Cross-currency swaps classified as Level 3 are valued by PPL's Treasury department, which reports to the CFO. Accounting personnel, who also report to the CFO, interpret analysis quarterly to classify the contracts in the fair value hierarchy. Valuation techniques are evaluated periodically.

(PPL and PPL Energy Supply)

<u>NDT Funds</u>

The market approach is used to measure the fair value of equity securities held in the NDT funds.

- The fair value measurements of equity securities classified as Level 1 are based on quoted prices in active markets and are comprised of securities that are representative of the Wilshire 5000 Total Market Index.

- Investments in commingled equity funds are classified as Level 2 and represent securities that track the S&P 500 Index, Dow Jones U.S. Total Stock Market Index and the Dow Jones U.S. Completion Total Stock Market Index. These fair value measurements are based on firm quotes of net asset values per share, which are not obtained from a quoted price in an active market.

Debt securities are generally measured using a market approach, including the use of matrix pricing. Common inputs include reported trades, broker/dealer bid/ask prices, benchmark securities and credit valuation adjustments. When necessary, the fair value of debt securities is measured using the income approach, which incorporates similar observable inputs as well as benchmark yields, credit valuation adjustments, reference data from market research publications, monthly payment data, collateral performance and new issue data.

The debt securities held in the NDT funds at September 30, 2013 have a weighted-average coupon of 3.94% and a weighted-average maturity of 7.8 years.

<u>Auction Rate Securities</u>

Auction rate securities include Federal Family Education Loan Program guaranteed student loan revenue bonds, as well as various municipal bond issues. The probability of realizing losses on these securities is not significant.

The fair value of auction rate securities is estimated using an income approach that includes readily observable inputs, such as principal payments and discount curves for bonds with credit ratings and maturities similar to the securities, and unobservable inputs, such as future interest rates that are estimated based on the SIFMA Index, creditworthiness, and liquidity assumptions driven by the impact of auction failures. When the present value of future interest payments is significant to the overall valuation, the auction rate securities are classified as Level 3. The primary reason for the transfers in and out of Level 3 in 2013 and 2012 was the change in discount rates and SIFMA Index.

Auction rate securities are valued by PPL's Treasury department, which reports to the CFO. Accounting personnel, who also report to the CFO, interpret the analysis quarterly to classify the contracts in the fair value hierarchy. Valuation techniques are evaluated periodically.

Financial Instruments Not Recorded at Fair Value *(All Registrants)*

The carrying amounts of contract adjustment payments related to the Purchase Contract component of the Equity Units and long-term debt on the Balance Sheets and their estimated fair values are set forth below. The fair values of these instruments were estimated using an income approach by discounting future cash flows at estimated current cost of funding rates, which incorporate the credit risk of the Registrants. These instruments are classified as Level 2. The effect of third-party credit enhancements is not included in the fair value measurement.

	September 30, 2013		December 31, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
PPL				
Contract adjustment payments (a)	$ 32	$ 32	$ 105	$ 106
Long-term debt	19,843	21,537	19,476	21,671
PPL Energy Supply				
Long-term debt	2,962	3,127	3,272	3,556
PPL Electric				
Long-term debt	2,315	2,505	1,967	2,333
LKE				
Long-term debt	4,076	4,222	4,075	4,423
LG&E				
Long-term debt	1,112	1,137	1,112	1,178
KU				
Long-term debt	1,843	1,940	1,842	2,056

(a) Reflected in "Other current liabilities" and "Other deferred credits and noncurrent liabilities" on the Balance Sheets.

The carrying value of short-term debt (including notes between affiliates), when outstanding, approximates fair value due to the variable interest rates associated with the short-term debt and is classified as Level 2.

Credit Concentration Associated with Financial Instruments

(All Registrants)

Contracts are entered into with many entities for the purchase and sale of energy. Many of these contracts qualify for NPNS and, as such, the fair value of these contracts is not reflected in the financial statements. However, the fair value of these contracts is considered when committing to new business from a credit perspective. See Note 14 for information on credit policies used to manage credit risk, including master netting arrangements and collateral requirements.

(PPL)

At September 30, 2013, PPL had credit exposure of $1.1 billion from energy trading partners, excluding the effects of netting arrangements, reserves and collateral. As a result of netting arrangements, reserves and collateral, PPL's credit exposure was reduced to $541 million. The top ten counterparties including their affiliates accounted for $292 million, or 54%, of this exposure. Nine of these counterparties had an investment grade credit rating from S&P or Moody's and accounted for 95% of the top ten exposure. The remaining counterparty has not been rated by S&P or Moody's, but is current on its obligations.

(PPL Energy Supply)

At September 30, 2013, PPL Energy Supply had credit exposure of $1.1 billion from energy trading partners, excluding exposure from related parties and the effects of netting arrangements, reserves and collateral. As a result of netting arrangements, reserves and collateral, this credit exposure was reduced to $540 million. The top ten counterparties including their affiliates accounted for $292 million, or 54%, of this exposure. Nine of these counterparties had an investment grade credit rating from S&P or Moody's and accounted for 95% of the top ten exposure. The remaining counterparty has not been rated by S&P or Moody's, but is current on its obligations. See Note 11 for information regarding the related party credit exposure.

(PPL Electric)

PPL Electric is exposed to credit risk under energy supply contracts (including its supply contracts with PPL EnergyPlus); however, its PUC-approved cost recovery mechanism is anticipated to substantially eliminate this exposure.

(Kentucky Registrants)

At September 30, 2013, LKE's, LG&E's and KU's credit exposure was not significant.

14. Derivative Instruments and Hedging Activities

Risk Management Objectives

(All Registrants)

PPL has a risk management policy approved by the Board of Directors to manage market risk (including price, liquidity and volumetric risk) and credit risk (including non-performance risk and payment default risk). The RMC, comprised of senior management and chaired by the Chief Risk Officer, oversees the risk management function. Key risk control activities designed to ensure compliance with the risk policy and detailed programs include, but are not limited to, credit review and approval, validation of transactions and market prices, verification of risk and transaction limits, VaR analyses, portfolio stress tests, gross margin at risk analyses, sensitivity analyses, and daily portfolio reporting, including open positions, determinations of fair value, and other risk management metrics.

Market Risk

Market risk includes the potential loss that may be incurred as a result of price changes associated with a particular financial or commodity instrument as well as liquidity and volumetric risks. Forward contracts, futures contracts, options, swaps and structured transactions, such as tolling agreements, are utilized as part of risk management strategies to minimize unanticipated fluctuations in earnings caused by changes in commodity prices, volumes of full-requirement sales contracts, basis exposure, interest rates and/or foreign currency exchange rates. Many of the contracts meet the definition of a derivative. All derivatives are recognized on the Balance Sheets at their fair value, unless they qualify for NPNS.

The table below summarizes the market risks that affect PPL and its Subsidiary Registrants.

	PPL	PPL Energy Supply	PPL Electric	LKE	LG&E	KU
Commodity price risk (including basis and volumetric risk)	X	X	M	M	M	M
Interest rate risk:						
Debt issuances	X	X	M	M	M	M
Defined benefit plans	X	X	M	M	M	M
NDT securities	X	X				
Equity securities price risk:						
Defined benefit plans	X	X	M	M	M	M
NDT securities	X	X				
Future stock transactions	X					
Foreign currency risk - WPD investment and earnings	X					

X = PPL and PPL Energy Supply actively mitigate market risks through their risk management programs described above.
M = The regulatory environments for PPL's regulated entities, by definition, significantly mitigate market risk.

Commodity price and volumetric risks

- PPL is exposed to market and commodity price, basis and volumetric risk through its domestic subsidiaries as described below. Volumetric risk is significantly mitigated at WPD as a result of the method of regulation in the U.K.

- PPL Energy Supply is exposed to commodity price, basis and volumetric risks for energy and energy-related products associated with the sale of electricity from its generating assets and other electricity and gas marketing activities and the purchase of fuel and fuel-related commodities for generating assets, as well as for proprietary trading activities.

- PPL Electric is exposed to commodity price and volumetric risks from its obligation as PLR; however, its PUC-approved cost recovery mechanism substantially eliminates its exposure to these risks. PPL Electric also mitigates its exposure to volumetric risk by entering into full-requirement supply agreements to serve its PLR customers. These supply agreements transfer the volumetric risk associated with the PLR obligation to the energy suppliers.

- LG&E's and KU's rates include certain mechanisms for fuel, gas supply and environmental expenses. These mechanisms generally provide for timely recovery of market price and volumetric fluctuations associated with these expenses.

Interest rate risk

- PPL and its subsidiaries are exposed to interest rate risk associated with forecasted fixed-rate and existing floating-rate debt issuances. WPD holds over-the-counter cross currency swaps to limit exposure to market fluctuations on interest and principal payments from changes in foreign currency exchange rates and interest rates. LG&E utilizes over-the-counter interest rate swaps to limit exposure to market fluctuations on floating-rate debt and LG&E and KU utilize forward starting interest rate swaps to hedge changes in benchmark interest rates.

- PPL and its subsidiaries are exposed to interest rate risk associated with debt securities held by defined benefit plans. This risk is significantly mitigated to the extent that the plans are sponsored at, or sponsored on behalf of, the regulated domestic utilities and for certain plans at WPD due to the recovery mechanisms in place. Additionally, PPL Energy Supply is exposed to interest rate risk associated with debt securities held by the NDT.

Equity securities price risk

- PPL and its subsidiaries are exposed to equity securities price risk associated with defined benefit plans. This risk is significantly mitigated at the regulated domestic utilities and for certain plans at WPD due to the recovery mechanisms in place. Additionally, PPL Energy Supply is exposed to equity securities price risk in the NDT funds.

- PPL is exposed to equity securities price risk from future stock sales and/or purchases.

Foreign currency risk

- PPL is exposed to foreign currency exchange risk primarily associated with its investments in U.K. affiliates.

Credit Risk

Credit risk is the potential loss that may be incurred due to a counterparty's non-performance.

PPL is exposed to credit risk from "in-the-money" interest rate and foreign currency derivatives with financial institutions, as well as additional credit risk through certain of its subsidiaries, as discussed below.

PPL Energy Supply is exposed to credit risk from "in-the-money" commodity derivatives with its energy trading partners, which include other energy companies, fuel suppliers and financial institutions.

LKE, LG&E and KU are exposed to credit risk from interest rate derivatives with PPL. LKE and LG&E are also exposed to credit risk from interest rate derivatives with third-party financial institutions.

The majority of PPL and PPL Energy Supply's credit risk stems from commodity derivatives for multi-year contracts for energy sales and purchases. If PPL Energy Supply's counterparties fail to perform their obligations under such contracts and PPL Energy Supply could not replace the sales or purchases at the same or better prices as those under the defaulted contracts, PPL Energy Supply would incur financial losses. Those losses would be recognized immediately or through lower revenues or higher costs in future years, depending on the accounting treatment for the defaulted contracts. In the event a supplier of LKE (through its subsidiaries LG&E and KU) or PPL Electric defaults on its obligation, those entities would be required to seek replacement power or replacement fuel in the market. In general, incremental costs incurred by these entities would be recoverable from customers in future rates, thus mitigating the financial risk for these entities.

PPL and its subsidiaries have credit policies in place to manage credit risk, including the use of an established credit approval process, daily monitoring of counterparty positions and the use of master netting agreements or provisions. These agreements generally include credit mitigation provisions, such as margin, prepayment or collateral requirements. PPL and its subsidiaries may request additional credit assurance, in certain circumstances, in the event that the counterparties' credit ratings fall below investment grade, their tangible net worth falls below specified percentages or their exposures exceed an established credit limit. See Note 13 for credit concentration associated with energy trading partners.

Master Netting Arrangements

Net derivative positions on the balance sheets are not offset against the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) under master netting arrangements.

PPL's and PPL Energy Supply's obligation to return counterparty cash collateral under master netting arrangements was $14 million and $112 million at September 30, 2013 and December 31, 2012.

PPL Electric, LKE and LG&E had no obligation to return cash collateral under master netting arrangements at September 30, 2013 and December 31, 2012.

PPL, LKE and LG&E had posted cash collateral under master netting arrangements of $22 million and $32 million at September 30, 2013 and December 31, 2012.

PPL Energy Supply, PPL Electric and KU had not posted any cash collateral under master netting arrangements at September 30, 2013 and December 31, 2012.

(PPL and PPL Energy Supply)

Commodity Price Risk (Non-trading)

Commodity price risk, including basis and volumetric risk, is among PPL's and PPL Energy Supply's most significant risks due to the level of investment that PPL and PPL Energy Supply maintain in their competitive generation assets, as well as the extent of their marketing activities. Several factors influence price levels and volatilities. These factors include, but are not limited to, seasonal changes in demand, weather conditions, available generating assets within regions, transportation/transmission availability and reliability within and between regions, market liquidity, and the nature and extent of current and potential federal and state regulations.

PPL Energy Supply maximizes the value of its wholesale and retail energy portfolios through the use of non-trading strategies that include sales of competitive baseload generation, optimization of competitive intermediate and peaking generation and marketing activities.

PPL Energy Supply has a formal hedging program to economically hedge the forecasted purchase and sale of electricity and related fuels for its competitive baseload generation fleet, which includes 7,298 MW (summer rating) of nuclear, coal and hydroelectric generating capacity. PPL Energy Supply attempts to optimize the overall value of its competitive intermediate and peaking fleet, which includes 3,316 MW (summer rating) of natural gas and oil-fired generation. PPL Energy Supply's marketing portfolio is comprised of full-requirement sales contracts and related supply contracts, retail natural gas and electricity sales contracts and other marketing activities. The strategies that PPL Energy Supply uses to hedge its full-requirement sales contracts include purchasing energy (at a liquid trading hub or directly at the load delivery zone), capacity and RECs in the market and/or supplying the energy, capacity and RECs from its generation assets.

PPL and PPL Energy Supply enter into financial and physical derivative contracts, including forwards, futures, swaps and options, to hedge the price risk associated with electricity, natural gas, oil and other commodities. Certain contracts qualify for NPNS or are non-derivatives and are therefore not reflected in the financial statements until delivery. PPL and PPL Energy Supply segregate their non-trading activities into two categories: cash flow hedges and economic activity, as discussed below.

Cash Flow Hedges

Certain derivative contracts have qualified for hedge accounting so that the effective portion of a derivative's gain or loss is deferred in AOCI and reclassified into earnings when the forecasted transaction occurs. Certain cash flow hedge positions were dedesignated during the nine months ended September 30, 2013 and 2012 and the unamortized portion remained in AOCI because the original forecasted transaction is still expected to occur. There were no active cash flow hedges at September 30, 2013. At September 30, 2013, the accumulated net unrecognized after-tax gains (losses) that are expected to be reclassified into earnings during the next 12 months were $47 million for PPL and PPL Energy Supply. Cash flow hedges are discontinued if it is no longer probable that the original forecasted transaction will occur by the end of the originally specified time periods and any amounts previously recorded in AOCI are reclassified into earnings once it is determined that the hedge transaction is probable of not occurring. For the three and nine months ended September 30, 2013 and 2012, such reclassifications were insignificant.

For the three and nine months ended September 30, 2013 and 2012, hedge ineffectiveness associated with energy derivatives was insignificant.

Economic Activity

Many derivative contracts economically hedge the commodity price risk associated with electricity, natural gas, oil and other commodities but do not receive hedge accounting treatment because they were not eligible for hedge accounting or because hedge accounting was not elected. These derivatives hedge a portion of the economic value of PPL Energy Supply's competitive generation assets and unregulated full-requirement and retail contracts, which are subject to changes in fair value due to market price volatility and volume expectations. Additionally, economic activity would also include the ineffective portion of qualifying cash flow hedges (see "Cash Flow Hedges" above). The derivative contracts in this category that existed at September 30, 2013 range in maturity through 2019.

Examples of economic activity may include hedges on sales of baseload generation, certain purchase contracts used to supply full-requirement sales contracts, FTRs or basis swaps used to hedge basis risk associated with the sale of competitive generation or supplying full-requirement sales contracts, Spark Spread hedging contracts, retail electric and natural gas activities, and fuel oil swaps used to hedge price escalation clauses in coal transportation and other fuel-related contracts. PPL Energy Supply also uses options, which include the sale of call options and the purchase of put options tied to a particular generating unit. Since the physical generating capacity is owned, price exposure is generally capped at the price at which the generating unit would be dispatched and therefore does not expose PPL Energy Supply to uncovered market price risk.

Commodity Price Risk (Trading)

PPL Energy Supply has a proprietary trading strategy which is utilized to take advantage of market opportunities. As a result, PPL Energy Supply may at times create a net open position in its portfolio that could result in losses if prices do not move in the manner or direction anticipated. The proprietary trading portfolio shown in "Net energy trading margins" on the Statements of Income is not a significant part of PPL Energy Supply's business.

Commodity Volumes

At September 30, 2013, the net volumes of derivative (sales)/purchase contracts used in support of the various strategies discussed above were as follows.

		Volume (a)			
Commodity	**Unit of Measure**	**2013 (b)**	**2014**	**2015**	**Thereafter**
Power	MWh	(9,950,950)	(28,280,182)	(4,110,530)	10,991,752
Capacity	MW-Month	(5,114)	(14,418)	(309)	1,990
Gas	MMBtu	12,653,279	18,794,545	(3,852,725)	5,320,453
Coal	Tons		(30,000)		
FTRs	MW-Month	5,056	8,724	1,465	
Oil	Barrels	(15,335)	300,000	384,334	371,466

(a) Volumes for option contracts factor in the probability of an option being exercised and may be less than the notional amount of the option.
(b) Represents balance of the current year.

Interest Rate Risk

(PPL and Kentucky Registrants)

PPL and its subsidiaries issue debt to finance their operations, which exposes them to interest rate risk. Various financial derivative instruments are utilized to adjust the mix of fixed and floating interest rates in their debt portfolio, adjust the duration of the debt portfolio and lock in benchmark interest rates in anticipation of future financing, when appropriate. Risk limits under PPL's risk management program are designed to balance risk exposure to volatility in interest expense and changes in the fair value of the debt portfolio due to changes in benchmark interest rates.

Cash Flow Hedges

(PPL)

Interest rate risks include exposure to adverse interest rate movements for outstanding variable rate debt and for future anticipated financings. Financial interest rate swap contracts that qualify as cash flow hedges may be entered into to hedge floating interest rate risk associated with both existing and anticipated debt issuances. At September 30, 2013, outstanding interest rate swap contracts range in maturity through 2024 for WPD and through 2044 for PPL's domestic interest rate swaps. These swaps had an aggregate notional value of $2.3 billion at September 30, 2013 of which £300 million (approximately $464 million based on spot rates) was related to WPD. Also included in this total are forward-starting interest rate swaps entered into by PPL on behalf of LG&E and KU. Realized gains and losses from these swaps are probable of recovery through regulated rates; as such, the fair value of these derivatives have been reclassified from AOCI to regulatory assets or liabilities. The gains and losses will be recognized in "Interest Expense" on the Statements of Income over the life of the underlying debt when the hedged transaction occurs.

At September 30, 2013, PPL held a notional position in cross-currency interest rate swaps totaling $1.3 billion that range in maturity through 2028 to hedge the interest payments and principal of WPD's U.S. dollar-denominated senior notes.

For the three and nine months ended September 30, 2013 and 2012, hedge ineffectiveness associated with interest rate derivatives was insignificant.

Cash flow hedges are discontinued if it is no longer probable that the original forecasted transaction will occur by the end of the originally specified time period and any amounts previously recorded in AOCI are reclassified into earnings once it is determined that the hedged transaction is probable of not occurring. PPL had no such reclassifications for the three and nine months ended September 30, 2013 and 2012.

At September 30, 2013, the accumulated net unrecognized after-tax gains (losses) on qualifying derivatives that are expected to be reclassified into earnings during the next 12 months were $(11) million. Amounts are reclassified as the hedged interest payments are made.

(Kentucky Registrants)

In November 2012 and April 2013, LG&E and KU entered into forward-starting interest rate swaps with PPL that hedge the interest payments on new debt that is expected to be issued in 2013. In September 2013, these hedges were terminated and LG&E and KU entered into new forward-starting interest rate swaps with PPL, effectively extending the start date of the prior hedges from September 2013 to December 2013. Both the terminated swaps and the swaps entered into in September have terms identical to forward-starting swaps entered into by PPL with third parties. A cash settlement of $98 million (LG&E and KU each received $49 million) was received on the terminated swaps, which is included in "Cash Flows from Operating Activities" on the Statements of Cash Flows. Realized gains and losses on all of these swaps are probable of recovery through regulated rates; as such, the September settlements and the fair value of the new derivatives were reclassified from AOCI to regulatory assets or liabilities and are expected to be recognized in "Interest Expense" on the Statements of Income over the life of the underlying debt when the hedged transaction occurs. For the three and nine months ended September 30, 2013, there was no hedge ineffectiveness recorded for the interest rate derivatives. At September 30, 2013, the total notional amount outstanding was $500 million (LG&E and KU each held contracts of $250 million) that matures in 2043.

Economic Activity *(PPL, LKE and LG&E)*

LG&E enters into interest rate swap contracts that economically hedge interest payments on variable rate debt. Because realized gains and losses from the swaps, including a terminated swap contract, are recoverable through regulated rates, any subsequent changes in fair value of these derivatives are included in regulatory assets or liabilities until they are realized as interest expense. Realized gains and losses are recognized in "Interest Expense" on the Statements of Income when the hedged transaction occurs. At September 30, 2013, LG&E held contracts with a notional amount of $179 million that range in maturity through 2033.

Foreign Currency Risk *(PPL)*

PPL is exposed to foreign currency risk, primarily through investments in U.K. affiliates. PPL has adopted a foreign currency risk management program designed to hedge certain foreign currency exposures, including firm commitments, recognized assets or liabilities, anticipated transactions and net investments. In addition, PPL enters into financial instruments to protect against foreign currency translation risk of expected earnings.

Net Investment Hedges

PPL enters into foreign currency contracts on behalf of a subsidiary to protect the value of a portion of its net investment in WPD. The contracts outstanding at September 30, 2013 had a notional amount of £320 million (approximately $505 million based on contracted rates). The settlement dates of these contracts range from November 2013 through June 2015.

Additionally, a PPL Global subsidiary that has a U.S. dollar functional currency entered into GBP intercompany loans payable with PPL WEM subsidiaries that have GBP functional currency. The loans qualify as a net investment hedge for the PPL Global subsidiary. As such, the foreign currency gains and losses on the intercompany loans for the PPL Global subsidiary are recorded to the foreign currency translation adjustment component of OCI. At September 30, 2013, the outstanding balances of the intercompany loans were £77 million (approximately $119 million based on spot rates). For the three and nine months ended September 30, 2013, PPL recognized net investment hedge gains (losses) on the intercompany loans of $(9) million and $(3) million in the foreign currency translation adjustment component of OCI. Such amounts for the three and nine months ended September 30, 2012 were not significant.

At September 30, 2013, PPL had $5 million of accumulated net investment hedge gains (losses), after-tax, in the foreign currency translation adjustment component of AOCI, compared to $14 million of gains (losses), after-tax at December 31, 2012.

<u>Economic Activity</u>

PPL enters into foreign currency contracts on behalf of a subsidiary to economically hedge GBP-denominated anticipated earnings. At September 30, 2013, the total exposure hedged by PPL was approximately £1.3 billion (approximately $2.1 billion based on contracted rates). These contracts had termination dates ranging from October 2013 through October 2015.

Accounting and Reporting

(All Registrants)

All derivative instruments are recorded at fair value on the Balance Sheet as an asset or liability unless they qualify for NPNS. NPNS contracts for PPL and PPL Energy Supply include certain full-requirement sales contracts, other physical purchase and sales contracts and certain retail energy and physical capacity contracts, and for PPL Electric include certain full-requirement purchase contracts and other physical purchase contracts. Changes in the fair value of derivatives not designated as NPNS are recognized currently in earnings unless specific hedge accounting criteria are met and designated as such, except for the change in fair value of LG&E's and KU's interest rate swaps that are recognized as regulatory assets or regulatory liabilities. See Note 6 for amounts recorded in regulatory assets and regulatory liabilities at September 30, 2013 and December 31, 2012.

See Notes 1 and 19 in each Registrant's 2012 Form 10-K for additional information on accounting policies related to derivative instruments.

(PPL)

The following table presents the fair value and location of derivative instruments recorded on the Balance Sheets.

	September 30, 2013				December 31, 2012			
	Derivatives designated as hedging instruments		Derivatives not designated as hedging instruments (a)		Derivatives designated as hedging instruments		Derivatives not designated as hedging instruments (a)	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Current:								
Price Risk Management Assets/Liabilities (b):								
Interest rate swaps (c)	$ 83	$ 16		$ 4	$ 14	$ 22		$ 5
Cross-currency swaps	1	1				3		
Foreign currency contracts		5	$	24		2		23
Commodity contracts			961	773	59		$ 1,452	1,010
Total current	84	22	961	801	73	27	1,452	1,038
Noncurrent:								
Price Risk Management Assets/Liabilities (b):								
Interest rate swaps (c)	3	1		37	1			53
Cross-currency swaps	27				14	1		
Foreign currency contracts		6	1	32				19
Commodity contracts			519	462	27		530	556
Total noncurrent	30	7	520	531	42	1	530	628
Total derivatives	$ 114	$ 29	$ 1,481	$ 1,332	$ 115	$ 28	$ 1,982	$ 1,666

(a) $216 million and $300 million of net gains associated with derivatives that were no longer designated as hedging instruments are recorded in AOCI at September 30, 2013 and December 31, 2012.

(b) Represents the location on the Balance Sheets.
(c) Excludes accrued interest, if applicable.

The after-tax balances of accumulated net gains (losses) (excluding net investment hedges) in AOCI were $87 million and $132 million at September 30, 2013 and December 31, 2012. The after-tax balances of accumulated net gains (losses) (excluding net investment hedges) in AOCI were $231 million and $527 million at September 30, 2012 and December 31, 2011.

The following tables present the pre-tax effect of derivative instruments recognized in income, OCI or regulatory assets and regulatory liabilities for the periods ended September 30, 2013.

				Three Months		Nine Months	
Derivative Relationships	Derivative Gain (Loss) Recognized in OCI (Effective Portion) Three Months	Derivative Gain (Loss) Recognized in OCI (Effective Portion) Nine Months	Location of Gain (Loss) Recognized in Income on Derivative	Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Cash Flow Hedges:							
Interest rate swaps	$ 25	$ 102	Interest expense	$ (5)		$ (14)	
Cross-currency swaps	(36)	16	Interest expense	(1)			
			Other income (expense) - net	(25)		45	
Commodity contracts			Wholesale energy marketing	58		198	$ 1
			Depreciation	1		2	
			Energy purchases	(11)		(41)	
Total	$ (11)	$ 118		$ 17		$ 190	$ 1
Net Investment Hedges:							
Foreign currency contracts	$ (22)	$ (5)					

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	Three Months	Nine Months
Foreign currency contracts	Other income (expense) - net	$ (117)	$ 6
Interest rate swaps	Interest expense	(2)	(6)
Commodity contracts	Unregulated retail electric and gas	3	18
	Wholesale energy marketing	104	144
	Net energy trading margins (a)	14	8
	Fuel	4	2
	Energy purchases	(86)	(99)
	Total	$ (80)	$ 73

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized as Regulatory Liabilities/Assets	Three Months	Nine Months
Interest rate swaps	Regulatory assets - noncurrent	$ 2	$ 18

Derivatives Designated as Hedging Instruments	Location of Gain (Loss) Recognized as Regulatory Liabilities/Assets	Three Months	Nine Months
Interest rate swaps	Regulatory liabilities - noncurrent	$ 12	$ 70

(a) Differs from the Statement of Income due to intra-month transactions that PPL defines as spot activity, which is not accounted for as a derivative.

The following tables present the pre-tax effect of derivative instruments recognized in income, OCI, or regulatory assets and regulatory liabilities for the periods ended September 30, 2012.

Derivatives in Fair Value Hedging Relationships	Hedged Items in Fair Value Hedging Relationships	Location of Gain (Loss) Recognized in Income on Derivative	Gain (Loss) Recognized in Income on Derivative Three Months	Gain (Loss) Recognized in Income on Derivative Nine Months	Gain (Loss) Recognized in Income on Related Item Three Months	Gain (Loss) Recognized in Income on Related Item Nine Months
Interest rate swaps	Fixed rate debt	Interest expense	$ (1)		$ 1	$ 3

Derivative Relationships	Derivative Gain (Loss) Recognized in OCI (Effective Portion)		Location of Gain (Loss) Recognized in Income on Derivative	Three Months		Nine Months	
	Three Months	Nine Months		Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Cash Flow Hedges:							
Interest rate swaps	$ (6)	$ (28)	Interest expense	$ (4)		$ (13)	
			Other income (expense) - net	1		1	
Cross-currency swaps	(49)	(3)	Interest expense			(1)	
			Other income (expense) - net	(40)		(12)	
Commodity contracts		99	Wholesale energy marketing	174		673	$ (1)
			Depreciation	1		2	
			Energy purchases	(20)	$ 1	(105)	(2)
Total	$ (55)	$ 68		$ 112	$ 1	$ 545	$ (3)
Net Investment Hedges:							
Foreign currency contracts	$ (4)	$ (5)					

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	Three Months	Nine Months
Foreign currency contracts	Other income (expense) - net	$ (47)	$ (40)
Interest rate swaps	Interest expense	(2)	(4)
Commodity contracts	Unregulated retail electric and gas	(3)	20
	Wholesale energy marketing	(476)	900
	Net energy trading margins (a)	(10)	12
	Fuel	6	
	Energy purchases	364	(717)
	Total	$ (168)	$ 171

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized as Regulatory Liabilities/Assets	Three Months	Nine Months
Interest rate swaps	Regulatory assets - noncurrent	$ 1	$ (2)

(a) Differs from the Statement of Income due to intra-month transactions that PPL defines as spot activity, which is not accounted for as a derivative.

(PPL Energy Supply)

The following table presents the fair value and location of derivative instruments recorded on the Balance Sheets.

	September 30, 2013		December 31, 2012			
	Derivatives not designated as hedging instruments (a)		Derivatives designated as hedging instruments		Derivatives not designated as hedging instruments (a)	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Current:						
Price Risk Management Assets/Liabilities (b):						
Commodity contracts	$ 961	$ 773	$ 59		$ 1,452	$ 1,010
Total current	961	773	59		1,452	1,010
Noncurrent:						
Price Risk Management Assets/Liabilities (b):						
Commodity contracts	519	462	27		530	556
Total noncurrent	519	462	27		530	556
Total derivatives	$ 1,480	$ 1,235	$ 86		$ 1,982	$ 1,566

(a) $216 million and $300 million of net gains associated with derivatives that were no longer designated as hedging instruments are recorded in AOCI at September 30, 2013 and December 31, 2012.
(b) Represents the location on the Balance Sheets.

The after-tax balances of accumulated net gains (losses) in AOCI were $115 million and $211 million at September 30, 2013 and December 31, 2012. The after-tax balances of accumulated net gains (losses) in AOCI were $312 million and $605 million at September 30, 2012 and December 31, 2011.

The following tables present the pre-tax effect of derivative instruments recognized in income or OCI for the periods ended September 30, 2013.

Derivative Relationships	Derivative Gain (Loss) Recognized in OCI (Effective Portion)		Location of Gains (Losses) Recognized in Income on Derivative	Three Months		Nine Months	
	Three Months	Nine Months		Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Cash Flow Hedges:							
Commodity contracts			Wholesale energy marketing	$ 58		$ 198	$ 1
			Depreciation	1		2	
			Energy purchases	(11)		(41)	
Total				$ 48		$ 159	$ 1

Derivatives Not Designated as Hedging Instrument	Location of Gain (Loss) Recognized in Income on Derivative	Three Months	Nine Months
Commodity contracts	Unregulated retail electric and gas	$ 3	$ 18
	Wholesale energy marketing	104	144
	Net energy trading margins (a)	14	8
	Fuel	4	2
	Energy purchases	(86)	(99)
	Total	$ 39	$ 73

(a) Differs from the Statements of Income due to intra-month transactions that PPL Energy Supply defines as spot activity, which is not accounted for as a derivative.

The following tables present the pre-tax effect of derivative instruments recognized in income or OCI for the periods ended September 30, 2012.

Derivative Relationships	Derivative Gain (Loss) Recognized in OCI (Effective Portion)		Location of Gains (Losses) Recognized in Income on Derivative	Three Months		Nine Months	
	Three Months	Nine Months		Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Cash Flow Hedges:							
Commodity contracts		$ 99	Wholesale energy marketing	$ 174		$ 673	$ (1)
			Depreciation			1	
			Energy purchases	(20)	$ 1	(105)	(2)
Total		$ 99		$ 154	$ 1	$ 569	$ (3)

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	Three Months	Nine Months
Commodity contracts	Unregulated retail electric and gas	$ (3)	$ 20
	Wholesale energy marketing	(476)	900
	Net energy trading margins (a)	(10)	12
	Fuel	6	
	Energy purchases	364	(717)
	Total	$ (119)	$ 215

(a) Differs from the Statements of Income due to intra-month transactions that PPL Energy Supply defines as spot activity, which is not accounted for as a derivative.

(LKE)

The following table presents the fair value and the location on the Balance Sheets of derivative instruments designated as cash flow hedges.

	September 30, 2013		December 31, 2012	
	Assets	Liabilities	Assets	Liabilities
Current:				
Price Risk Management Assets/Liabilities (a):				
Interest rate swaps		$ 14	$ 14	

(a) Represents the location on the Balance Sheets.

The following tables present the pre-tax effect of derivative instruments designated as cash flow hedges that are recognized in regulatory liabilities for the periods ended September 30, 2013.

Derivative Instruments	Location of Gain (Loss)	Three Months	Nine Months
Interest rate swaps	Regulatory liabilities - noncurrent	$ 12	$ 70

(LG&E)

The following table presents the fair value and the location on the Balance Sheets of derivative instruments designated as cash flow hedges.

	September 30, 2013		December 31, 2012	
	Assets	Liabilities	Assets	Liabilities
Current:				
Price Risk Management Assets/Liabilities (a):				
Interest rate swaps		$ 7	$ 7	

(a) Represents the location on the Balance Sheets.

The following tables present the pre-tax effect of derivative instruments designated as cash flow hedges that are recognized in regulatory liabilities for the periods ended September 30, 2013.

Derivative Instruments	Location of Gain (Loss)	Three Months	Nine Months
Interest rate swaps	Regulatory liabilities - noncurrent	$ 6	$ 35

(KU)

The following table presents the fair value and the location on the Balance Sheets of derivative instruments designated as cash flow hedges.

	September 30, 2013		December 31, 2012	
	Assets	Liabilities	Assets	Liabilities
Current:				
Price Risk Management Assets/Liabilities (a):				
Interest rate swaps		$ 7	$ 7	

(a) Represents the location on the Balance Sheets.

The following tables present the pre-tax effect of derivative instruments designated as cash flow hedges that are recognized in regulatory liabilities for the periods ended September 30, 2013.

Derivative Instruments	Location of Gain (Loss)	Three Months	Nine Months
Interest rate swaps	Regulatory liabilities - noncurrent	$ 6	$ 35

(LKE and LG&E)

The following table presents the fair value and the location on the Balance Sheets of derivatives not designated as hedging instruments.

	September 30, 2013		December 31, 2012	
	Assets	Liabilities	Assets	Liabilities
Current:				
Price Risk Management Assets/Liabilities (a):				
Interest rate swaps		$ 4		$ 5
Total current		4		5
Noncurrent:				
Price Risk Management Assets/Liabilities (a):				
Interest rate swaps		37		53
Total noncurrent		37		53
Total derivatives		$ 41		$ 58

(a) Represents the location on the Balance Sheets.

The following tables present the pre-tax effect of derivatives not designated as hedging instruments recognized in income or regulatory assets for the periods ended September 30, 2013.

Derivative Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Three Months	Nine Months
Interest rate swaps	Interest expense	$ (2)	$ (6)

Derivative Instruments	Location of Gain (Loss) Recognized in Regulatory Assets	Three Months	Nine Months
Interest rate swaps	Regulatory assets - noncurrent (a)	$ 2	$ 18

(a) Includes both realized and unrealized gains (losses).

The following tables present the pre-tax effect of derivatives not designated as hedging instruments recognized in income or regulatory assets for the periods ended September 30, 2012.

Derivative Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Three Months	Nine Months
Interest rate swaps	Interest expense	$ (2)	$ (6)

Derivative Instruments	Location of Gain (Loss) Recognized in Regulatory Assets	Three Months	Nine Months
Interest rate swaps	Regulatory assets - noncurrent (a)	$ 1	$ (2)

(a) Includes both realized and unrealized gains (losses).

(All Registrants except PPL Electric)

Offsetting Derivative Instruments

PPL, PPL Energy Supply, LKE, LG&E and KU or certain of their subsidiaries have master netting arrangements or similar agreements in place including derivative clearing agreements with futures commission merchants (FCMs) to permit the trading of cleared derivative products on one or more futures exchanges. The clearing arrangements permit an FCM to use and apply any property in its possession as a set off to pay amounts or discharge obligations owed by a customer upon default of the customer and typically do not place any restrictions on the FCM's use of collateral posted by the customer. PPL, PPL Energy Supply, LKE, LG&E and KU and their subsidiaries also enter into agreements pursuant to which they trade certain energy and other products. Under the agreements, upon termination of the agreement as a result of a default or other termination event, the non-defaulting party typically would have a right to setoff amounts owed under the agreement against any other obligations arising between the two parties (whether under the agreement or not), whether matured or contingent and irrespective of the currency, place of payment or place of booking of the obligation.

PPL, PPL Energy Supply, LKE, LG&E and KU have elected not to offset derivative assets and liabilities and not to offset net derivative positions against the right to reclaim cash collateral pledged (an asset) or the obligation to return cash collateral received (a liability) under derivatives agreements. The table below summarizes the derivative positions presented in the balance sheets where a right of setoff exists under these arrangements and related cash collateral received or pledged.

	Assets				Liabilities			
		Eligible for Offset				Eligible for Offset		
	Gross	Derivative Instruments	Cash Collateral Received	Net	Gross	Derivative Instruments	Cash Collateral Pledged	Net
September 30, 2013								
PPL								
Energy Commodities	$ 1,480	$ 1,122	$ 14	$ 344	$ 1,235	$ 1,122		$ 113
Treasury Derivatives	115	47		68	126	47	$ 22	57
Total	$ 1,595	$ 1,169	$ 14	$ 412	$ 1,361	$ 1,169	$ 22	$ 170
PPL Energy Supply								
Energy Commodities	$ 1,480	$ 1,122	$ 14	$ 344	$ 1,235	$ 1,122		$ 113
LKE								
Treasury Derivatives					$ 55		$ 22	$ 33
LG&E								
Treasury Derivatives					$ 48		$ 22	$ 26
KU								
Treasury Derivatives					$ 7			$ 7
December 31, 2012								
PPL								
Energy Commodities	$ 2,068	$ 1,413	$ 111	$ 544	$ 1,566	$ 1,413	$ 9	$ 144
Treasury Derivatives	29	19		10	128	19	30	79
Total	$ 2,097	$ 1,432	$ 111	$ 554	$ 1,694	$ 1,432	$ 39	$ 223
PPL Energy Supply								
Energy Commodities	$ 2,068	$ 1,413	$ 111	$ 544	$ 1,566	$ 1,413	$ 9	$ 144
LKE								
Treasury Derivatives	$ 14			$ 14	$ 58		$ 30	$ 28
LG&E								
Treasury Derivatives	$ 7			$ 7	$ 58		$ 30	$ 28
KU								
Treasury Derivatives	$ 7			$ 7				

Credit Risk-Related Contingent Features

Certain derivative contracts contain credit risk-related contingent features which, when in a net liability position, would permit the counterparties to require the transfer of additional collateral upon a decrease in the credit ratings of PPL, PPL Energy Supply, LKE, LG&E and KU or certain of their subsidiaries. Most of these features would require the transfer of additional collateral or permit the counterparty to terminate the contract if the applicable credit rating were to fall below investment grade. Some of these features also would allow the counterparty to require additional collateral upon each decrease in the credit rating at levels that remain above investment grade. In either case, if the applicable credit rating were to fall below investment grade (i.e., below BBB- for S&P or Fitch, or Baa3 for Moody's), and assuming no assignment to an investment grade affiliate were allowed, most of these credit contingent features require either immediate payment of the net liability as a termination payment or immediate and ongoing full collateralization on derivative instruments in net liability positions.

Additionally, certain derivative contracts contain credit risk-related contingent features that require adequate assurance of performance be provided if the other party has reasonable concerns regarding the performance of PPL's obligation under the contract. A counterparty demanding adequate assurance could require a transfer of additional collateral or other security, including letters of credit, cash and guarantees from a creditworthy entity. This would typically involve negotiations among the parties. However, amounts disclosed below represent assumed immediate payment or immediate and ongoing full collateralization for derivative instruments in net liability positions with "adequate assurance" features.

At September 30, 2013, the effect of a decrease in credit ratings below investment grade on derivative contracts that contain credit risk-related contingent features and were in a net liability position is summarized as follows:

	PPL	PPL Energy Supply	LKE	LG&E
Aggregate fair value of derivative instruments in a net liability position with credit risk-related contingent features	$ 178	$ 115	$ 29	$ 29
Aggregate fair value of collateral posted on these derivative instruments	39	17	22	22
Aggregate fair value of additional collateral requirements in the event of a credit downgrade below investment grade (a)	167	127	7	7

(a) Includes the effect of net receivables and payables already recorded on the Balance Sheet.

15. Goodwill

(PPL)

The change in the carrying amount of goodwill for the nine months ended September 30, 2013 was due to the effect of foreign currency exchange rates on the U.K. Regulated segment.

16. Asset Retirement Obligations

(All Registrants except PPL Electric)

The changes in the carrying amounts of AROs were as follows.

	PPL	PPL Energy Supply	LKE	LG&E	KU
Balance at December 31, 2012	$ 552	$ 375	$ 131	$ 62	$ 69
Accretion expense	27	22	4	2	2
Obligations incurred	6	6			
Changes in estimated cash flow or settlement date	123	1	122	17	105
Effect of foreign currency exchange rates	(2)				
Obligations settled	(12)	(6)	(6)	(6)	
Balance at September 30, 2013	$ 694	$ 398	$ 251	$ 75	$ 176

Substantially all of the ARO balances are classified as noncurrent at September 30, 2013 and December 31, 2012.

(PPL and PPL Energy Supply)

The most significant ARO recorded by PPL and PPL Energy Supply relates to the decommissioning of the Susquehanna nuclear plant. The accrued nuclear decommissioning obligation was $335 million and $316 million at September 30, 2013 and December 31, 2012.

Assets in the NDT funds are legally restricted for purposes of settling PPL's and PPL Energy Supply's ARO related to the decommissioning of the PPL Susquehanna nuclear plant. The aggregate fair value of these assets was $804 million and $712 million at September 30, 2013 and December 31, 2012, and is included in "Nuclear plant decommissioning trust funds" on the Balance Sheets. See Notes 13 and 17 for additional information on these assets.

(PPL and Kentucky Registrants)

Accretion and depreciation expense recorded by LG&E and KU is reversed on the income statement and recorded as a regulatory asset, such that there is no net earnings impact. AROs were revalued primarily due to updates in the estimated cash flows for ash ponds and CCR surface impoundments based on updated cost estimates.

17. Available-for-Sale Securities

(PPL and PPL Energy Supply)

Securities held by the NDT funds and auction rate securities are classified as available-for-sale. Available-for-sale securities are carried on the Balance Sheets at fair value. Unrealized gains and losses on these securities are reported, net of tax, in OCI or are recognized currently in earnings when a decline in fair value is determined to be other-than-temporary. The specific identification method is used to calculate realized gains and losses.

The following table shows the amortized cost, the gross unrealized gains and losses recorded in AOCI, and the fair value of available-for-sale securities.

	September 30, 2013				December 31, 2012			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
PPL								
NDT funds:								
Cash and cash equivalents	$ 14			$ 14	$ 11			$ 11
Equity securities:								
U.S. large-cap	230	$ 264		494	222	$ 190		412
U.S. mid/small-cap	31	43		74	30	30		60
Debt securities:								
U.S. Treasury	90	6		96	86	9		95
U.S. government sponsored agency	5	1		6	8	1		9
Municipality	74	2	$ 1	75	78	5	$ 1	82
Investment-grade corporate	39	2	1	40	36	4		40
Other	3			3	3			3
Receivables/payables, net	2			2				
Total NDT funds	488	318	2	804	474	239	1	712
Auction rate securities	20		1	19	20		1	19
Total	$ 508	$ 318	$ 3	$ 823	$ 494	$ 239	$ 2	$ 731
PPL Energy Supply								
NDT funds:								
Cash and cash equivalents	$ 14			$ 14	$ 11			$ 11
Equity securities:								
U.S. large-cap	230	$ 264		494	222	$ 190		412
U.S. mid/small-cap	31	43		74	30	30		60
Debt securities:								
U.S. Treasury	90	6		96	86	9		95
U.S. government sponsored agency	5	1		6	8	1		9
Municipality	74	2	$ 1	75	78	5	$ 1	82
Investment-grade corporate	39	2	1	40	36	4		40
Other	3			3	3			3
Receivables/payables, net	2			2				
Total NDT funds	488	318	2	804	474	239	1	712
Auction rate securities	17		1	16	17		1	16
Total	$ 505	$ 318	$ 3	$ 820	$ 491	$ 239	$ 2	$ 728

There were no securities with credit losses at September 30, 2013 and December 31, 2012.

The following table shows the scheduled maturity dates of debt securities held at September 30, 2013.

	Maturity Less Than 1 Year	Maturity 1-5 Years	Maturity 6-10 Years	Maturity in Excess of 10 Years	Total
PPL					
Amortized cost	$ 6	$ 92	$ 56	$ 77	$ 231
Fair value	6	96	58	79	239
PPL Energy Supply					
Amortized cost	$ 6	$ 92	$ 56	$ 74	$ 228
Fair value	6	96	58	76	236

The following table shows proceeds from and realized gains and losses on sales of available-for-sale securities for the periods ended September 30.

	Three Months		Nine Months	
	2013	2012	2013	2012
PPL				
Proceeds from sales of NDT securities (a)	$ 33	$ 23	$ 92	$ 102
Other proceeds from sales				5
Gross realized gains (b)	3	2	10	15
Gross realized losses (b)	2	2	6	8
PPL Energy Supply				
Proceeds from sales of NDT securities (a)	$ 33	$ 23	$ 92	$ 102
Other proceeds from sales				3
Gross realized gains (b)	3	2	10	15
Gross realized losses (b)	2	2	6	8

(a) These proceeds are used to pay income taxes and fees related to managing the trust. Remaining proceeds are reinvested in the trust.
(b) Excludes the impact of other-than-temporary impairment charges recognized on the Statements of Income.

18. Accumulated Other Comprehensive Income (Loss)

(PPL and PPL Energy Supply)

The after-tax changes in AOCI by component for the three and nine months ended September 30, 2013 were as follows.

	Foreign currency translation adjustments	Unrealized gains (losses)		Equity investees' AOCI	Defined benefit plans			Total
		Available-for-sale securities	Qualifying derivatives		Prior service costs	Actuarial gain (loss)	Transition asset (obligation)	
PPL								
June 30, 2013	$ (401)	$ 135	$ 102	$ 1	$ (11)	$ (1,955)	$ 1	$ (2,128)
Amounts arising during the period	87	15	(9)					93
Reclassifications from AOCI			(6)	(1)	2	33		28
Net OCI during the period	87	15	(15)	(1)	2	33		121
September 30, 2013	$ (314)	$ 150	$ 87	$	$ (9)	$ (1,922)	$ 1	$ (2,007)
December 31, 2012	$ (149)	$ 112	$ 132	$ 1	$ (14)	$ (2,023)	$ 1	$ (1,940)
Amounts arising during the period	(165)	40	77					(48)
Reclassifications from AOCI		(2)	(122)	(1)	5	101		(19)
Net OCI during the period	(165)	38	(45)	(1)	5	101		(67)
September 30, 2013	$ (314)	$ 150	$ 87	$	$ (9)	$ (1,922)	$ 1	$ (2,007)
PPL Energy Supply								
June 30, 2013		$ 135	$ 144		$ (8)	$ (257)		$ 14
Amounts arising during the period		15						15
Reclassifications from AOCI			(29)		1	3		(25)
Net OCI during the period		15	(29)		1	3		(10)
September 30, 2013		$ 150	$ 115		$ (7)	$ (254)		$ 4
December 31, 2012		$ 112	$ 211		$ (10)	$ (265)		$ 48
Amounts arising during the period		40						40
Reclassifications from AOCI		(2)	(96)		3	11		(84)
Net OCI during the period		38	(96)		3	11		(44)
September 30, 2013		$ 150	$ 115		$ (7)	$ (254)		$ 4

The following table presents the gains (losses) and related income taxes for reclassifications from AOCI for the periods ended September 30, 2013. The defined benefit plan components of AOCI are not reflected in their entirety in the statement of income during the periods; rather, they are included in the computation of net periodic defined benefit costs (credits). See Note 9 for additional information.

	Three Months							
	Affected Line Item on the Statements of Income							
Details about AOCI	Wholesale energy marketing	Energy purchases	Depreciation	Other Income (Expense), net	Interest Expense	Total Pre-tax	Income Taxes	Total After-tax
PPL								
Available-for-sale securities				$ 1		$ 1	$ (1)	
Qualifying derivatives								
Interest rate swaps					$ (5)	(5)	2	$ (3)
Cross-currency swaps				(25)	(1)	(26)	7	(19)
Energy commodities	$ 58	$ (11)	$ 1			48	(20)	28
Total	$ 58	$ (11)	$ 1	$ (25)	$ (6)	17	(11)	6
Equity investees' AOCI				$ 1		1		1
Defined benefit plans								
Prior service costs						(3)	1	(2)
Net actuarial loss						(45)	12	(33)
Total						$ (48)	$ 13	(35)
Total reclassifications during the period								$ (28)
PPL Energy Supply								
Available-for-sale securities				$ 1		$ 1	$ (1)	
Qualifying derivatives								
Energy commodities	$ 58	$ (11)	$ 1			48	(19)	$ 29
Defined benefit plans								
Prior service costs						(2)	1	(1)
Net actuarial loss						(5)	2	(3)
Total						$ (7)	$ 3	(4)
Total reclassifications during the period								$ 25

	Nine Months							
	Affected Line Item on the Statements of Income							
Details about AOCI	Wholesale energy marketing	Energy purchases	Depreciation	Other Income (Expense), net	Interest Expense	Total Pre-tax	Income Taxes	Total After-tax
PPL								
Available-for-sale securities				$ 4		$ 4	$ (2)	$ 2
Qualifying derivatives								
Interest rate swaps					$ (14)	(14)	6	(8)
Cross-currency swaps				45		45	(10)	35
Energy commodities	$ 198	$ (41)	$ 2			159	(64)	95
Total	$ 198	$ (41)	$ 2	$ 45	$ (14)	190	(68)	122
Equity investees' AOCI				$ 1		1		1
Defined benefit plans								
Prior service costs						(8)	3	(5)
Net actuarial loss						(138)	37	(101)
Total						$ (146)	$ 40	(106)
Total reclassifications during the period								$ 19
PPL Energy Supply								
Available-for-sale securities				$ 4		$ 4	$ (2)	$ 2
Qualifying derivatives								
Energy commodities	$ 198	$ (41)	$ 2			159	(63)	96
Defined benefit plans								
Prior service costs						(5)	2	(3)
Net actuarial loss						(18)	7	(11)
Total						$ (23)	$ 9	(14)
Total reclassifications during the period								$ 84

(LKE and KU)

For the three and nine months ended September 30, 2013, the changes in AOCI and the effect of reclassifications from AOCI on the statement of income for LKE and KU were insignificant.

19. New Accounting Guidance Pending Adoption

(All Registrants)

Accounting for Obligations Resulting from Joint and Several Liability Arrangements

Effective January 1, 2014, the Registrants will retrospectively adopt accounting guidance for the recognition, measurement and disclosure of certain obligations resulting from joint and several liability arrangements when the amount of the obligation is fixed at the reporting date. If the obligation is determined to be in the scope of this guidance, it will be measured as the sum of the amount the reporting entity agreed to pay on the basis of its arrangements among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. This guidance also requires additional disclosures for these obligations.

The Registrants are assessing the potential impact of adoption, which is not expected to be material.

Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity

Effective January 1, 2014, PPL will prospectively adopt accounting guidance that requires a cumulative translation adjustment to be released into earnings when an entity ceases to have a controlling financial interest in a subsidiary or group of assets within a consolidated foreign entity and the sale or transfer results in the complete or substantially complete liquidation of the foreign entity. For the step acquisition of previously held equity method investments that are foreign entities, this guidance clarifies that the amount of accumulated other comprehensive income that is reclassified and included in the calculation of a gain or loss shall include any foreign currency translation adjustment related to that previously held investment.

The initial adoption of this guidance is not expected to have a significant impact on PPL; however, the impact in future periods could be material.

Presentation of Unrecognized Tax Benefits When Net Operating Loss Carryforwards, Similar Tax Losses, or Tax Credit Carryforwards Exist

Effective January 1, 2014, the Registrants will prospectively adopt accounting guidance that requires an unrecognized tax benefit, or a portion of an unrecognized tax benefit, to be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. To the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position, or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets.

The adoption of this guidance is not expected to have a significant impact on the Registrants.

Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations

(All Registrants)

This combined Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations" is separately filed by PPL Corporation and its Subsidiary Registrants: PPL Energy Supply, LLC, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company. Information contained herein relating to any individual Registrant is filed by such Registrant solely on its own behalf, and no Registrant makes any representation as to information relating to any other Registrant. The specific Registrant to which disclosures are applicable is identified in parenthetical headings in italics above the applicable disclosure or within the applicable disclosure for each Registrant's related activities and disclosures. Within combined disclosures, amounts are disclosed for any Registrant when significant.

The following should be read in conjunction with the Registrants' Condensed Financial Statements and the accompanying Notes and with the Registrants' 2012 Form 10-K. Capitalized terms and abbreviations are defined in the glossary. Dollars are in millions, except per share data, unless otherwise noted.

"Management's Discussion and Analysis of Financial Condition and Results of Operations" includes the following information:

- "Overview" provides a description of each Registrant and its business strategy, selected information on PPL's segment earnings, a description of key factors expected to impact future earnings and a discussion of important financial and operational developments.

- "Results of Operations" provides a summary of earnings and ends with "Statement of Income Analysis," which includes explanations of non-GAAP financial measures and significant changes in principal line items on the Statements of Income, comparing the three and nine months ended September 30, 2013 with the same periods in 2012.

- "Financial Condition - Liquidity and Capital Resources" provides an analysis of the Registrants' liquidity position and credit profiles. This section also includes a discussion of rating agency actions.

- "Financial Condition - Risk Management" provides an explanation of the Registrants' risk management programs relating to market and credit risk.

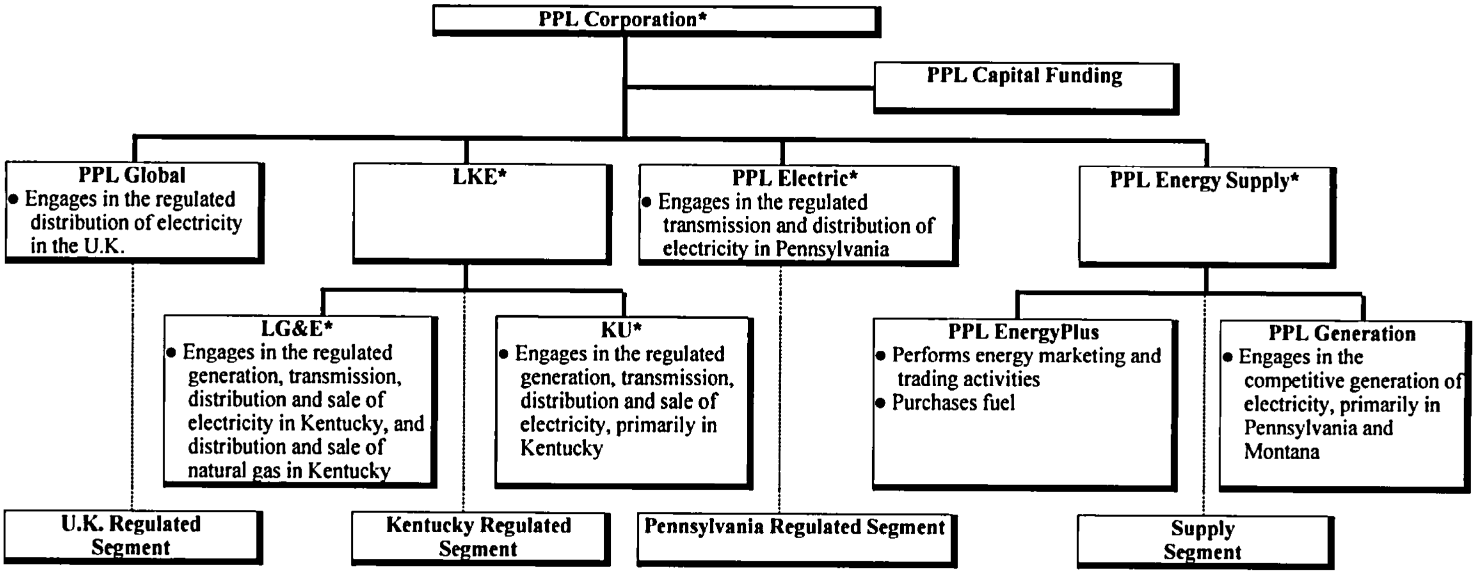
Overview

Introduction

(PPL)

PPL, headquartered in Allentown, Pennsylvania, is an energy and utility holding company that through subsidiaries generates electricity from power plants in the northeastern, northwestern and southeastern U.S., markets wholesale and retail energy primarily in the northeastern and northwestern portions of the U.S., delivers electricity to customers in the U.K., Pennsylvania, Kentucky, Virginia and Tennessee and delivers natural gas to customers in Kentucky.

PPL's principal subsidiaries are shown below (* denotes an SEC registrant):



PPL's reportable segments' results primarily represent the results of its related Subsidiary Registrant(s), except that the reportable segments are also allocated certain corporate level financing and other costs that are not included in the results of the applicable Subsidiary Registrant. The U.K. Regulated segment does not have a related Subsidiary Registrant.

(PPL Energy Supply)

PPL Energy Supply, headquartered in Allentown, Pennsylvania is an energy company that through its principal subsidiaries is primarily engaged in the competitive generation and marketing of electricity in two key markets - the northeastern and northwestern U.S. PPL Energy Supply's principal subsidiaries are PPL EnergyPlus, its marketing and trading subsidiary, and PPL Generation, the owner of its generating facilities in Pennsylvania and Montana.

(PPL Electric)

PPL Electric, headquartered in Allentown, Pennsylvania, is an electricity transmission and distribution service provider in eastern and central Pennsylvania. PPL Electric is subject to regulation as a public utility by the PUC, and certain of its transmission activities are subject to the jurisdiction of FERC under the Federal Power Act. PPL Electric delivers electricity in its Pennsylvania service area and provides electricity supply to retail customers in that area as a PLR under the Customer Choice Act.

(LKE)

LKE, headquartered in Louisville, Kentucky, is a holding company and a wholly owned subsidiary of PPL. LKE owns regulated utility operations through its subsidiaries, LG&E and KU, which constitute substantially all of LKE's assets. LG&E and KU are engaged in the generation, transmission, distribution and sale of electricity. LG&E also engages in the distribution and sale of natural gas. LG&E and KU maintain their separate identities and serve customers in Kentucky under their respective names. KU also serves customers in Virginia under the Old Dominion Power name and in Tennessee under the KU name.

(LG&E)

LG&E, headquartered in Louisville, Kentucky, is a regulated utility engaged in the generation, transmission, distribution and sale of electricity and distribution and sale of natural gas in Kentucky. LG&E is subject to regulation as a public utility by the KPSC, and certain of its transmission activities are subject to the jurisdiction of FERC under the Federal Power Act. LG&E is a wholly owned subsidiary of LKE.

(KU)

KU, headquartered in Lexington, Kentucky, is a regulated utility engaged in the generation, transmission, distribution and sale of electricity in Kentucky, Virginia and Tennessee. KU is subject to regulation as a public utility by the KPSC, the VSCC and the TRA, and certain of its transmission and wholesale power activities are subject to the jurisdiction of FERC under the Federal Power Act. KU is a wholly owned subsidiary of LKE.

(All Registrants except PPL Electric)

The capacity (summer rating) of regulated and competitive electricity generation facilities at September 30, 2013 was:

	Ownership or Lease Interest in MW (a)				
Primary Fuel	**PPL**	**PPL Energy Supply**	**LKE**	**LG&E**	**KU**
Regulated					
Coal (c)	5,940		5,940	2,656	3,284
Natural Gas/Oil (b)	2,098		2,098	644	1,454
Hydro	78		78	54	24
Total Regulated	8,116		8,116	3,354	4,762
Competitive					
Coal (b) (c)	4,146	4,146			
Natural Gas/Oil	3,316	3,316			
Nuclear (c)	2,275	2,275			
Hydro (d)	807	807			
Other (e)	70	70			
Total Competitive	10,614	10,614			
Total	18,730	10,614	8,116	3,354	4,762

(a) The capacity of generation units is based on a number of factors, including the operating experience and physical conditions of the units, and may be revised periodically to reflect changed circumstances. See "Item 2. Properties" in the 2012 Form 10-K for additional information on ownership percentages.
(b) Includes leasehold interests. See Note 11 to the Financial Statements in the 2012 Form 10-K for additional information.
(c) Includes units that are jointly owned or subject to a power purchase agreement. Each owner is entitled to its proportionate share of the unit's total output and funds its proportionate share of fuel and other operating costs. See Notes 14 and 15 to the Financial Statements in the 2012 Form 10-K for additional information.
(d) In September 2013, PPL Montana executed a definitive agreement to sell its 11 hydroelectric facilities, which have a combined generating capacity of 633 MW, to NorthWestern for $900 million in cash, subject to certain adjustments. The sale is not expected to close before the second half of 2014 and is subject to closing conditions, including receipt of regulatory approvals by the FERC and Montana Public Service Commission and certain third party consents. See Note 8 to the Financial Statements for additional information.
(e) Includes facilities owned, controlled or for which PPL Energy Supply has the rights to the output.

Business Strategy

(PPL and PPL Energy Supply)

The strategy for PPL Energy Supply is to achieve disciplined optimization of energy supply margins while mitigating near-term volatility in both cash flows and earnings. More specifically, the strategy is to optimize the value from its competitive generation and marketing portfolios. PPL Energy Supply endeavors to do this by matching energy supply with load, or customer demand, under contracts of varying durations with creditworthy counterparties to capture profits while effectively managing exposure to energy and fuel price volatility, counterparty credit risk and operational risk. PPL Energy Supply is focused on maintaining profitability during the current and projected period of low commodity prices. See "Financial and Operational Developments - Economic and Market Conditions" below for additional information.

(All Registrants except PPL Energy Supply)

The strategy for the regulated businesses of WPD, PPL Electric, LKE, LG&E and KU is to achieve stable, long-term growth in earnings and rate base, or RAV, as applicable. Both rate base and RAV are expected to grow as a result of significant capital expenditure programs to maintain existing assets and improving system reliability and, for LKE, LG&E and KU, to comply with federal and state environmental regulations related to electric generation facilities. These regulated businesses focus on timely recovery of costs, efficient, reliable and safe operations, strong customer service and constructive regulatory relationships.

Recovery of capital project costs is attained through various rate-making mechanisms, including periodic base rate case proceedings, FERC formula rate mechanisms, and other regulatory agency-approved recovery mechanisms. In Kentucky, the KPSC has adopted a series of regulatory mechanisms (ECR, DSM, GLT, fuel adjustment clause, gas supply clause and recovery on certain construction work-in-progress) that reduce regulatory lag and provide for timely recovery of prudently incurred costs. In Pennsylvania, the recently approved DSIC mechanism will help PPL Electric reduce regulatory lag and provide for timely recovery of distribution reliability-related capital investment. See "Distribution System Improvement Charge" below for additional information on the implementation of the DSIC mechanism in 2013 and "RIIO-ED1" below for changes to the regulatory framework intended to encourage investment in regulated infrastructure applicable to WPD in 2015.

(All Registrants)

To manage financing costs and access to credit markets and to fund capital expenditure programs, a key objective for the Registrants is to maintain strong credit profiles and liquidity positions. In addition, the Registrants have financial and operational risk management programs that, among other things, are designed to monitor and manage exposure to earnings and cash flow volatility related to, as applicable, changes in energy and fuel prices, interest rates, foreign currency exchange rates, counterparty credit quality and the operating performance of their generating units.

Financial and Operational Developments

Earnings *(PPL)*

Earnings by component of PPL's reportable segments for the periods ended September 30 were as follows.

	Three Months			Nine Months		
	2013	2012	% Change	2013	2012	% Change
U.K. Regulated	$ 183	$ 202	(9)	$ 741	$ 563	32
Kentucky Regulated	93	72	29	227	148	53
Pennsylvania Regulated	51	33	55	160	95	68
Supply	91	48	90	122	361	(66)
Corporate and Other (a)	(8)		n/a	(22)		n/a
Net Income Attributable to PPL Shareowners	$ 410	$ 355	15	$ 1,228	$ 1,167	5
EPS - basic	$ 0.65	$ 0.61	7	$ 2.03	$ 2.00	2
EPS - diluted (b)	$ 0.62	$ 0.61	2	$ 1.90	$ 2.00	(5)

(a) Primarily represents financing and certain other costs incurred at the corporate level that have not been allocated or assigned to the segments, which are presented to reconcile segment information to PPL's consolidated results. For 2012, there were no significant amounts in this category.
(b) See "Equity Units" below for information on the Equity Units' impact on the calculation of 2013 diluted EPS.

The following after-tax gains (losses), in total, which management considers special items, impacted PPL's reportable segments results during the periods ended September 30. See PPL's "Results of Operations - Segment Earnings" for details of these special items.

	Three Months			Nine Months		
	2013	2012	Change	2013	2012	Change
U.K. Regulated	$ (16)	$ 41	$ (57)	$ 78	$ 39	$ 39
Kentucky Regulated				2	(1)	3
Supply	(6)	(105)	99	(49)	3	(52)
Total PPL	$ (22)	$ (64)	$ 42	$ 31	$ 41	$ (10)

The changes in PPL's reportable segments results for the three and nine-month periods, excluding the impact of special items, were due to the following factors (on an after-tax basis):

- Increase at the U.K. Regulated segment for the three-month period primarily due to higher electricity delivery prices and lower U.K. income taxes, partially offset by an accrual for over-recovery of current-year revenues, lower sales volume due to weather and higher operation and maintenance expense. Increase at the U.K. Regulated segment for the nine-month period primarily due to higher electricity delivery prices, increased sales volume due to weather, and lower U.K.

income taxes, partially offset by an accrual for over-recovery of current-year revenues, higher operation and maintenance expense and higher depreciation.

- Increases at the Kentucky Regulated segment for both periods primarily due to higher base rates that became effective January 1, 2013 and returns from additional environmental capital investments. The three-month period was also partially offset by lower sales volume due to weather.
- Increases at the Pennsylvania Regulated segment for both periods primarily due to higher electricity base rates that became effective January 1, 2013 and higher transmission margins from additional capital investments. The increase for the nine-month period was also due to lower operation and maintenance expense, partially offset by higher depreciation.
- Decrease at the Supply segment for the three-month period primarily due to lower baseload energy prices, lower baseload generation, higher operation and maintenance expense and higher income taxes. The decline in segment earnings was partially offset by higher capacity prices. Decrease at the Supply segment for the nine-month period primarily due to lower baseload energy prices, higher fuel costs, higher income taxes and higher depreciation. The decline in segment earnings was partially offset by higher capacity prices, higher intermediate and peaking margins and higher baseload generation. The higher income taxes for both periods resulted primarily from a non-cash adjustment of deferred tax assets.

See "Results of Operations" below for further discussion of PPL's reportable segments and analysis of results of operations.

2013 Outlook

(PPL)

Excluding special items, higher earnings are expected in 2013 compared with 2012. However, 2013 earnings are expected to decline on a diluted EPS basis due to higher average shares treated as outstanding. The factors underlying these projections by segment and Subsidiary Registrant are reflected below (on an after-tax basis).

(PPL's U.K. Regulated Segment)

Excluding special items, higher earnings are projected in 2013 compared with 2012, primarily driven by higher electricity delivery prices and lower income taxes, partially offset by higher operation and maintenance expense, higher depreciation and higher interest expense. .

(PPL's Kentucky Regulated Segment and Kentucky Registrants)

Excluding special items, higher earnings are projected in 2013 compared with 2012, primarily driven by base rate increases and returns on additional environmental capital investments.

(PPL's Pennsylvania Regulated Segment and PPL Electric)

Excluding special items, higher earnings are projected in 2013 compared with 2012, primarily driven by higher distribution revenues from the January 1, 2013 base rate increase and higher transmission margins due to additional capital investment, partially offset by higher depreciation and higher interest expense.

(PPL's Supply Segment and PPL Energy Supply)

Excluding special items, lower earnings are projected in 2013 compared with 2012, primarily driven by lower energy prices, higher fuel costs, higher depreciation, higher taxes and higher financing costs, partially offset by lower operation and maintenance expense, higher capacity prices and higher baseload generation output.

(All Registrants)

Earnings in future periods are subject to various risks and uncertainties. See "Forward-Looking Information," the rest of this Item 2, and Notes 6 and 10 to the Financial Statements in this Form 10-Q (as applicable) and "Item 1. Business" and "Item 1A. Risk Factors" in the Registrants' 2012 Form 10-K for a discussion of the risks, uncertainties and factors that may impact future earnings.

Other Financial and Operational Developments

Economic and Market Conditions

(PPL and PPL Energy Supply)

Current depressed wholesale market prices for electricity and natural gas have resulted from general weak economic conditions and other factors, including the impact of expanded domestic shale gas development and additional renewable energy sources, primarily wind in the western U.S. Unregulated Gross Energy Margins associated with PPL Energy Supply's competitive generation and marketing business are impacted by changes in energy and capacity market prices and demand for electricity and natural gas, power plant availability, competition in the markets for retail customers, fuel costs and availability, transmission constraints that impact the locational pricing of electricity at PPL Energy Supply's power plants, fuel transportation costs and the level and price of hedging activities. As a result of these factors, lower future energy margins are expected when compared to the 2012 energy margins. See "Changes in Non-GAAP Financial Measures - Unregulated Gross Energy Margins in Statement of Income Analysis" below for additional information on energy margins. As has been PPL Energy Supply's practice in periods of changing business conditions, PPL Energy Supply continues to review its future business and operational plans, including capital and operation and maintenance expenditures, its hedging strategies and potential plant modifications to burn lower cost fuels.

(All Registrants except PPL Electric)

As previously disclosed, the businesses of PPL Energy Supply, LKE, LG&E and KU are subject to extensive federal, state and local environmental laws, rules and regulations, including those pertaining to coal combustion residuals, GHG, effluent limitation guidelines and MATS. See "Financial Condition - Environmental Matters" below for additional information on these requirements. These and other stringent environmental requirements, combined with low energy margins for competitive generation, have led several energy companies, including PPL, PPL Energy Supply, LKE, LG&E and KU, to announce plans to either temporarily or permanently close, or place in long-term reserve status, certain of their coal-fired generating plants.

(PPL and PPL Energy Supply)

In 2012, PPL Energy Supply announced its intention, beginning in April 2015, to place its Corette plant in long-term reserve status, suspending the plant's operation due to expected market conditions and the costs to comply with MATS. PPL Energy Supply continues to monitor its Corette plant for potential impairment. The Corette plant asset group's carrying value at September 30, 2013 was $67 million. See "Environmental Matters - Domestic - Air - MATS" in Note 10 to the Financial Statements for additional information.

PPL Energy Supply believes its remaining competitive coal-fired generation assets are well positioned to meet the environmental requirements described above based on prior and planned investments. Management continues to monitor energy and PJM capacity prices. A further decline in energy and/or capacity prices could negatively impact PPL Energy Supply's operations and potentially result in future asset impairment charges for coal-fired plants or goodwill.

(PPL and Kentucky Registrants)

The environmental requirements discussed above have also resulted in LKE's projected $2.2 billion ($1.1 billion each at LG&E and KU) in capital investment over the next five years and the anticipated retirement by 2015 of five coal-fired units (three at LG&E and two at KU) with a combined summer capacity rating of 726 MW (563 MW at LG&E and 163 MW at KU). KU retired the 71 MW unit at the Tyrone plant in February 2013. The retirement of these coal-fired units is not expected to have a material impact on the financial condition or results of operations of PPL, LKE, LG&E and KU. See Note 8 to the Financial Statements in the 2012 Form 10-K for PPL, LKE, LG&E and KU for additional information regarding the anticipated retirement of these units as well as plans to build a combined-cycle natural gas facility in Kentucky.

The KPSC has adopted a series of regulatory mechanisms (ECR, DSM, GLT, fuel adjustment clause, gas supply clause and recovery on certain construction work-in-progress) that provide for recovery of prudently incurred costs. The Kentucky utility businesses are impacted by changes in customer usage levels which can be driven by a number of factors including weather conditions and economic factors that impact the load utilized by industrial and commercial customers.

(All Registrants)

The Registrants cannot predict the future impact that economic and market conditions and changes in regulatory requirements may have on their financial condition or results of operations.

(PPL)

Ofgem Review of Line Loss Calculation

Ofgem is currently consulting on the methodology to be used by all network operators to calculate the final line loss incentive/penalty for the DPCR4. Based on information received from Ofgem in 2013, WPD currently estimates the potential loss exposure for this matter to be in the range of $93 million to $226 million as of September 30, 2013. During the three and nine months ended September 30, 2013, WPD recorded $21 million and $45 million of increases to the liability with reductions to "Utility" revenue on the Statement of Income. PPL cannot predict the outcome of this matter. See Note 6 to the Financial Statements for additional information.

RIIO-ED1

In October 2010, Ofgem announced changes to the regulatory framework that will be effective for the U.K. electricity distribution sector, including WPD, beginning April 2015. The framework, known as RIIO (Revenues = Incentives + Innovation + Outputs), is intended to encourage investment in regulated infrastructure. The next electricity distribution price control review is referred to as RIIO-ED1. Key components of the RIIO-ED1 are: an extension of the price review period to eight years, increased emphasis on outputs and incentives, enhanced stakeholder engagement including network customers, a stronger incentive framework to encourage more efficient investment and innovation, and continued use of a single weighted average cost of capital. Ofgem has also indicated that the depreciation of the RAV, for RAV additions after April 1, 2015, will change from 20 years to 45 years, but that it will consider transition arrangements.

As previously reported, on July 1, 2013, WPD filed its business plans with Ofgem for the RIIO-ED1 period and gave a webcast presentation to highlight the contents of the plans as well as provide potential earnings ranges of the U.K. Regulated segment for the first two years of the RIIO-ED1 period. The ranges provided are subject to certain assumptions including foreign currency exchange rates, interest rates, inflation rates and WPD being "fast-tracked" through the price control review process and therefore earning the fast-track bonus revenue. These assumptions and other future events affecting the potential earnings ranges are subject to significant uncertainties. Although management believes that the business plans submitted by WPD meet the criteria to be fast-tracked, management cannot predict the outcome of the price control review process or the future financial effect on WPD's businesses of the RIIO-ED1 regulatory framework. Ofgem has notified WPD that it intends to announce preliminary fast-track determinations on November 22, 2013 with a final determination to be announced in February 2014. See "Item 1. Business - Background - U.K. Regulated Segment - Revenue and Regulation" in the 2012 Form 10-K for additional information.

Equity Forward Agreements

In the second quarter of 2013, PPL settled forward sale agreements for 10.5 million shares of PPL common stock by issuing 8.4 million shares and cash settling the remaining 2.1 million shares. PPL received net cash proceeds of $201 million, which was used to repay short-term debt obligations and for other general corporate purposes. See Note 7 to the Financial Statements for additional information. Prior to settlement, incremental shares were included within the calculation of diluted EPS using the treasury stock method. See Note 4 to the Financial Statements for the impact on the calculation of diluted EPS.

Equity Units

During 2013, several events occurred related to the components of the 2010 Equity Units. During the first quarter of 2013, financing plans were finalized to remarket the Junior Subordinated Notes component of the 2010 Equity Units and in the second quarter, PPL Capital Funding completed the remarketing of the Junior Subordinated Notes and simultaneously exchanged the remarketed notes for three tranches of Senior Notes. The transaction resulted in a $10 million loss on extinguishment of the Junior Subordinated Notes. Additionally, in July 2013, PPL issued 40 million shares of common stock at $28.73 per share to settle the 2010 Purchase Contracts. PPL received net cash proceeds of $1.150 billion, which will be used to repay short-term and long-term debt obligations and for other general corporate purposes. See Note 7 to the Financial Statements for additional information.

The If-Converted Method of calculating diluted EPS was applied to the Equity Units prior to settlement beginning in the first quarter of 2013. This resulted in $7 million and $37 million of interest charges (after-tax) being added back to income available to PPL common shareowners, and 32 million and 59 million weighted-average incremental shares of PPL common stock being treated as outstanding for purposes of the diluted EPS calculation for the three and nine months ended September 30, 2013. See Note 4 to the Financial Statements for the impact on the calculation of diluted EPS.

Tax Litigation

In May 2013, the U.S. Supreme Court reversed the December 2011 ruling of the U. S. Court of Appeals for the Third Circuit, on the creditability for U.S. income tax purposes of the U.K. Windfall Profits Tax paid by a U.K. subsidiary of PPL. As a result of this decision, PPL recorded an income tax benefit of $44 million for the nine months ended September 30, 2013. See Note 5 to the Financial Statements for additional information.

U.K. Tax Rate Change

In July 2013, the U.K. Finance Act 2013 was enacted, which reduces the U.K.'s statutory income tax rate from 23% to 21%, effective April 1, 2014 and from 21% to 20%, effective April 1, 2015. As a result of these changes, PPL reduced its net deferred tax liabilities and recognized a deferred tax benefit of $93 million in the third quarter of 2013.

Pennsylvania Net Operating Loss Valuation Allowance

PPL assesses the realizability of its deferred tax assets for Pennsylvania's net operating loss carryforwards based on, among other things, projections of future taxable income for the net operating loss carryforward periods. In the third quarter of 2013, PPL determined that its projected future taxable income would likely decrease, resulting in an increase to the valuation allowance related to Pennsylvania net operating loss carryforwards. As a result, PPL recorded a $38 million increase in state deferred income tax expense.

FERC Audit Proceedings (All Registrants except PPL Energy Supply)

In November 2011, the FERC commenced an audit of PPL and its subsidiaries, including an audit of the FERC transmission formula rate mechanisms at PPL Electric, LG&E and KU beginning in April 2012. The audit identified several matters related to separate aspects of formula rate mechanics at PPL Electric, LG&E and KU. As previously reported, among the audit matters related to PPL Electric was the determination that PPL Electric had not obtained a waiver of the equity method accounting requirement with respect to its wholly owned subsidiary, PPL Receivables Corporation, which was formed in 2004 to purchase eligible accounts receivable and unbilled revenue from PPL Electric to collateralize commercial paper issuances and reduce borrowing costs. PPL, PPL Electric, LKE, LG&E and KU currently believe that the total amount of refunds, if any, that may be required with respect to the formula rate and all other issues identified during the course of the audit will not be material to any of these Registrants. PPL, PPL Electric, LKE, LG&E and KU, however, cannot predict the ultimate outcome of these matters.

(PPL and PPL Energy Supply)

Montana Transactions

In September 2013, PPL Montana executed a definitive agreement to sell 633MW of hydroelectric facilities to NorthWestern for $900 million in cash, subject to certain adjustments. The sale is not expected to close before the second half of 2014. The sale is subject to closing conditions, including receipt of regulatory approvals by the FERC and Montana Public Service Commission and certain third-party consents. In a related transaction, in September 2013, PPL Montana negotiated and entered into an agreement to pay $271 million to terminate a sale-leaseback arrangement and reacquire its interests in the Colstrip coal-fired facilities. This transaction is anticipated to occur by the end of the first quarter of 2014, subject to approval by the FERC. At lease termination, in addition to recording a charge for the cash payment, a non-cash charge is expected to be recorded related to the existing lease-related assets on PPL's and PPL Energy Supply's Balance Sheets. The book value of these assets was approximately $450 million at September 30, 2013. These lease-related assets will be written-off and the reacquired Colstrip assets will be recorded at fair value as of the acquisition date. The total loss is currently estimated at between $310 million and $430 million, after-tax, which is dependent on the fair value assigned to the reacquired Colstrip assets. See Note 8 to the Financial Statements for additional information.

Susquehanna Turbine Blade Inspection

In the spring of 2013, PPL Susquehanna made modifications to address the causes of turbine blade cracking at the PPL Susquehanna nuclear plant that was first identified in 2011. The modifications were made during the Unit 2 refueling outage and an additional planned outage for Unit 1. In September 2013, data from the extensive vibration monitoring equipment installed on the turbine blades identified cracks in a small number of the blades on both units. Unit 2 completed a blade inspection and replacement outage on September 23, 2013. Based upon the evaluation of the conditions on Unit 1 and the latest inspection of previously removed blades, PPL Susquehanna will continue to operate Unit 1 and monitor the blades through the vibration monitoring equipment. The financial impact of the Unit 2 outage is not material. PPL Susquehanna continues to work with the turbine manufacturer to identify and resolve the issues causing the blade cracking.

Colstrip Unit 4 Outage (PPL Energy Supply)

On July 1, 2013, Colstrip Unit 4 automatically shut down as a result of damage that occurred in the unit's generator. The repair to Unit 4 is estimated to cost between $30 million and $40 million and is expected to take at least six months to complete. Property damage insurance for Unit 4 is subject to a $2.5 million self-insured retention. PPL Montana operates Unit 4 pursuant to an agreement with the owners and, pursuant to a separate agreement with NorthWestern, is entitled to receive 15% of Unit 4's electricity output and is responsible for 15% of the capital, operating, maintenance and repair costs associated with Unit 4. PPL Montana's estimated pre-tax loss of earnings attributable to the Unit 4 outage is between $5 million and $10 million.

(PPL and PPL Electric)

Distribution System Improvement Charge

Act 11 authorizes the PUC to approve two specific ratemaking mechanisms - the use of a fully projected future test year in base rate proceedings and, subject to certain conditions, the use of a DSIC. Such alternative ratemaking procedures and mechanisms provide opportunity for accelerated cost-recovery. In May 2013, the PUC approved PPL Electric's proposed DSIC, with an initial rate effective July 1, 2013, subject to refund after hearings. See Note 6 to the Financial Statements for additional information.

Rate Case Proceedings

(PPL and PPL Electric)

In December 2012, the PUC approved a total distribution revenue increase of about $71 million for PPL Electric, using a 10.4% return on equity. The approved rates became effective January 1, 2013.

(PPL and Kentucky Registrants)

In December 2012, the KPSC approved a rate case settlement agreement providing for increases in annual base electricity rates of $34 million for LG&E and $51 million for KU and an increase in annual base gas rates of $15 million for LG&E using a 10.25% return on equity. The approved rates became effective January 1, 2013.

(KU)

In September 2013, KU filed an application with the FERC to adjust the formula rate under which KU provides wholesale requirements power sales to 12 municipal customers. Among other changes, the application requests an amended formula whereby KU would recover costs based on forward-looking estimates with a subsequent true-up, replacing the current formula which uses prior-year cost amounts. KU's application proposed an authorized 10.7% return on equity. Subject to regulatory approval, the new formula rate may become effective during mid-2014.

In April 2013, KU filed an application with the VSCC to increase annual Virginia base electricity revenue by approximately $7 million, representing an increase of 9.6%. KU proposed an authorized 10.8% return on equity. In October 2013, KU filed a stipulation reached with VSCC staff proposing a revenue increase of $4.7 million, representing an increase of 6.9%. If approved by the VSCC, new base rates would go into effect on December 1, 2013.

Results of Operations

(PPL)

The discussion for PPL provides a review of results by reportable segment and concludes with a "Statement of Income Analysis," which includes explanations of Kentucky Gross Margins, Pennsylvania Gross Delivery Margins and Unregulated Gross Energy Margins. The "Statement of Income Analysis" also addresses significant changes in principal line items on PPL's Statements of Income, comparing the three and nine months ended September 30, 2013 with the same periods in 2012. "Segment Earnings and Statement of Income Analysis" is presented separately for PPL.

Tables analyzing changes in amounts between periods within "Segment Earnings" and "Statement of Income Analysis" are presented on a constant U.K. foreign currency exchange rate basis, where applicable, in order to isolate the impact of the change in the exchange rate on the item being explained. Results computed on a constant U.K. foreign currency exchange rate basis are calculated by translating current year results at the prior year weighted-average U.K. foreign currency exchange rate.

(Subsidiary Registrants)

The discussion for each of PPL Energy Supply, PPL Electric, LKE, LG&E and KU provides a summary of earnings and concludes with a "Statement of Income Analysis," which includes a reconciliation of a non-GAAP financial measure to "Operating Income" and significant changes in principal line items on the Statements of Income, comparing the three and nine months ended September 30, 2013 with the same periods in 2012. "Earnings and Statement of Income Analysis" is presented separately for PPL Energy Supply, PPL Electric, LKE, LG&E and KU.

(All Registrants)

The results for interim periods can be disproportionately influenced by numerous factors and developments and by seasonal variations. As such, the results of operations for interim periods do not necessarily indicate results or trends for the year or future periods.

PPL: Segment Earnings and Statement of Income Analysis

Segment Earnings

U.K. Regulated Segment

The U.K. Regulated segment consists of PPL Global which primarily includes WPD's regulated electricity distribution operations and certain costs, such as U.S. income taxes, administrative costs and allocated financing costs. The U.K. Regulated segment represents 60% of Net Income Attributable to PPL Shareowners for nine months ended September 30, 2013 and 32% of PPL's assets at September 30, 2013.

Net Income Attributable to PPL Shareowners for the periods ended September 30 includes the following results:

	Three Months			Nine Months		
	2013	2012	% Change	2013	2012	% Change
Utility revenues	$ 534	$ 518	3	$ 1,731	$ 1,613	7
Energy-related businesses	9	10	(10)	32	34	(6)
Total operating revenues	543	528	3	1,763	1,647	7
Other operation and maintenance	111	101	10	340	326	4
Depreciation	73	69	6	219	206	6
Taxes, other than income	36	36		109	108	1
Energy-related businesses	7	8	(13)	21	24	(13)
Total operating expenses	227	214	6	689	664	4
Other Income (Expense) - net	(117)	(50)	134	7	(39)	(118)
Interest Expense	102	106	(4)	313	314	
Income Taxes	(86)	(44)	95	27	67	(60)
Net Income Attributable to PPL Shareowners	$ 183	$ 202	(9)	$ 741	$ 563	32

The changes in the components of the U.K. Regulated segment's results between these periods were due to the factors set forth below, which reflect reclassifications for certain items that management considers special. See below for additional detail of these special items.

	Three Months	Nine Months
U.K.		
Utility revenues	$ 44	$ 187
Other operation and maintenance	(9)	(19)
Depreciation	(6)	(17)
Interest expense	3	(4)
Other	2	2
Income taxes	8	(13)
U.S.		
Interest expense and other		1
Income taxes	(5)	4

	Three Months	Nine Months
Foreign currency exchange rates, after-tax (a)	1	(2)
Special items, after-tax	(57)	39
Total	$ (19)	$ 178

(a) Includes the effect of realized gains (losses) on foreign currency economic hedges.

U.K.

- Higher utility revenues for the three-month period primarily due to $74 million from the April 1, 2013 price increase, partially offset by a $22 million accrual for over-recovered revenue and $10 million of lower volume due primarily to weather.

  Higher utility revenues for the nine-month period primarily due to $187 million from the April 1, 2013 and 2012 price increases and $18 million of higher volume due primarily to weather, partially offset by a $22 million accrual for over-recovered revenue.

- Higher other operation and maintenance for the three- and nine-month periods primarily due to higher network maintenance expense.

- Higher depreciation for the three- and nine-month periods primarily due to PP&E additions.

- Lower income taxes for the three-month period due to $16 million from U.K. tax rate changes, partially offset by higher pre-tax income, which increased income taxes by $8 million.

  Higher income taxes for the nine-month period primarily due to higher pre-tax income, which increased income taxes by $38 million, and $13 million from a benefit recorded in 2012 due to the tax deductibility of interest on the acquisition financing for WPD Midlands, partially offset by $27 million from U.K. tax rate changes and $6 million of prior year adjustments.

U.S.

- Higher income taxes for the three-month period due to an $8 million increase to income tax expense attributable to a revision in the expected taxable amount of cash repatriation in 2013.

  Lower income taxes for the nine-month period due to a $19 million 2013 adjustment primarily related to an IRS ruling regarding 2010 U.K. earnings and profits calculations and $11 million of lower income taxes on intercompany loans, partially offset by a $23 million increase to income tax expense attributable to a revision in the expected taxable amount of cash repatriation in 2013.

The following after-tax gains (losses), which management considers special items, also impacted the U.K. Regulated segment's results during the periods ended September 30.

	Income Statement Line Item	Three Months 2013	Three Months 2012	Nine Months 2013	Nine Months 2012
Foreign currency-related economic hedges, net of tax of $44, $18, $5, $17 (a)	Other Income (Expense)-net	$ (82)	$ (30)	$ (8)	$ (28)
WPD Midlands acquisition-related adjustments:					
Separation benefits, net of tax of $1, $1, $1, $3	Other Operation and Maintenance	(2)	(1)	(4)	(9)
Other acquisition-related adjustments, net of tax of $0, $0, $0, ($1)	Other Operation and Maintenance		(2)	(2)	2
Other:					
Windfall Profits Tax litigation (b)	Income Taxes			43	
Change in WPD line loss accrual, net of tax of $5, $0, $10, $0 (c)	Utility	(16)		(35)	
Change in U.K. tax rate (d)	Income Taxes	84	74	84	74
Total		$ (16)	$ 41	$ 78	$ 39

(a) Represents unrealized gains (losses) on contracts that economically hedge anticipated earnings denominated in GBP.
(b) In May 2013, the U.S. Supreme Court reversed the December 2011 ruling, by the U.S. Court of Appeals for the Third Circuit, on the creditability for income tax purposes of the U.K. Windfall Profits Tax. As a result of the U.S. Supreme Court ruling, PPL recorded an income tax benefit during the nine-month 2013 period. See Note 5 to the Financial Statements for additional information.

(c) WPD Midlands recorded adjustments to its line loss accrual based on information provided by Ofgem regarding the calculation of line loss incentive/penalty for all network operators related to DPCR4, a price control period that ended prior to PPL's acquisition of WPD Midlands. See Note 6 to the Financial Statements for additional information.
(d) The U.K. Finance Act of 2013, enacted in July 2013, reduced the U.K.'s statutory income tax rate from 23% to 21%, effective April 1, 2014 and from 21% to 20%, effective April 1, 2015. The U.K. Finance Act of 2012, enacted in July 2012, reduced the U.K. statutory income tax rate from 25% to 24% retroactive to April 1, 2012 and from 24% to 23% effective April 1, 2013. As a result, PPL reduced its net deferred tax liability and recognized a deferred tax benefit in the three and nine-month periods of 2013 and 2012.

Kentucky Regulated Segment

The Kentucky Regulated segment consists primarily of LKE's regulated electricity generation, transmission and distribution operations. This segment also includes LKE's regulated distribution and sale of natural gas. In addition, certain financing costs are allocated to the Kentucky Regulated segment. The Kentucky Regulated segment represents 19% of Net Income Attributable to PPL Shareowners for the nine months ended September 30, 2013 and 25% of PPL's assets at September 30, 2013.

Net Income Attributable to PPL Shareowners for the periods ended September 30 includes the following results:

	Three Months			Nine Months		
	2013	2012	% Change	2013	2012	% Change
Utility revenues	$ 744	$ 732	2	$ 2,226	$ 2,095	6
Fuel	237	249	(5)	684	677	1
Energy purchases	23	27	(15)	146	135	8
Other operation and maintenance	188	186	1	582	589	(1)
Depreciation	84	87	(3)	249	259	(4)
Taxes, other than income	12	11	9	36	34	6
Total operating expenses	544	560	(3)	1,697	1,694	
Other Income (Expense) - net	(4)	(4)		(6)	(14)	(57)
Interest Expense	49	54	(9)	165	163	1
Income Taxes	54	42	29	132	70	89
Income (Loss) from Discontinued Operations			n/a	1	(6)	(117)
Net Income Attributable to PPL Shareowners	$ 93	$ 72	29	$ 227	$ 148	53

The changes in the components of the Kentucky Regulated segment's results between these periods were due to the factors set forth below, which reflect reclassifications for items included in Kentucky Gross Margins and certain items that management considers special. See below for additional detail of these special items.

	Three Months	Nine Months
Kentucky Gross Margins	$ 42	$ 151
Other operation and maintenance	(4)	4
Depreciation	(9)	(26)
Taxes, other than income	(1)	(2)
Other Income (Expense) - net		7
Interest Expense	5	(2)
Income Taxes	(12)	(56)
Special items, after-tax		3
Total	$ 21	$ 79

- See "Statement of Income Analysis - Margins - Changes in Non-GAAP Financial Measures" for an explanation of Kentucky Gross Margins.
- Lower other operation and maintenance for the nine-month period primarily due to $18 million of lower costs due to the timing and scope of scheduled coal plant maintenance outages. This decrease was partially offset by $8 million of higher administrative and general expenses and $4 million of adjustments to regulatory assets and liabilities.
- Higher depreciation for the three and nine-month periods primarily due to environmental costs related to the 2005 and 2006 ECR plans now being included in base rates, which added $13 million and $39 million to depreciation that is excluded from Kentucky Gross Margins. This increase was partially offset by lower depreciation of $5 and $16 million due to revised rates that were effective January 1, 2013. Both events are the result of the 2012 rate case proceedings.
- Higher other income (expense) - net for the nine-month period primarily due to losses from the EEI investment recorded in 2012. The EEI investment was fully impaired in the fourth quarter of 2012.

- Higher income taxes for the three and nine-month periods primarily due to the change in pre-tax income at current period tax rates.

The following after-tax gains (losses), which management considers special items, also impacted the Kentucky Regulated segment's results during the periods ended September 30.

	Income Statement Line Item	Three Months 2013	Three Months 2012	Nine Months 2013	Nine Months 2012
LKE acquisition-related adjustments:					
Net operating loss carryforward and other tax-related adjustments	Income Taxes and Other Operation and Maintenance				$ 4
Other:					
LKE discontinued operations (a)	Discontinued Operations			$ 1	(5)
EEI adjustments, net of tax of $0, $0, $0, $0 (b)	Other Income (Expense)-net			1	
Total				$ 2	$ (1)

(a) 2012 period includes an adjustment to an indemnification liability.
(b) Impact recorded at KU.

Pennsylvania Regulated Segment

The Pennsylvania Regulated segment includes PPL Electric's regulated electricity transmission and distribution operations. In addition, certain financing costs are allocated to the Pennsylvania Regulated segment. The Pennsylvania Regulated segment represents 13% of Net Income Attributable to PPL Shareowners for the nine months ended September 30, 2013 and 15% of PPL's assets at September 30, 2013.

Net Income Attributable to PPL Shareowners for the periods ended September 30 includes the following results:

	Three Months 2013	Three Months 2012	Three Months % Change	Nine Months 2013	Nine Months 2012	Nine Months % Change
Utility revenues						
External	$ 463	$ 443	5	$ 1,388	$ 1,303	7
Intersegment	1	1		3	3	
Total utility revenues	464	444	5	1,391	1,306	7
Energy purchases						
External	144	137	5	436	410	6
Intersegment	11	23	(52)	37	61	(39)
Other operation and maintenance	134	148	(9)	391	431	(9)
Depreciation	45	41	10	132	119	11
Taxes, other than income	25	24	4	77	72	7
Total operating expenses	359	373	(4)	1,073	1,093	(2)
Other Income (Expense) - net	2	3	(33)	5	6	(17)
Interest Expense	30	25	20	80	73	10
Income Taxes	26	16	63	83	47	77
Net Income	51	33	55	160	99	62
Net Income Attributable to Noncontrolling Interests			n/a		4	(100)
Net Income Attributable to PPL Shareowners	$ 51	$ 33	55	$ 160	$ 95	68

The changes in the components of the Pennsylvania Regulated segment's results between these periods were due to the factors set forth below, which reflect reclassifications for items included in Pennsylvania Gross Delivery Margins.

	Three Months	Nine Months
Pennsylvania Gross Delivery Margins	$ 31	$ 92
Other operation and maintenance	8	28
Depreciation	(4)	(13)
Interest Expense	(5)	(7)
Other	(2)	(3)
Income Taxes	(10)	(36)
Noncontrolling Interests		4
Total	$ 18	$ 65

- See "Statement of Income Analysis - Margins - Changes in Non-GAAP Financial Measures" for an explanation of Pennsylvania Gross Delivery Margins.

- Lower other operation and maintenance for the three-month period primarily due to lower storm costs of $8 million, lower corporate service costs of $3 million and lower rent expense of $3 million, partially offset by higher vegetation management expense of $6 million.

  Lower other operation and maintenance for the nine-month period primarily due to lower storm costs of $9 million, lower corporate service costs of $13 million and lower rent expense of $4 million.

- Higher depreciation for the three and nine-month periods primarily due to the impact of PP&E additions related to the ongoing efforts to ensure the reliability of the delivery system and replace aging infrastructure.

- Higher interest expense for the three and nine-month periods primarily due to the issuance of first mortgage bonds in August 2012 and July 2013.

- Higher income taxes for the three and nine-month periods primarily due to higher pre-tax income.

Supply Segment

The Supply segment primarily consists of PPL Energy Supply's energy marketing and trading activities, as well as its competitive generation operations. In addition, certain financing costs are allocated to the Supply segment. The Supply segment represents 10% of Net Income Attributable to PPL Shareowners for the nine months ended September 30, 2013 and 27% of PPL's assets at September 30, 2013.

Net Income Attributable to PPL Shareowners for the periods ended September 30 includes the following results:

	Three Months			Nine Months		
	2013	2012	% Change	2013	2012	% Change
Energy revenues						
External (a)	$ 1,209	$ 567	113	$ 3,248	$ 3,673	(12)
Intersegment	11	23	(52)	37	61	(39)
Energy-related businesses	143	133	8	378	346	9
Total operating revenues	1,363	723	89	3,663	4,080	(10)
Fuel (a)	258	321	(20)	780	728	7
Energy purchases						
External (a)	388	(150)	(359)	1,085	1,288	(16)
Intersegment	1	1		3	2	50
Other operation and maintenance	243	221	10	748	769	(3)
Depreciation	80	75	7	237	210	13
Taxes, other than income	18	19	(5)	51	54	(6)
Energy-related businesses	138	129	7	366	339	8
Total operating expenses	1,126	616	83	3,270	3,390	(4)
Other Income (Expense) - net	2	6	(67)	18	15	20
Other-Than-Temporary Impairments	1		n/a	1	1	
Interest Expense	54	62	(13)	174	163	7
Income Taxes	92	3	2,967	113	180	(37)
Net Income Attributable to Noncontrolling Interests	1		n/a	1		n/a
Net Income Attributable to PPL Shareowners	$ 91	$ 48	90	$ 122	$ 361	(66)

(a) Includes the impact from energy-related economic activity. See "Commodity Price Risk (Non-trading) - Economic Activity" in Note 14 to the Financial Statements for additional information.

The changes in the components of the Supply segment's results between these periods were due to the factors set forth below, which reflect reclassifications for items included in Unregulated Gross Energy Margins and certain items that management considers special. See below for additional detail of these special items.

	Three Months	Nine Months
Unregulated Gross Energy Margins	$ (9)	$ (204)
Other operation and maintenance	(18)	11
Depreciation	(5)	(27)
Taxes, other than income	(1)	3
Other Income (Expense) - net	(4)	6
Interest expense	8	(11)
Other	(4)	(2)
Income Taxes	(23)	37
Special items, after-tax	99	(52)
Total	$ 43	$ (239)

- See "Statement of Income Analysis - Margins - Changes in Non-GAAP Financial Measures" for an explanation of Unregulated Gross Energy Margins.

- Higher other operation and maintenance for the three-month period primarily due to Montour outage costs in 2013 with no comparable outage in 2012.

  Lower other operation and maintenance for the nine-month period primarily due to $23 million of outage costs at Brunner Island mainly due to timing and $9 million due to lower project costs at PPL Susquehanna, partially offset by $13 million of Montour outage costs in 2013 with no comparable outage in 2012 and $6 million of Ironwood outage costs in 2013 with no comparable outage in 2012.

- Higher depreciation for the three and nine-month periods primarily due to PP&E additions. The nine-month period also includes $6 million attributable to the Ironwood Acquisition.

- Higher interest expense for the nine-month period primarily due to lower capitalized interest in 2013.

- Higher income taxes for the three-month period primarily due to $26 million of higher adjustments to valuation allowances in 2013 on Pennsylvania net operating loss carryforwards and a $6 million benefit from a state tax rate change recorded in 2012, partially offset by lower pre-tax income in 2013, which reduced income taxes by $10 million.

  Lower income taxes for the nine-month period primarily due to lower pre-tax income in 2013, which reduced income taxes by $87 million, partially offset by $26 million of higher adjustments to valuation allowances in 2013 on Pennsylvania net operating loss carryforwards and a $17 million benefit from a state tax rate change recorded in 2012.

The following after-tax gains (losses), which management considers special items, also impacted the Supply segment's results during the periods ended September 30.

	Income Statement Line Item	Three Months 2013	Three Months 2012	Nine Months 2013	Nine Months 2012
Adjusted energy-related economic activity - net, net of tax of $4, $63, $32, ($16)	(a)	$ (6)	$ (95)	$ (47)	$ 23
Impairments:					
Adjustments - nuclear decommissioning trust investments, net of tax of $0, $0, $0, ($2)	Other Income-net				1
Other:					
Change in tax accounting method related to repairs	Income Taxes			(3)	
Counterparty bankruptcy, net of tax of $0, $0, ($1), $5 (b)	Other Operation and Maintenance			1	(6)
Wholesale supply cost reimbursement, net of tax of $0, $0, $0, $0	(c)				1
Ash basin leak remediation adjustment, net of tax of $0, $0, $0, ($1)	Other Operation and Maintenance				1
Coal contract modification payments, net of tax of $0, $7, $0, $12 (d)	Fuel		(10)		(17)
Total		$ (6)	$ (105)	$ (49)	$ 3

(a) See "Reconciliation of Economic Activity" below.
(b) In October 2011, a wholesale customer, SMGT, filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy code. In 2012, PPL EnergyPlus recorded an additional allowance for unpaid amounts under the long-term power contract. In March 2012, the U.S. Bankruptcy Court for the District of Montana approved the request to terminate the contract, effective April 1, 2012. In June 2013, PPL EnergyPlus received an approval for an administrative claim in the amount of $2 million.
(c) Recorded in "Wholesale energy marketing - Realized" on the Statement of Income.
(d) As a result of lower electricity and natural gas prices, coal-fired generation output decreased during 2012. Contract modification payments were incurred to reduce 2012 and 2013 contracted coal deliveries.

Reconciliation of Economic Activity

The following table reconciles unrealized pre-tax gains (losses) for the periods ended September 30, to the special item identified as "Adjusted energy-related economic activity - net."

	Three Months 2013	Three Months 2012	Nine Months 2013	Nine Months 2012
Operating Revenues				
Unregulated retail electric and gas	$ (2)	$ (13)	$ 10	$ (15)
Wholesale energy marketing	(49)	(716)	(281)	(322)
Operating Expenses				
Fuel	3	3	(2)	(11)
Energy Purchases	37	569	192	420
Energy-related economic activity (a)	(11)	(157)	(81)	72

	Three Months		Nine Months	
	2013	2012	2013	2012
Option premiums	1		2	1
Adjusted energy-related economic activity	(10)	(157)	(79)	73
Less: Economic activity realized, associated with the monetization of certain full-requirement sales contracts in 2010		1		34
Adjusted energy-related economic activity - net, pre-tax	$ (10)	$ (158)	$ (79)	$ 39
Adjusted energy-related economic activity - net, after-tax	$ (6)	$ (95)	$ (47)	$ 23

(a) See Note 14 to the Financial Statements for additional information.

Statement of Income Analysis --

Margins

Non-GAAP Financial Measures

Management utilizes the following non-GAAP financial measures as indicators of performance for its businesses.

- "Kentucky Gross Margins" is a single financial performance measure of LKE's, LG&E's and KU's electricity generation, transmission and distribution operations as well as its distribution and sale of natural gas. In calculating this measure, fuel and energy purchases are deducted from revenues. In addition, utility revenues and expenses associated with approved cost recovery mechanisms are offset. These mechanisms allow for recovery of certain expenses, return on capital investments and performance incentives. Certain costs associated with these mechanisms, primarily ECR, DSM and GLT, are recorded as "Other operation and maintenance" and "Depreciation." As a result, this measure represents the net revenues from the electric and gas operations.

- "Pennsylvania Gross Delivery Margins" is a single financial performance measure of PPL Electric's electric delivery operations, which includes transmission and distribution activities. In calculating this measure, utility revenues and expenses associated with approved recovery mechanisms, including energy provided as a PLR, are offset with minimal impact on earnings. Costs associated with these mechanisms are recorded in "Energy purchases," "Other operation and maintenance," which is primarily Act 129 costs, and "Taxes, other than income," which is primarily gross receipts tax. This performance measure includes PLR energy purchases by PPL Electric from PPL EnergyPlus, which are reflected in "PLR intersegment utility revenue (expense)" in the reconciliation table below (in "Energy purchases from affiliate" in PPL Electric's reconciliation table). As a result, this measure represents the net revenues from PPL Electric's electric delivery operations.

- "Unregulated Gross Energy Margins" is a single financial performance measure of PPL Energy Supply's competitive energy non-trading and trading activities. Non-trading activities are managed on a geographic basis that is aligned with the generation fleet. In calculating this measure, energy revenues are offset by the cost of fuel, energy purchases and certain other operation and maintenance expenses, primarily ancillary charges and gross receipts tax, which is recorded in "Taxes, other than income." This performance measure is relevant to PPL due to the volatility in the individual revenue and expense lines on the Statements of Income that comprise "Unregulated Gross Energy Margins." This volatility stems from a number of factors, including the required netting of certain transactions with ISOs and significant fluctuations in unrealized gains and losses. Such factors could result in gains or losses being recorded in either "Wholesale energy marketing" or "Energy purchases" on the Statements of Income. This performance measure includes PLR revenues from energy sales to PPL Electric by PPL EnergyPlus, which are recorded in "PLR intersegment utility revenue (expense)" in the reconciliation table below (in "Wholesale energy marketing to affiliate" in PPL Energy Supply's reconciliation table). "Unregulated Gross Energy Margins" excludes adjusted energy-related economic activity, which includes the changes in fair value of positions used to economically hedge a portion of the economic value of the competitive generation assets, full-requirement sales contracts and retail activities. This economic value is subject to changes in fair value due to market price volatility of the input and output commodities (e.g., fuel and power) prior to the delivery period that was hedged. Adjusted energy-related economic activity also includes the premium amortization associated with options and for 2012 the ineffective portion of qualifying cash flow hedges and realized economic activity associated with the monetization of certain full-requirement sales contracts in 2010. This economic activity was deferred, with the exception of the full-requirement sales contracts that were monetized, and included in "Unregulated Gross Energy Margins" over the delivery period that was hedged or upon realization.

These measures are not intended to replace "Operating Income," which is determined in accordance with GAAP, as an indicator of overall operating performance. Other companies may use different measures to analyze and to report on the results of their operations. Management believes that these measures provide additional criteria to make investment decisions. These performance measures are used, in conjunction with other information, internally by senior management and PPL's Board of Directors to manage the operations, analyze actual results compared with budget and, in certain cases, to measure certain corporate financial goals used in determining variable compensation.

Reconciliation of Non-GAAP Financial Measures

The following tables contain the components from the Statement of Income that are included in the non-GAAP financial measures and a reconciliation to PPL's "Operating Income" for the periods ended September 30.

	2013 Three Months					2012 Three Months				
	Kentucky Gross Margins	PA Gross Delivery Margins	Unregulated Gross Energy Margins	Other (a)	Operating Income (b)	Kentucky Gross Margins	PA Gross Delivery Margins	Unregulated Gross Energy Margins	Other (a)	Operating Income (b)
Operating Revenues										
Utility	$ 744	$ 463		$ 532 (c)	$ 1,739	$ 732	$ 443		$ 518 (c)	$ 1,693
PLR intersegment utility revenue (expense) (d)		(11)	$ 11				(23)	$ 23		
Unregulated retail electric and gas			267	(3)(f)	264			232	(14)(f)	218
Wholesale energy marketing										
Realized			981	(1)	980			1,074	2 (e)	1,076
Unrealized economic activity				(49)(f)	(49)				(716)(f)	(716)
Net energy trading margins			12		12			(11)		(11)
Energy-related businesses				159	159				143	143
Total Operating Revenues	744	452	1,271	638	3,105	732	420	1,318	(67)	2,403
Operating Expenses										
Fuel	237		256	1	494	249		310	11 (g)	570
Energy purchases										
Realized	23	144	427	(2)	592	27	137	418	1 (e)	583
Unrealized economic activity				(37)(f)	(37)				(569)(f)	(569)
Other operation and maintenance	26	19	5	619	669	28	25	1	596	650
Depreciation	1			288	289	13			265	278
Taxes, other than income		23	9	58	90		23	11	56	90
Energy-related businesses			5	146	151				137	137
Intercompany eliminations		(1)	1				(1)	1		
Total Operating Expenses	287	185	703	1,073	2,248	317	184	741	497	1,739
Total	$ 457	$ 267	$ 568	$ (435)	$ 857	$ 415	$ 236	$ 577	$ (564)	$ 664

	2013 Nine Months					2012 Nine Months				
	Kentucky Gross Margins	PA Gross Delivery Margins	Unregulated Gross Energy Margins	Other (a)	Operating Income (b)	Kentucky Gross Margins	PA Gross Delivery Margins	Unregulated Gross Energy Margins	Other (a)	Operating Income (b)
Operating Revenues										
Utility	$ 2,226	$ 1,388		$ 1,730 (c)	$ 5,344	$ 2,095	$ 1,303		$ 1,614 (c)	$ 5,012
PLR intersegment utility revenue (expense) (d)		(37)	$ 37				(61)	$ 61		
Unregulated retail electric and gas			750	8 (f)	758			638	(18)(f)	620
Wholesale energy marketing										
Realized			2,770	(3)	2,767			3,353	14 (e)	3,367
Unrealized economic activity				(281)(f)	(281)				(322)(f)	(322)
Net energy trading margins			1		1			7		7
Energy-related businesses				423	423				380	380
Total Operating Revenues	2,226	1,351	3,558	1,877	9,012	2,095	1,242	4,059	1,668	9,064

	2013 Nine Months					2012 Nine Months				
	Kentucky Gross Margins	PA Gross Delivery Margins	Unregulated Gross Energy Margins	Other (a)	Operating Income (b)	Kentucky Gross Margins	PA Gross Delivery Margins	Unregulated Gross Energy Margins	Other (a)	Operating Income (b)
Operating Expenses										
Fuel	684		778	2	1,464	677		695	33 (g)	1,405
Energy purchases										
Realized	146	436	1,282	(9)	1,855	135	410	1,669	39 (e)	2,253
Unrealized economic activity				(192)(f)	(192)				(420)(f)	(420)
Other operation and maintenance	74	62	13	1,894	2,043	76	74	12	1,933	2,095
Depreciation	3			856	859	39			774	813
Taxes, other than income		70	27	175	272		67	27	174	268
Energy-related businesses			5	398	403				363	363
Intercompany eliminations		(3)	3				(3)	2	1	
Total Operating Expenses	907	565	2,108	3,124	6,704	927	548	2,405	2,897	6,777
Total	$ 1,319	$ 786	$ 1,450	$ (1,247)	$ 2,308	$ 1,168	$ 694	$ 1,654	$ (1,229)	$ 2,287

(a) Represents amounts excluded from Margins.
(b) As reported on the Statements of Income.
(c) Primarily represents WPD's utility revenue.
(d) Primarily related to PLR supply sold by PPL EnergyPlus to PPL Electric.
(e) Represents energy-related economic activity as described in "Commodity Price Risk (Non-trading) - Economic Activity" within Note 14 to the Financial Statements. For the three and nine months ended September 30, 2012, "Wholesale energy marketing - Realized" and "Energy purchases - Realized" include net pre-tax losses of $1 million and $34 million related to the monetization of certain full-requirement sales contracts.
(f) Represents energy-related economic activity, which is subject to fluctuations in value due to market price volatility, as described in "Commodity Price Risk (Non-trading) - Economic Activity" within Note 14 to the Financial Statements.
(g) Includes economic activity related to fuel as described in "Commodity Price Risk (Non-trading) - Economic Activity" within Note 14 to the Financial Statements. The three and nine months ended September 30, 2012 include a pre-tax loss of $17 million and $29 million related to coal contract modification payments.

Changes in Non-GAAP Financial Measures

The following table shows the non-GAAP financial measures by PPL's reportable segment and by component, as applicable, for the periods ended September 30 as well as the change between periods. The factors that gave rise to the changes are described below the table.

	Three Months			Nine Months		
	2013	2012	Change	2013	2012	Change
Kentucky Regulated						
Kentucky Gross Margins						
LKE	$ 457	$ 415	$ 42	$ 1,319	$ 1,168	$ 151
LG&E	210	198	12	595	552	43
KU	247	216	31	724	616	108
Pennsylvania Regulated						
PA Gross Delivery Margins						
Distribution	$ 201	$ 185	$ 16	$ 607	$ 544	$ 63
Transmission	66	51	15	179	150	29
Total	$ 267	$ 236	$ 31	$ 786	$ 694	$ 92
Supply						
Unregulated Gross Energy Margins						
Non-trading						
Eastern U.S.	$ 504	$ 521	$ (17)	$ 1,283	$ 1,417	$ (134)
Western U.S.	52	67	(15)	166	230	(64)
Net energy trading	12	(11)	23	1	7	(6)
Total	$ 568	$ 577	$ (9)	$ 1,450	$ 1,654	$ (204)

Kentucky Gross Margins

Kentucky Gross Margins increased $42 million for the three months ended September 30, 2013 compared with 2012, primarily due to higher base rates of $23 million ($10 million at LG&E and $13 million at KU), environmental cost recoveries added to base rates of $13 million (at KU), returns from additional environmental capital investments of $8 million ($3 million at LG&E and $5 million at KU) and higher fuel recoveries of $6 million ($3 million at LG&E and $3 million at KU), partially offset by lower volumes of $13 million ($7 million at LG&E and $6 million at KU). The change in volumes was primarily attributable to weather, as cooling degree days decreased 16% compared to the same period in 2012.

Kentucky Gross Margins increased $151 million for the nine months ended September 30, 2013 compared with 2012, primarily due to higher base rates of $72 million ($31 million at LG&E and $41 million at KU), environmental cost recoveries added to base rates of $45 million ($3 million at LG&E and $42 million at KU), returns from additional environmental capital investments of $18 million ($9 million at LG&E and $9 million at KU) and higher fuel recoveries of $11 million ($3 million at LG&E and $8 million at KU).

The increase in base rates was the result of new KPSC rates effective January 1, 2013 at LG&E and KU. The environmental cost recoveries added to base rates were due to the transfer of the 2005 and 2006 ECR plans into base rates as a result of the 2012 Kentucky rate cases for LG&E and KU. This transfer results in depreciation and other operation and maintenance expenses associated with the 2005 and 2006 ECR plans being excluded from Kentucky Gross Margins in 2013, while the recovery of such costs remain in Kentucky Gross Margins through base rates.

Pennsylvania Gross Delivery Margins

Distribution

Distribution margins increased for the three months ended September 30, 2013 compared with 2012, primarily due to an $18 million favorable effect of price as a result of higher base rates, effective January 1, 2013, partially offset by unfavorable weather of $4 million.

Distribution margins increased for the nine months ended September 30, 2013 compared with 2012 due to a $50 million favorable effect of price, largely comprised of higher base rates, effective January 1, 2013, a favorable weather effect of $9 million and higher volumes of $4 million.

Transmission

Transmission margins increased for the three and nine months ended September 30, 2013 compared with 2012, primarily due to increased capital investments and the recovery of additional costs through the FERC formula-based rates.

Unregulated Gross Energy Margins

The increase (decrease) in unregulated gross energy margins for the periods ended September 30, 2013 compared with 2012 was due to:

	Three Months	Nine Months
Eastern U.S.		
Baseload energy prices	$ (64)	$ (310)
Coal prices	(5)	(14)
Nuclear fuel prices	(4)	(14)
Retail electric	(10)	(10)
Nuclear generation volume	(12)	(3)
Full-requirement sales contracts	(6)	4
Gas optimization and storage	5	16
Ironwood acquisition which eliminated tolling expense		17
Intermediate and peaking Spark Spreads and availability	11	18
Net economic availability of coal and hydroelectric plants	(10)	29
Capacity prices	77	124
Other	1	9
Total	$ (17)	$ (134)
Western U.S.		
Wholesale energy prices	$ (10)	$ (67)
Net economic availability of coal and hydroelectric plants	(8)	(1)
Other	3	4
Total	$ (15)	$ (64)
Net Energy Trading Margins		
Gas positions	$ (3)	$ (17)
Power positions	15	5
FTRs	9	7
Other	2	(1)
Total	$ 23	$ (6)

Utility Revenues

The increase (decrease) in utility revenues for the periods ended September 30, 2013 compared with 2012 was due to:

	Three Months	Nine Months
Domestic:		
PPL Electric (a)	$ 20	$ 85
LKE (b)	12	131
Total Domestic	32	216
U.K.:		
Price (c)	74	187
Volume (d)	(10)	18
DPCR4 accrual adjustments (e)	(21)	(45)
Recovery of allowed revenues (f)	(22)	(22)
Foreign currency exchange rates	(9)	(25)
Other	2	3
Total U.K.	14	116
Total	$ 46	$ 332

(a) See "Pennsylvania Gross Delivery Margins" for further information.
(b) See "Kentucky Gross Margins" for further information.
(c) The three and nine-month periods were impacted by a price increase effective April 1, 2013. The nine-month period was also impacted by a price increase effective April 1, 2012.
(d) The increase for the nine-month period was primarily due to the favorable effect of weather.
(e) The decrease for the three and nine-month periods was due to a reduction in revenue based on information provided by Ofgem regarding the calculation of line loss incentive/penalty for all network operators related to DPCR4. See Note 6 to the Financial Statements for additional information.
(f) The decrease for the three and nine-month period was due to an accrual for over-recovered revenues as a result of price and weather related volume effects that is not expected to reverse within the regulatory year ending March 31, 2014. Therefore, a liability was recorded and utility revenue was reduced for the amount of the over-recovery in September 2013. These amounts are expected to be refunded within the regulatory year beginning April 1, 2014.

Other Operation and Maintenance

The increase (decrease) in other operation and maintenance for the periods ended September 30, 2013 compared with 2012 was due to:

	Three Months	Nine Months
Domestic:		
Brunner Island outage timing	$ (4)	$ (23)
Uncollectible accounts (a)		(23)
LKE coal plant outages (b)	(1)	(18)
Montour outage in 2013	15	13
Act 129 costs (c)	(7)	(13)
PUC-reportable storm costs, net of insurance recovery	(8)	(9)
PPL Susquehanna projects		(9)
PPL Susquehanna outages	1	(6)
Ironwood outage in 2013	3	6
LKE adjustments to regulatory assets and liabilities		4
Other generation plants	4	4
Other	8	9
U.K.:		
Third-party engineering (d)	3	5
Network maintenance (e)	10	23
Insurance claim provision release		6
Severance compensation (f)		(8)
Employee related expenses	(1)	(6)
Foreign currency exchange rates	(2)	(4)
Other	(2)	(3)
Total	$ 19	$ (52)

(a) The decrease for the nine-month period is primarily due to SMGT filing for protection under Chapter 11 of the U.S. Bankruptcy Code in 2011. $11 million of damages billed to SMGT were fully reserved in 2012.
(b) The decrease for the three and nine month periods is due to the timing and scope of scheduled outages.
(c) The decrease for the three and nine month periods is due to a reduction in Act 129 energy efficiency and conservation plan costs for Phase 1 programs. Phase 1 ended May 31, 2013.
(d) These costs are offset by revenues reflected in "Utility" on the Statement of Income.
(e) The increase for the three and nine month periods is primarily due to higher vegetation management costs.
(f) The decrease for the nine month period is primarily due to costs incurred in 2012 related to the WPD Midlands reorganization.

Depreciation

The increase (decrease) in depreciation for the periods ended September 30, 2013 compared with 2012 was due to:

	Three Months	Nine Months
Additions to PP&E	$ 20	$ 64
LKE lower depreciation rates effective January 1, 2013	(5)	(16)
Ironwood Acquisition		6
Other	(4)	(8)
Total	$ 11	$ 46

Other Income (Expense) - net

The $72 million decrease in other income (expense) - net for the three months ended September 30, 2013 compared with 2012 was primarily due to a decrease of $70 million from realized and unrealized gains on foreign currency contracts to economically hedge GBP denominated earnings from WPD.

The $50 million increase in other income (expense) - net for the nine months ended September 30, 2013 compared with 2012 was primarily due to an increase of $46 million from realized and unrealized gains on foreign currency contracts to economically hedge GBP denominated earnings from WPD.

See Note 12 to the Financial Statements for additional information on other income (expense) - net.

Interest Expense

The increase (decrease) in interest expense for the periods ended September 30, 2013 compared with 2012 was due to:

	Three Months	Nine Months
Long-term debt interest expense (a)	$ 5	$ 32
Loss on extinguishment of debt (b)		10
Net amortization of debt discounts, premiums and issuance costs	(4)	(4)
Other	(3)	3
Total	$ (2)	$ 41

(a) The increase for the three and nine-month periods was due to debt issuances by PPL Capital Funding in March 2013 and October 2012, and by PPL Electric in July 2013 and August 2012, partially offset by the impact of lower interest rates resulting from the remarketing of the 2010 Equity Units.

The nine-month period also increased due to debt issuances by PPL Capital Funding in June 2012 and by WPD (East Midlands) in April 2012, as well as higher accretion expense on WPD index linked notes and three additional months of interest on debt assumed as part of the Ironwood Acquisition. Partially offsetting these increases was PPL Energy Supply's debt maturity in July 2013.

(b) In May 2013, PPL Capital Funding remarketed and exchanged junior subordinate notes that were originally issued in June 2010 as a component of PPL's 2010 Equity Units.

See Note 7 to the Financial Statements in this Form 10-Q for information on 2013 long-term debt activity and PPL's 2012 Form 10-K for information on 2012 activity.

Income Taxes

The increase (decrease) in income taxes for the periods ended September 30, 2013 compared with 2012 was due to:

	Three Months	Nine Months
Change in pre-tax income at current period tax rates	$ 36	$ (31)
State valuation allowance adjustments (a)	36	36
Federal and state tax reserve adjustments (b)	1	(34)
Federal and state tax return adjustments	(4)	(4)
U.S. income tax on foreign earnings net of foreign tax credit (c)	9	3
U.K. Finance Act adjustments (d)	(19)	(19)
Foreign tax reserve adjustments	(2)	3
Net operating loss carryforward adjustments (e)		9
Intercompany Interest on WPD Financing Entities	2	2
State deferred tax rate change (f)	6	17
Other	2	(2)
Total	$ 67	$ (20)

(a) During the three and nine months ended September 30, 2013, PPL recorded a $38 million increase in state deferred income tax expense related to a deferred tax valuation allowance primarily due to a decrease in projected future taxable income over the remaining carryforward period of Pennsylvania net operating losses.
(b) In May 2013, the U.S. Supreme Court reversed the December 2011 ruling of the U.S. Court of Appeals for the Third Circuit on the creditability of U.K. Windfall Profits Tax for tax purposes. As a result of this decision, PPL recorded a tax benefit of $44 million during the nine months ended September 30, 2013. See Note 5 to the Financial Statements for additional information.
(c) During the three and nine months ended September 30, 2013, PPL recorded a $10 million and $24 million increase to income tax expense primarily attributable to a revision in the expected taxable amount of cash repatriation in 2013.

During the nine months ended September 30, 2013, PPL recorded a tax benefit of $19 million associated with a ruling obtained from the IRS impacting the recalculation of 2010 U.K. earnings and profits that will be reflected on an amended 2010 U.S. tax return.
(d) The U.K.'s Finance Act 2013, enacted in July 2013, reduced the U.K. statutory income tax rate from 23% to 21%, effective April 1, 2014 and from 21% to 20% effective April 1, 2015. As a result, PPL reduced its net deferred tax liabilities and recognized a $93 million deferred tax benefit in the third quarter of 2013 related to both rate decreases.

The U.K.'s Finance Act 2012, enacted in July 2012, reduced the U.K. statutory income tax rate from 25% to 24% retroactive to April 1, 2012 and from 24% to 23% effective April 1, 2013. As a result, PPL reduced its net deferred tax liabilities and recognized a $74 million deferred tax benefit in the third quarter of 2012 related to both rate decreases.
(e) During the nine months ended September 30, 2012, PPL recorded adjustments to deferred taxes related to net operating loss carryforwards of LKE based on income tax return adjustments.
(f) During the three and nine months ended September 30, 2012, PPL recorded adjustments related to state deferred tax liabilities.

See Note 5 to the Financial Statements for additional information on income taxes.

PPL Energy Supply: Earnings and Statement of Income Analysis

Earnings

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net Income Attributable to PPL Energy Supply Member	$ 124	$ 54	$ 172	$ 382
Special items, after-tax	(6)	(105)	(49)	3

Excluding special items, the decrease in earnings for the three-month period was primarily due to lower baseload energy prices, lower baseload generation and higher operation and maintenance expense, partially offset by higher capacity prices. The decrease for the nine-month period was primarily due to lower baseload energy prices, higher fuel costs and higher depreciation, partially offset by higher capacity prices, higher intermediate and peaking margins, higher baseload generation and lower income taxes.

The table below quantifies the changes in the components of Net Income Attributable to PPL Energy Supply Member between these periods, which reflect reclassifications for items included in Unregulated Gross Energy Margins and certain items that management considers special. See PPL's "Results of Operations - Segment Earnings - Supply Segment" for the details of special items.

	Three Months	Nine Months
Unregulated Gross Energy Margins	$ (9)	$ (204)
Other operation and maintenance	(19)	11
Depreciation	(7)	(31)
Taxes, other than income	(2)	2
Other Income (Expense) - net	(3)	5
Interest Expense	4	(8)
Other	(1)	1
Income Taxes	8	66
Special items, after-tax	99	(52)
Total	$ 70	$ (210)

Statement of Income Analysis --

Unregulated Gross Energy Margins

"Unregulated Gross Energy Margins" is a non-GAAP financial performance measure that management utilizes as an indicator of the performance of its business. See PPL's "Results of Operations - Income Statement Analysis - Margins" for information on why management believes this measure is useful and for explanations of the underlying drivers of the changes between periods.

The following tables contain the components from the Statements of Income that are included in this non-GAAP financial measure and a reconciliation to "Operating Income" for the periods ended September 30.

	2013 Three Months			2012 Three Months		
	Unregulated Gross Energy Margins	Other (a)	Operating Income (b)	Unregulated Gross Energy Margins	Other (a)	Operating Income (b)
Operating Revenues						
Wholesale energy marketing						
Realized	$ 981	$ (1)	$ 980	$ 1,074	$ 2 (c)	$ 1,076
Unrealized economic activity		(49) (d)	(49)		(716) (d)	(716)
Wholesale energy marketing to affiliate	11		11	23		23
Unregulated retail electric and gas	267	(1) (d)	266	232	(13) (d)	219
Net energy trading margins	12		12	(11)		(11)
Energy-related businesses		143	143		128	128
Total Operating Revenues	1,271	92	1,363	1,318	(599)	719
Operating Expenses						
Fuel	256	2	258	310	11 (e)	321
Energy purchases						
Realized	427	(2)	425	418	3 (c)	421
Unrealized economic activity		(37) (d)	(37)		(569) (d)	(569)
Energy purchases from affiliate	1		1	1		1
Other operation and maintenance	5	238	243	1	219	220
Depreciation		80	80		73	73
Taxes, other than income	9	9	18	11	7	18
Energy-related businesses	5	133	138		125	125
Total Operating Expenses	703	423	1,126	741	(131)	610
Total	$ 568	$ (331)	$ 237	$ 577	$ (468)	$ 109

	2013 Nine Months			2012 Nine Months		
	Unregulated Gross Energy Margins	Other (a)	Operating Income (b)	Unregulated Gross Energy Margins	Other (a)	Operating Income (b)
Operating Revenues						
Wholesale energy marketing						
Realized	$ 2,770	$ (3)	$ 2,767	$ 3,353	$ 14 (c)	$ 3,367
Unrealized economic activity		(281) (d)	(281)		(322) (d)	(322)
Wholesale energy marketing to affiliate	37		37	61		61
Unregulated retail electric and gas	750	11 (d)	761	638	(15) (d)	623
Net energy trading margins	1		1	7		7
Energy-related businesses		378	378		336	336
Total Operating Revenues	3,558	105	3,663	4,059	13	4,072
Operating Expenses						
Fuel	778	2	780	695	33 (e)	728
Energy purchases						
Realized	1,282	(5)	1,277	1,669	46 (c)	1,715
Unrealized economic activity		(192) (d)	(192)		(420) (d)	(420)
Energy purchases from affiliate	3		3	2		2
Other operation and maintenance	13	735	748	12	757	769
Depreciation		237	237		206	206
Taxes, other than income	27	24	51	27	26	53
Energy-related businesses	5	361	366		326	326
Total Operating Expenses	2,108	1,162	3,270	2,405	974	3,379
Total	$ 1,450	$ (1,057)	$ 393	$ 1,654	$ (961)	$ 693

(a) Represents amounts excluded from Margins.
(b) As reported on the Statements of Income.
(c) Represents energy-related economic activity as described in "Commodity Price Risk (Non-trading) - Economic Activity" within Note 14 to the Financial Statements. For the three and nine months ended September 30, 2012 "Wholesale energy marketing - Realized" and "Energy purchases - Realized" include net pre-tax losses of $1 million and $34 million related to the monetization of certain full-requirement sales contracts.
(d) Represents energy-related economic activity, which is subject to fluctuations in value due to market price volatility, as described in "Commodity Price Risk (Non-trading) - Economic Activity" within Note 14 to the Financial Statements.
(e) Includes economic activity related to fuel as described in "Commodity Price Risk (Non-trading) - Economic Activity" within Note 14 to the Financial Statements. The three and nine months ended September 30, 2012 include pre-tax losses of $17 million and $29 million related to coal contract modification payments.

Other Operation and Maintenance

The increase (decrease) in other operation and maintenance for the periods ended September 30, 2013 compared with 2012 was due to:

	Three Months	Nine Months
Brunner Island outage timing	$ (4)	$ (23)
Uncollectible accounts (a)		(15)
PPL Susquehanna projects		(9)
PPL Susquehanna outages	1	(6)
Ironwood outage in 2013	3	6
Montour outage in 2013	15	13
Other generation plants	4	4
Other	4	9
Total	$ 23	$ (21)

(a) The decrease for the nine-month period is primarily due to SMGT filing for protection under Chapter 11 of the U.S. Bankruptcy Code in 2011. $11 million of damages billed to SMGT were fully reserved in 2012.

Depreciation

Depreciation increased by $7 million and $31 million for the three and nine months ended September 30, 2013 compared with 2012, primarily due to $8 million and $28 million related to PP&E additions, and $6 million attributable to the Ironwood Acquisition for the nine-month period.

Interest Expense

For the nine months ended September 30, 2013 compared with 2012, interest expense increased by $8 million, primarily due to $6 million of lower capitalized interest related to the Rainbow hydroelectric redevelopment project.

Income Taxes

The increase (decrease) in income taxes for the periods ended September 30, 2013 compared with 2012 was due to:

	Three Months	Nine Months
Change in pre-tax income at current period tax rates	$ 50	$ (122)
State valuation allowance adjustments	2	2
Federal and state tax reserve adjustments (a)		6
Federal and state tax return adjustments	(1)	(1)
State deferred tax rate change (b)	6	17
Other	1	2
Total	$ 58	$ (96)

(a) During the nine months ended September 30, 2013, PPL Energy Supply reversed $3 million in tax benefits related to a 2008 change in method of accounting for certain expenditures for tax purposes and recorded $4 million in federal tax reserves related to differences in over (under) payment interest rates applied to audit claims as a result of the U.S. Supreme Court decision related to the Windfall Profits tax.

(b) During the three and nine months ended September 30, 2012, PPL Energy Supply recorded adjustments related to state deferred tax liabilities.

See Note 5 to the Financial Statements for additional information on income taxes.

PPL Electric: Earnings and Statement of Income Analysis

Earnings

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net Income Available to PPL	$ 51	$ 33	$ 160	$ 95

The increase in earnings for both periods was primarily due to higher electricity base rates that became effective January 1, 2013 and higher transmission margins from additional capital investments, partially offset by higher income taxes. The increase for the nine-month period was also due to lower operation and maintenance expense, partially offset by higher depreciation.

The table below quantifies the changes in the components of Net Income Available to PPL between these periods, which reflect reclassifications for items included in Pennsylvania Gross Delivery Margins.

	Three Months	Nine Months
Pennsylvania Gross Delivery Margins	$ 31	$ 92
Other operation and maintenance	8	28
Depreciation	(4)	(13)
Interest Expense	(5)	(7)
Other	(2)	(3)
Income Taxes	(10)	(36)
Distributions on preference stock		4
Total	$ 18	$ 65

Statement of Income Analysis --

Pennsylvania Gross Delivery Margins

"Pennsylvania Gross Delivery Margins" is a non-GAAP financial performance measure that management utilizes as an indicator of the performance of its business. See PPL's "Results of Operations - Income Statement Analysis - Margins" for information on why management believes this measure is useful and for explanations of the underlying drivers of the changes between periods.

The following tables contain the components from the Statements of Income that are included in this non-GAAP financial measure and a reconciliation to "Operating Income" for the periods ended September 30.

	2013 Three Months			2012 Three Months		
	PA Gross Delivery Margins	Other (a)	Operating Income (b)	PA Gross Delivery Margins	Other (a)	Operating Income (b)
Operating Revenues						
Retail electric	$ 463		$ 463	$ 443		$ 443
Electric revenue from affiliate	1		1	1		1
Total Operating Revenues	464		464	444		444
Operating Expenses						
Energy purchases	144		144	137		137
Energy purchases from affiliate	11		11	23		23
Other operation and maintenance	19	$ 115	134	25	$ 123	148
Depreciation		45	45		41	41
Taxes, other than income	23	2	25	23	1	24
Total Operating Expenses	197	162	359	208	165	373
Total	$ 267	$ (162)	$ 105	$ 236	$ (165)	$ 71

	2013 Nine Months			2012 Nine Months		
	PA Gross Delivery Margins	Other (a)	Operating Income (b)	PA Gross Delivery Margins	Other (a)	Operating Income (b)
Operating Revenues						
Retail electric	$ 1,388		$ 1,388	$ 1,303		$ 1,303
Electric revenue from affiliate	3		3	3		3
Total Operating Revenues	1,391		1,391	1,306		1,306
Operating Expenses						
Energy purchases	436		436	410		410
Energy purchases from affiliate	37		37	61		61
Other operation and maintenance	62	$ 329	391	74	$ 357	431
Depreciation		132	132		119	119
Taxes, other than income	70	7	77	67	5	72
Total Operating Expenses	605	468	1,073	612	481	1,093
Total	$ 786	$ (468)	$ 318	$ 694	$ (481)	$ 213

(a) Represents amounts excluded from Margins.
(b) As reported on the Statements of Income.

Other Operation and Maintenance

The increase (decrease) in other operation and maintenance for the periods ended September 30, 2013 compared with 2012 was due to:

	Three Months	Nine Months
Vegetation management	$ 6	$ 3
PUC-reportable storm costs, net of insurance recovery	(8)	(9)
Act 129 costs (a)	(7)	(13)
Uncollectible accounts		(3)
Corporate service (b)	(2)	(13)
Rent	(3)	(4)
Other		(1)
Total	$ (14)	$ (40)

(a) The decrease was due to a reduction in Act 129 energy efficiency and conservation plan costs for Phase 1 programs. Phase 1 ended May 31, 2013.
(b) The decrease was partially due to storm insurance policy premiums for coverage that was in place in 2012 but was not renewed in 2013.

Depreciation

Depreciation increased by $4 million and $13 million for the three and nine months ended September 30, 2013 compared with 2012, primarily due to PP&E additions as part of ongoing investments to enhance system reliability.

Taxes, Other Than Income

Taxes, other than income increased by $5 million for the nine months ended September 30, 2013 compared with 2012, primarily due to higher Pennsylvania gross receipts tax expense due to higher retail electricity revenue. This tax is included in "Pennsylvania Gross Delivery Margins."

Financing Costs

The increase (decrease) in financing costs for the periods ended September 30, 2013 compared with 2012 was due to:

	Three Months	Nine Months
Long-term debt interest expense (a)	$ 5	$ 8
Distributions on Preference Stock (b)		(4)
Other		(1)
Total	$ 5	$ 3

(a) The increase was due to debt issuances in August 2012 and July 2013.
(b) The decrease was due to the June 2012 redemption of all 2.5 million shares of preference stock.

Income Taxes

The increase (decrease) in income taxes for the periods ended September 30, 2013 compared with 2012 was due to:

	Three Months	Nine Months
Change in pre-tax income at current period tax rates	$ 12	$ 39
Other	(2)	(3)
Total	$ 10	$ 36

See Note 5 to the Financial Statements for additional information on income taxes.

LKE: Earnings and Statement of Income Analysis

Earnings

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net Income	$ 100	$ 83	$ 260	$ 180
Special items, after-tax			2	(1)

Excluding special items, the increases in earnings for both periods were primarily due to higher electricity and gas base rates that went into effect January 1, 2013, returns from additional environmental capital investments and higher fuel recovery, partially offset by higher depreciation (due to environmental costs related to the 2005 and 2006 ECR plans now being included in base rates and excluded from Margins) and higher income taxes. The increase for the three-month period was partially offset by lower sales volumes.

The table below quantifies the components of Net Income between these periods, which reflect reclassifications for items included in Margins and certain items that management considers special. See PPL's "Results of Operations - Segment Earnings - Kentucky Regulated Segment" for details of special items.

	Three Months	Nine Months
Margins	$ 42	$ 151
Other operation and maintenance	(4)	4
Depreciation	(9)	(26)
Taxes, other than income	(1)	(2)
Other Income (Expense) - net		7
Interest Expense		1
Income Taxes	(11)	(58)
Special items, after-tax		3
Total	$ 17	$ 80

Statement of Income Analysis --

Margins

"Margins" is a non-GAAP financial performance measure that management utilizes as an indicator of the performance of its business. See PPL's "Results of Operations - Income Statement Analysis - Margins" for information on why management believes this measure is useful and explanations of the underlying drivers of the changes between periods. Within PPL's discussion, LKE's Margins are referred to as "Kentucky Gross Margins."

The following tables contain the components from the Statements of Income that are included in this non-GAAP financial measure and a reconciliation to "Operating Income" for the periods ended September 30.

	2013 Three Months			2012 Three Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 744		$ 744	$ 732		$ 732
Operating Expenses						
Fuel	237		237	249		249
Energy purchases	23		23	27		27
Other operation and maintenance	26	$ 162	188	28	$ 158	186
Depreciation	1	83	84	13	74	87
Taxes, other than income		12	12		11	11
Total Operating Expenses	287	257	544	317	243	560
Total	$ 457	$ (257)	$ 200	$ 415	$ (243)	$ 172

	2013 Nine Months			2012 Nine Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 2,226		$ 2,226	$ 2,095		$ 2,095
Operating Expenses						
Fuel	684		684	677		677
Energy purchases	146		146	135		135
Other operation and maintenance	74	$ 508	582	76	$ 513	589
Depreciation	3	246	249	39	220	259
Taxes, other than income		36	36		34	34
Total Operating Expenses	907	790	1,697	927	767	1,694
Total	$ 1,319	$ (790)	$ 529	$ 1,168	$ (767)	$ 401

(a) Represents amounts excluded from Margins.
(b) As reported on the Statements of Income.

Other Operation and Maintenance

The increase (decrease) in other operation and maintenance expense for the periods ended September 30, 2013 compared with 2012 was due to:

	Three Months	Nine Months
Coal plant outages (a)	$ (1)	$ (18)
Administrative and general (b)	3	8
Adjustments to regulatory assets and liabilities		4
Coal plant operations		3
Other		(4)
Total	$ 2	$ (7)

(a) Decrease is due to the timing and scope of scheduled outages.
(b) Increase for the nine-month period is primarily due to an increase in outside services of $8 million.

Depreciation

The increase (decrease) in depreciation for the periods ended September 30, 2013 compared with 2012 was due to:

	Three Months	Nine Months
Lower depreciation rates effective January 1, 2013	$ (5)	$ (16)
Additions to PP&E	2	6
Total	$ (3)	$ (10)

Other Income (Expense) - net

Other income (expense) - net increased by $8 million for the nine months ended September 30, 2013 compared with 2012 primarily due to losses from the EEI investment recorded in 2012. The EEI investment was fully impaired in the fourth quarter of 2012.

Income Taxes

Income taxes increased by $11 million and $64 million for the three and nine months ended September 30, 2013 compared with 2012 primarily due to the change in pre-tax income at current period tax rates.

See Note 5 to the Financial Statements for additional information on income taxes.

Income (Loss) from Discontinued Operations (net of income taxes)

Income (loss) from discontinued operations increased by $7 million for the nine months ended September 30, 2013 compared with 2012. The increase was primarily related to an adjustment to the estimated liability for indemnifications related to the 2009 termination of the WKE lease recorded in 2012.

LG&E: Earnings and Statement of Income Analysis

Earnings

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net Income	$ 49	$ 43	$ 122	$ 94

The increases in earnings for both periods were primarily due to higher electricity and gas base rates that went into effect January 1, 2013, returns from additional environmental capital investments and higher fuel recovery. The increase for the three-month period was partially offset by lower sales volumes. The increase for the nine-month period was partially offset by higher income taxes.

The table below quantifies the changes in the components of Net Income between these periods, which reflect reclassifications for items included in Margins.

	Three Months	Nine Months
Margins	$ 12	$ 43
Other operation and maintenance	(6)	(3)
Depreciation		3
Taxes, other than income		(1)
Other Income (Expense) - net	2	
Interest Expense		1
Income Taxes	(2)	(15)
Total	$ 6	$ 28

Statement of Income Analysis --

Margins

"Margins" is a non-GAAP financial performance measure that management utilizes as an indicator of the performance of its business. See PPL's "Results of Operations - Income Statement Analysis - Margins" for information on why management believes this measure is useful and explanations of the underlying drivers of the changes between periods. Within PPL's discussion, LG&E's Margins are included in "Kentucky Gross Margins."

The following tables contain the components from the Statements of Income that are included in this non-GAAP financial measure and a reconciliation to "Operating Income" for the periods ended September 30.

	2013 Three Months			2012 Three Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 343		$ 343	$ 333		$ 333
Operating Expenses						
Fuel	100		100	100		100
Energy purchases	20		20	21		21
Other operation and maintenance	13	$ 80	93	13	$ 74	87
Depreciation		37	37	1	37	38
Taxes, other than income		6	6		6	6
Total Operating Expenses	133	123	256	135	117	252
Total	$ 210	$ (123)	$ 87	$ 198	$ (117)	$ 81

	2013 Nine Months			2012 Nine Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 1,049		$ 1,049	$ 990		$ 990
Operating Expenses						
Fuel	284		284	281		281
Energy purchases	135		135	119		119
Other operation and maintenance	34	$ 244	278	36	$ 241	277
Depreciation	1	109	110	2	112	114
Taxes, other than income		18	18		17	17
Total Operating Expenses	454	371	825	438	370	808
Total	$ 595	$ (371)	$ 224	$ 552	$ (370)	$ 182

(a) Represents amounts excluded from Margins.
(b) As reported on the Statements of Income.

Other Operation and Maintenance

The increase (decrease) in other operation and maintenance expense for the periods ended September 30, 2013 compared with 2012 was due to:

	Three Months	Nine Months
Coal plant outages (a)	$ 1	$ (6)
Administrative and general (b)	1	6
Distribution maintenance	2	2
Other	2	(1)
Total	$ 6	$ 1

(a) Increase (decrease) is due to the timing and scope of scheduled outages.

(b) Increase for the nine-month period is primarily due to an increase in outside services of $5 million.

Depreciation

The increase (decrease) in depreciation for the periods ended September 30, 2013 compared with 2012 was due to:

	Three Months	Nine Months
Lower depreciation rates effective January 1, 2013	$ (2)	$ (6)
Additions to PP&E	1	2
Total	$ (1)	$ (4)

Income Taxes

Income taxes increased by $15 million for the nine months ended September 30, 2013 compared with 2012 primarily due to the change in pre-tax income at current period tax rates.

See Note 5 to the Financial Statements for additional information on income taxes.

KU: Earnings and Statement of Income Analysis

Earnings

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net Income	$ 63	$ 50	$ 171	$ 118

Excluding special items, the increases in earnings for both periods were primarily due to higher electricity base rates that went into effect January 1, 2013, returns from additional environmental capital investments and higher fuel recovery, partially offset by higher depreciation (due to environmental costs related to the 2005 and 2006 ECR plans now being included in base rates and excluded from Margins) and higher income taxes. The increase for the three-month period was partially offset by lower sales volumes.

The table below quantifies the changes in the components of Net Income between these periods, which reflect reclassifications for items included in Margins and an item that management considers special.

	Three Months	Nine Months
Margins	$ 31	$ 108
Other operation and maintenance	(1)	(1)
Depreciation	(8)	(27)
Taxes, other than income	(1)	(1)
Other Income (Expense) - net	(3)	3
Interest Expense	1	1
Income Taxes	(6)	(31)
Special item - EEI adjustments, after-tax		1
Total	$ 13	$ 53

Statement of Income Analysis --

Margins

"Margins" is a non-GAAP financial performance measure that management utilizes as an indicator of the performance of its business. See PPL's "Results of Operations - Income Statement Analysis - Margins" for information on why management believes this measure is useful and explanations of the underlying drivers of the changes between periods. Within PPL's discussion, KU's Margins are included in "Kentucky Gross Margins."

The following tables contain the components from the Statements of Income that are included in this non-GAAP financial measure and a reconciliation to "Operating Income" for the periods ended September 30.

	2013 Three Months			2012 Three Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 414		$ 414	$ 411		$ 411
Operating Expenses						
Fuel	137		137	149		149
Energy purchases	16		16	18		18
Other operation and maintenance	13	$ 78	91	16	$ 77	93
Depreciation	1	45	46	12	37	49
Taxes, other than income		6	6		5	5
Total Operating Expenses	167	129	296	195	119	314
Total	$ 247	$ (129)	$ 118	$ 216	$ (119)	$ 97

	2013 Nine Months			2012 Nine Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 1,229		$ 1,229	$ 1,165		$ 1,165
Operating Expenses						
Fuel	400		400	396		396
Energy purchases	63		63	76		76
Other operation and maintenance	40	$ 246	286	41	$ 245	286
Depreciation	2	136	138	36	109	145
Taxes, other than income		18	18		17	17
Total Operating Expenses	505	400	905	549	371	920
Total	$ 724	$ (400)	$ 324	$ 616	$ (371)	$ 245

(a) Represents amounts excluded from Margins.
(b) As reported on the Statements of Income.

Other Operation and Maintenance

The increase (decrease) in other operation and maintenance expense for the periods ended September 30, 2013 compared with 2012 was due to:

	Three Months	Nine Months
Coal plant outages (a)	$ (2)	$ (12)
Administrative and general (b)	2	6
Coal plant operations		4
Adjustments to regulatory assets and liabilities		4
Other	(2)	(2)
Total	$ (2)	$

(a) Decrease is due to the timing and scope of scheduled outages.
(b) Increase for the nine-month period is primarily due to an increase in outside services of $5 million.

Depreciation

The increase (decrease) in depreciation for the periods ended September 30, 2013 compared with 2012 was due to:

	Three Months	Nine Months
Lower depreciation rates effective January 1, 2013	$ (4)	$ (10)
Additions to PP&E	1	4
Other		(1)
Total	$ (3)	$ (7)

Other Income (Expense) - net

Other income (expense) - net increased by $4 million for the nine months ended September 30, 2013 compared with 2012 primarily due to losses from the EEI investment recorded in 2012. The EEI investment was fully impaired in the fourth quarter of 2012.

Income Taxes

Income taxes increased by $6 million and $31 million for the three and nine months ended September 30, 2013 compared with 2012 primarily due to the change in pre-tax income at current period tax rates.

See Note 5 to the Financial Statements for additional information on income taxes.

Financial Condition

Financial Condition and the remainder of this Item 2 are presented on a combined basis, providing information, as applicable, for all Registrants.

Liquidity and Capital Resources

(All Registrants)

The Registrants had the following at:

	PPL	PPL Energy Supply	PPL Electric	LKE	LG&E	KU
September 30, 2013						
Cash and cash equivalents	$ 1,291	$ 551	$ 225	$ 21	$ 12	$ 9
Short-term debt	499			212	72	140
Notes payable with affiliates				52		
December 31, 2012						
Cash and cash equivalents	$ 901	$ 413	$ 140	$ 43	$ 22	$ 21
Short-term debt	652	356		125	55	70
Notes payable with affiliates				25		

At September 30, 2013, PPL's cash and cash equivalents included $231 million denominated in GBP. If these amounts would be remitted as dividends, PPL may be subject to additional U.S. income taxes, net of allowable foreign income tax credits. Historically, dividends paid by foreign subsidiaries have been distributions of the current year's earnings. See Note 5 to the Financial Statements in PPL's 2012 Form 10-K for additional information on undistributed earnings of WPD.

Net cash provided by (used in) operating, investing and financing activities for the nine-month periods ended September 30, and the changes between periods were as follows.

	PPL	PPL Energy Supply	PPL Electric	LKE	LG&E	KU
2013						
Operating activities	$ 2,223	$ 583	$ 327	$ 713	$ 352	$ 419
Investing activities	(2,788)	(351)	(697)	(879)	(366)	(510)
Financing activities	966	(94)	455	144	4	79
2012						
Operating activities	$ 2,094	$ 674	$ 261	$ 646	$ 267	$ 410
Investing activities	(2,116)	(308)	(614)	(519)	(196)	(331)
Financing activities	(240)	(313)	64	(96)	(48)	(68)
Change - Cash Provided (Used)						
Operating activities	$ 129	$ (91)	$ 66	$ 67	$ 85	$ 9
Investing activities	(672)	(43)	(83)	(360)	(170)	(179)
Financing activities	1,206	219	391	240	52	147

Operating Activities

The components of the change in cash provided by (used in) operating activities for the nine months ended September 30, 2013 compared with 2012 were as follows.

	PPL	PPL Energy Supply	PPL Electric	LKE	LG&E	KU
Change - Cash Provided (Used)						
Net income	$ 58	$ (210)	$ 61	$ 80	$ 28	$ 53
Non-cash components	244	169	42	15	(1)	(9)
Net income, adjusted for non-cash components	302	(41)	103	95	27	44
Working capital	(284)	42	(45)	(21)	24	(26)
Defined benefit funding	21	(37)	(34)	(93)	(19)	(42)
Other operating activities	90	(55)	42	86	53	33
Total	$ 129	$ (91)	$ 66	$ 67	$ 85	$ 9

For PPL, non-cash components of net income primarily consisted of $105 million related to non-cash hedging activities, $46 million related to increased depreciation and $45 million related to 2013 charges to adjust WPD's line loss accrual. The decrease in cash from changes in components of working capital was primarily due to increases in accounts receivable (primarily due to extended payment terms at LG&E and KU and base rate increases effective in 2013 at PPL Electric, LG&E and KU), returns of counterparty collateral and changes to certain tax-related accounts. The increase in cash from other operating activities was primarily due to $98 million in proceeds from the settlement of forward-starting interest rate swaps.

For PPL Energy Supply, non-cash components of net income primarily consisted of $135 million related to non-cash hedging activities and $31 million related to increased depreciation. The increase in cash from changes in components of working capital was primarily due to decreases in accounts receivable (primarily affiliate receivables), and lower unbilled revenue (primarily due to decreases in power swap sales), partially offset by returns of counterparty collateral. The decrease in cash from other operating activities was partially due to changes to certain tax-related accounts.

For PPL Electric, non-cash components of net income primarily consisted of $31 million related to an increase in deferred tax expense and $13 million related to increased depreciation. The decrease in cash from changes in components of working capital was primarily due to increases in accounts receivable (primarily due to the base rate increase effective January 1, 2013, partially offset by a decrease in affiliate receivables). The increase in cash from other operating activities was partially due to changes to certain tax-related accounts.

LKE's decrease in working capital was driven primarily by increases in accounts receivable and unbilled revenues due to extended payment terms and higher rates, offset by an increase in accounts payable due to timing of fuel purchase commitments and payments. The increase in cash from LKE's other operating activities was driven primarily by $98 million in proceeds from the settlement of interest rate swaps.

LG&E's increase in working capital was driven primarily by lower fuel inventory purchases in 2013 and an increase in accounts payable due to timing of fuel purchase commitments and payments, offset by increases in accounts receivable and unbilled revenues due to extended payment terms and higher rates. The increase in cash from LG&E's other operating activities was driven primarily by $49 million in proceeds from the settlement of interest rate swaps.

KU's decrease in working capital was driven primarily by higher fuel inventory purchases in 2013 and increases in accounts receivable and unbilled revenues due to extended payment terms and higher rates, offset by an increase in accounts payable due to timing of fuel purchase commitments and payments. The increase in cash from KU's other operating activities was driven primarily by $49 million in proceeds from the settlement of interest rate swaps.

Investing Activities

The primary use of cash within investing activities is expenditures for PP&E. The change in these expenditures for the nine months ended September 30, 2013 compared with 2012 was as follows.

	PPL	PPL Energy Supply	PPL Electric	LKE	LG&E	KU
(Increase) Decrease	$ (690)	$ 119	$ (281)	$ (366)	$ (183)	$ (181)

The increase in expenditures for PP&E was primarily due to projects to enhance system reliability at WPD and PPL Electric, the Susquehanna-Roseland transmission project at PPL Electric, environmental projects at LG&E's Mill Creek and KU's Ghent plants and construction of Cane Run Unit 7 for LG&E and KU.

Expenditures for PP&E decreased at PPL Energy Supply primarily related to the Rainbow hydroelectric redevelopment and Holtwood expansion projects and timing of nuclear fuel purchases.

For PPL Energy Supply and PPL Electric, the change in cash provided by (used in) investing activities was also impacted primarily by the change in notes receivable from affiliates of ($198) million and $210 million.

Financing Activities

The components of the change in cash provided by (used in) financing activities for the nine months ended September 30, 2013 compared with 2012 was as follows.

	PPL	PPL Energy Supply	PPL Electric	LKE	LG&E	KU
Change - Cash Provided (Used)						
Debt issuances/retirements, net	$ (166)	$ (303)	$ 99			
Stock issuances/redemptions, net	1,531		250			
Dividends	(22)		(19)		$ (20)	$ (15)
Capital contributions/distributions, net		833	55	$ 125	54	92
Change in short-term debt, net	(97)	(311)		87	17	70
Other financing activities	(40)		6	28	1	
Total	$ 1,206	$ 219	$ 391	$ 240	$ 52	$ 147

See Note 7 to the Financial Statements in this Form 10-Q for information on 2013 short and long-term debt activity, equity transactions and dividends. See the Registrant's 2012 Form 10-K for information on 2012 activity.

Credit Facilities

The Registrants maintain credit facilities to provide liquidity and to backstop commercial paper issuances. The total committed borrowing capacity and the use of the borrowings under these facilities at September 30, 2013 was as follows.

External (All Registrants)

	Committed Capacity	Borrowed	Letters of Credit Issued and Commercial Paper Backup	Unused Capacity
PPL Energy Supply Credit Facilities (a)	$ 3,150		$ 170	$ 2,980
PPL Electric Credit Facilities (a)	300		1	299
LG&E Syndicated Credit Facility (a)	500		72	428
KU Credit Facilities (a)	598		338	260
Total LKE (a) (b)	1,098		410	688
Total PPL Domestic Credit Facilities (a)	$ 4,548		$ 581	$ 3,967
Total WPD Credit Facilities (c)	£ 1,055	£ 184		£ 871

(a) The commitments under credit facilities are provided by a diverse bank group with no one bank and its affiliates providing an aggregate commitment of more than the following percentages of the total committed capacity: 8% for PPL's domestic credit facilities, 9% for PPL Energy Supply, 5% for PPL Electric, 13% for LKE, 6% for LG&E and 22% for KU.
(b) In October 2013, LKE entered into a $75 million syndicated credit facility that expires in October 2018.
(c) At September 30, 2013, the USD equivalent of unused capacity under WPD's committed credit facilities was $1.3 billion. The commitments under WPD's credit facilities are provided by a diverse bank group with no one bank providing more than 13% of the total committed capacity.

In September 2013, PPL Electric terminated its asset-backed commercial paper program sponsored by a financial institution. See Note 7 in PPL's and PPL Electric's 2012 Form 10-K for more information regarding the asset-backed commercial paper program.

See Note 7 to the Financial Statements for further discussion of the Registrants' credit facilities.

Intercompany (All Registrants except PPL)

	Committed Capacity	Borrowed	Unused Capacity
PPL Energy Supply Credit Facility	$ 200		$ 200
PPL Electric Credit Facility	100		100
LKE Credit Facility (a)	300	$ 52	248
LG&E Money Pool (b)	500		500
KU Money Pool (b)	500		500

(a) In October 2013, LKE reduced the size of the intercompany credit facility by $75 million.
(b) LG&E and KU participate in an intercompany money pool agreement whereby LKE, LG&E and/or KU make available funds up to $500 million at an interest rate based on a market index of commercial paper issues.

See Note 11 to the Financial Statements for further discussion of intercompany credit facilities.

Commercial Paper *(All Registrants)*

PPL Energy Supply, PPL Electric, LG&E and KU maintain commercial paper programs to provide an additional financing source to fund their short-term liquidity needs, if and when necessary. Commercial paper issuances are supported by the respective Registrant's Syndicated Credit Facility.

When outstanding, the amounts are reflected in "Short-term debt" on the Balance Sheets. The following amounts were outstanding at:

	September 30, 2013			December 31, 2012
	Capacity	Commercial Paper Issuances	Unused Capacity	Commercial Paper Issuances
PPL Energy Supply	$ 750		$ 750	$ 356
PPL Electric	300		300	
LG&E (a)	350	$ 72	278	55
KU (a)	350	140	210	70
Total LKE	700	212	488	125
Total PPL	$ 1,750	$ 212	$ 1,538	$ 481

(a) In April 2013, the capacity was increased from $250 million.

Long-term Debt and Equity Securities

(PPL and Kentucky Registrants)

During 2012, LG&E and KU received KPSC and other state approvals to issue up to $350 million for LG&E and $300 million for KU of first mortgage bond indebtedness in 2013. The proceeds will be used to fund capital expenditures and for other general corporate purposes.

(PPL, PPL Energy Supply and PPL Electric)

The long-term debt and equity securities activity through September 30, 2013 was:

	Debt		Net Stock Issuances (b)
	Issuances (a)	Retirements	
Cash Flow Impact:			
PPL	$ 862	$ (309)	$ 1,335
PPL Energy Supply		(309)	
PPL Electric	348		
Non-cash Transactions:			
PPL (c)	$ 1,317		

(a) Issuances are net of pricing discounts, where applicable and exclude the impact of debt issuance costs.
(b) Net stock issuances include activity related to various stock and incentive compensation plans and other equity transactions. See Overview - "Financial and Operational Developments" for information regarding equity forward agreements and the 2010 Equity Units. PPL has no plans to issue new shares of common stock for the remainder of 2013. The activity is net of the 2013 repurchase of PPL common stock.

(c) The debt issuances primarily include $1.150 billion relating to the remarketing of Junior Subordinated Notes that were issued as a component of PPL's 2010 Equity Units and simultaneously exchanged into Senior Notes.

See Note 7 to the Financial Statements for further discussion of Long-term Debt and Equity Securities.

Common Stock Dividends *(PPL)*

In August 2013, PPL declared its quarterly common stock dividend, payable October 1, 2013, at 36.75 cents per share (equivalent to $1.47 per annum). Future dividends, declared at the discretion of the Board of Directors, will be dependent upon future earnings, cash flows, financial and legal requirements and other factors.

Rating Agency Actions

(All Registrants)

Fitch, Moody's and S&P periodically review the credit ratings on the debt securities of the Registrants and their subsidiaries. Based on their respective independent reviews, the rating agencies may make certain ratings revisions or ratings affirmations.

A credit rating reflects an assessment by the rating agency of the creditworthiness associated with an issuer and particular securities that it issues. The credit ratings of the Registrants and their subsidiaries are based on information provided by the Registrants and other sources. The ratings of Fitch, Moody's and S&P are not a recommendation to buy, sell or hold any securities of the Registrants or their subsidiaries. Such ratings may be subject to revisions or withdrawal by the agencies at any time and should be evaluated independently of each other and any other rating that may be assigned to the securities.

A downgrade in the Registrants' or their subsidiaries' credit ratings could result in higher borrowing costs and reduced access to capital markets. The Registrants and their subsidiaries have no credit rating triggers that would result in the reduction of access to capital markets or the acceleration of maturity dates of outstanding debt.

The rating agencies took the following actions related to the Registrants and their subsidiaries during 2013:

(PPL)

In March 2013, Fitch, Moody's and S&P assigned ratings of BB+, Ba1 and BB+ to PPL Capital Funding's $450 million 5.90% Junior Subordinated Notes due 2073. Fitch also assigned a stable outlook to these notes.

In May 2013, Fitch, Moody's and S&P assigned ratings of BBB, Baa3 and BBB- to PPL Capital Funding's $250 million 1.90% Senior Notes due 2018, $600 million 3.40% Senior Notes due 2023 and $300 million 4.70% Senior Notes due 2043. Fitch also assigned a stable outlook to these notes.

In September 2013, Fitch affirmed the BBB-, issuer default rating, BBB, senior unsecured rating and stable outlook at PPL WW.

In September 2013, Fitch affirmed the BBB+, issuer default rating, A-, senior unsecured rating, F2 short-term issuer default rating and stable outlook at WPD (South Wales) WPD (South West).

In September 2013, Moody's and S&P assigned ratings of Baa1 and BBB to WPD (East Midlands') £65 million 1.676% Index-Linked Senior Notes due 2052.

In October 2013, Moody's and S&P assigned ratings of Baa1 and BBB to WPD (West Midlands') £400 million 3.875% Senior Notes due 2024.

(PPL and PPL Energy Supply)

In February 2013, Moody's upgraded its rating, from B2 to Ba1, and revised the outlook from under review to stable for PPL Ironwood.

In April 2013, Fitch affirmed the BBB- rating and stable outlook on PPL Montana's pass-through trust certificates due 2020.

In July 2013, Moody's withdrew its rating and outlook for PPL Ironwood.

In July 2013, S&P lowered its rating, from BBB- to BB+ and retained the negative outlook for PPL Montana's pass-through trust certificates due 2020.

In August 2013, Moody's affirmed the Baa3 rating and revised the outlook from stable to negative for PPL Montana's pass through trust certificates due 2020.

In September 2013, S&P affirmed the BB+ rating and revised the outlook from negative to stable for PPL Montana's pass through trust certificates due 2020.

(PPL and PPL Electric)

In July 2013, Fitch, Moody's and S&P assigned ratings of A-, A3 and A- to PPL Electric's $350 million 4.75% First Mortgage Bonds due 2043. Fitch also assigned a stable outlook to these notes and S&P assigned a recovery rating of 1+.

(PPL, LKE and KU)

In July 2013, S&P confirmed the AA+ ratings for KU's 2000 Series A Solid Waste Disposal Facility Revenue Bonds and KU's 2004 Series A, 2006 Series B and 2008 Series A Environmental Facilities Revenue Bonds. S&P also confirmed the A-1+ short term rating on these Bonds.

Ratings Triggers

(All Registrants except PPL Electric)

Various derivative and non-derivative contracts, including contracts for the sale and purchase of electricity and fuel, commodity transportation and storage, tolling agreements (for PPL and PPL Energy Supply) and interest rate and foreign currency (for PPL) instruments, contain provisions that require the posting of additional collateral or permit the counterparty to terminate the contract, if PPL's, PPL Energy Supply's, LKE's, LG&E's or KU's or their subsidiaries' credit rating, as applicable, were to fall below investment grade. See Note 14 to the Financial Statements for a discussion of "Credit Risk-Related Contingent Features," including a discussion of the potential additional collateral that would have been required for derivative contracts in a net liability position at September 30, 2013.

(All Registrants)

For additional information on the Registrants' liquidity and capital resources, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," in the Registrants' 2012 Form 10-K.

Risk Management

Market Risk

(All Registrants)

See Notes 13 and 14 to the Financial Statements for information about the Registrants' risk management objectives, valuation techniques and accounting designations.

The forward-looking information presented below provides estimates of what may occur in the future, assuming certain adverse market conditions and model assumptions. Actual future results may differ materially from those presented. These disclosures are not precise indicators of expected future losses, but only indicators of possible losses under normal market conditions at a given confidence level.

Commodity Price Risk (Non-trading)

(PPL and PPL Energy Supply)

PPL Energy Supply segregates its non-trading activities into two categories: hedge activity and economic activity. Transactions that are accounted for as hedge activity qualify for hedge accounting treatment. The economic activity category includes transactions that address a specific risk, but were not eligible for hedge accounting or for which hedge accounting was not elected. This activity includes the changes in fair value of positions used to hedge a portion of the economic value of PPL Energy Supply's competitive generation assets and full-requirement sales and retail contracts. This economic activity is subject to changes in fair value due to market price volatility of the input and output commodities (e.g., fuel and power).

Although they do not receive hedge accounting treatment, these transactions are considered non-trading activity. See Note 14 to the Financial Statements for additional information.

To hedge the impact of market price volatility on PPL Energy Supply's energy-related assets, liabilities and other contractual arrangements, PPL Energy Supply both sells and purchases physical energy at the wholesale level under FERC market-based tariffs throughout the U.S. and enters into financial exchange-traded and over-the-counter contracts. PPL Energy Supply's non-trading commodity derivative contracts range in maturity through 2019.

The following table sets forth the changes in the net fair value of non-trading commodity derivative contracts for the periods ended September 30. See Notes 13 and 14 to the Financial Statements for additional information.

	Gains (Losses)			
	Three Months		Nine Months	
	2013	2012	2013	2012
Fair value of contracts outstanding at the beginning of the period	$ 285	$ 961	$ 473	$ 1,082
Contracts realized or otherwise settled during the period	(95)	(224)	(332)	(764)
Fair value of new contracts entered into during the period (a)	2	(11)	48	1
Other changes in fair value	25	(101)	28	306
Fair value of contracts outstanding at the end of the period	$ 217	$ 625	$ 217	$ 625

(a) Represents the fair value of contracts at the end of the quarter of their inception.

The following table segregates the net fair value of non-trading commodity derivative contracts at September 30, 2013, based on the observability of the information used to determine the fair value.

	Net Asset (Liability)				
Source of Fair Value	Maturity Less Than 1 Year	Maturity 1-3 Years	Maturity 4-5 Years	Maturity in Excess of 5 Years	Total Fair Value
Prices based on significant observable inputs (Level 2)	$ 166	$ 11	$ (2)	$ 5	$ 180
Prices based on significant unobservable inputs (Level 3)	12	21	4		37
Fair value of contracts outstanding at the end of the period	$ 178	$ 32	$ 2	$ 5	$ 217

PPL Energy Supply sells electricity, capacity and related services and buys fuel on a forward basis to hedge the value of energy from its generation assets. If PPL Energy Supply were unable to deliver firm capacity and energy or to accept the delivery of fuel under its agreements, under certain circumstances it could be required to pay liquidating damages. These damages would be based on the difference between the market price and the contract price of the commodity. Depending on price changes in the wholesale energy markets, such damages could be significant. Extreme weather conditions, unplanned power plant outages, transmission disruptions, nonperformance by counterparties (or their counterparties) with which it has energy contracts and other factors could affect PPL Energy Supply's ability to meet its obligations, or cause significant increases in the market price of replacement energy. Although PPL Energy Supply attempts to mitigate these risks, there can be no assurance that it will be able to fully meet its firm obligations, that it will not be required to pay damages for failure to perform, or that it will not experience counterparty nonperformance in the future.

(PPL and Kentucky Registrants)

LG&E's and KU's rates are set by regulatory commissions and the fuel costs incurred are directly recoverable from customers. As a result, LG&E and KU are subject to commodity price risk for only a small portion of on-going business operations. LG&E and KU sell excess economic generation to maximize the value of the physical assets at times when the assets are not required to serve LG&E's or KU's customers. See Note 14 to the Financial Statements for additional disclosures.

(PPL and PPL Energy Supply)

Commodity Price Risk (Trading)

PPL Energy Supply's trading commodity derivative contracts range in maturity through 2020. The following table sets forth changes in the net fair value of trading commodity derivative contracts for the periods ended September 30. See Notes 13 and 14 to the Financial Statements for additional information.

	Gains (Losses)			
	Three Months		Nine Months	
	2013	2012	2013	2012
Fair value of contracts outstanding at the beginning of the period	$ 18	$ 17	$ 29	$ (4)
Contracts realized or otherwise settled during the period	(3)	17	(5)	16
Fair value of new contracts entered into during the period (a)	12	13	(4)	18
Other changes in fair value	1	(15)	8	2
Fair value of contracts outstanding at the end of the period	$ 28	$ 32	$ 28	$ 32

(a) Represents the fair value of contracts at the end of the quarter of their inception.

The following table segregates the net fair value of trading commodity derivative contracts at September 30, 2013, based on the observability of the information used to determine the fair value.

	Net Asset (Liability)				
	Maturity Less Than 1 Year	Maturity 1-3 Years	Maturity 4-5 Years	Maturity in Excess of 5 Years	Total Fair Value
Source of Fair Value					
Prices quoted in active markets for identical instruments (Level 1)	$ 3				$ 3
Prices based on significant observable inputs (Level 2)	5	$ 8	$ 2		15
Prices based on significant unobservable inputs (Level 3)	2	4	1	$ 3	10
Fair value of contracts outstanding at the end of the period	$ 10	$ 12	$ 3	$ 3	$ 28

VaR Models

A VaR model is utilized to measure commodity price risk in unregulated gross energy margins for the non-trading and trading portfolios. VaR is a statistical model that attempts to estimate the value of potential loss over a given holding period under normal market conditions at a given confidence level. VaR is calculated using a Monte Carlo simulation technique based on a five-day holding period at a 95% confidence level. Given the company's disciplined hedging program, the non-trading VaR exposure is expected to be limited in the short-term. The VaR for portfolios using end-of-month results for the nine months ended September 30, 2013 was as follows.

	Trading VaR	Non-Trading VaR
95% Confidence Level, Five-Day Holding Period		
Period End	$ 6	$ 6
Average for the Period	4	8
High	7	10
Low	2	5

The trading portfolio includes all proprietary trading positions, regardless of the delivery period. All positions not considered proprietary trading are considered non-trading. The non-trading portfolio includes the entire portfolio, including generation, with delivery periods through the next 12 months. Both the trading and non-trading VaR computations exclude FTRs due to the absence of reliable spot and forward markets. The fair value of the non-trading and trading FTR positions was insignificant at September 30, 2013.

Interest Rate Risk (All Registrants)

The Registrants and their subsidiaries issue debt to finance their operations, which exposes them to interest rate risk. The Registrants and their subsidiaries utilize various financial derivative instruments to adjust the mix of fixed and floating interest rates in their debt portfolios, adjust the duration of their debt portfolios and lock in benchmark interest rates in anticipation of future financing, when appropriate. Risk limits under the risk management program are designed to balance risk exposure to volatility in interest expense and changes in the fair value of the debt portfolio due to changes in the absolute level of interest rates.

The following interest rate hedges were outstanding at September 30, 2013.

	Exposure Hedged	Fair Value, Net - Asset (Liability) (a)	Effect of a 10% Adverse Movement in Rates (b)	Maturities Ranging Through
PPL				
Cash flow hedges				
Interest rate swaps (c)	$ 2,264	$ 68	$ (92)	2044
Cross-currency swaps (d)	1,262	26	(171)	2028
Economic activity				
Interest rate swaps (e)	179	(41)	(3)	2033
LKE				
Cash flow hedges				
Interest rate swaps (c)	500	(14)	(36)	2043
Economic activity				
Interest rate swaps (e)	179	(41)	(3)	2033
LG&E				
Cash flow hedges				
Interest rate swaps (c)	250	(7)	(18)	2043
Economic activity				
Interest rate swaps (e)	179	(41)	(3)	2033
KU				
Cash flow hedges				
Interest rate swaps (c)	250	(7)	(18)	2043

(a) Includes accrued interest, if applicable.
(b) Effects of adverse movements decrease assets or increase liabilities, as applicable, which could result in an asset becoming a liability. Sensitivities represent a 10% adverse movement in interest rates, except for cross-currency swaps which also includes foreign currency exchange rates.
(c) Changes in the fair value of such cash flow hedges are recorded in equity or as regulatory assets or liabilities, if recoverable through rates. The changes in fair value of these instruments are then reclassified into earnings in the same period during which the item being hedged affects earnings.
(d) Cross-currency swaps are utilized to hedge the interest payments and principal of WPD's U.S. dollar-denominated senior notes. Changes in the fair value of these instruments are recorded in equity and reclassified into earnings in the same period during which the item being hedged affects earnings.
(e) Realized changes in the fair value of such economic hedges are recoverable through regulated rates and any subsequent changes in fair value of these derivatives are included in regulatory assets or liabilities.

The Registrants are exposed to a potential increase in interest expense and to changes in the fair value of their debt portfolios. The estimated impact of a 10% adverse movement in interest rates at September 30, 2013 is shown below.

	PPL	PPL Energy Supply	PPL Electric	LKE	LG&E	KU
Increase to interest expense of 10% increase in interest rates	Not Significant	Not Significant	Not Significant	Not Significant	Not Significant	Not Significant
Increase in fair value of 10% decrease in interest rates	$ 682	$ 50	$ 120	$ 111	$ 26	$ 67

Foreign Currency Risk (PPL)

PPL is exposed to foreign currency risk, primarily through investments in U.K. affiliates. In addition, PPL's domestic operations may make purchases of equipment in currencies other than U.S. dollars.

PPL has adopted a foreign currency risk management program designed to hedge certain foreign currency exposures, including firm commitments, recognized assets or liabilities, anticipated transactions and net investments. In addition, PPL enters into financial instruments to protect against foreign currency translation risk of expected earnings.

The following foreign currency hedges were outstanding at September 30, 2013.

	Exposure Hedged	Fair Value, Net - Asset (Liability)	Effect of a 10% Adverse Movement in Foreign Currency Exchange Rates (a)	Maturities Ranging Through
Net investment hedges (b)	£ 320	$ (11)	$ (51)	2015
Economic activity (c)	1,350	(55)	(208)	2015

(a) Effects of adverse movements decrease assets or increase liabilities, as applicable, which could result in an asset becoming a liability.

(b) To protect the value of a portion of its net investment in WPD, PPL executes forward contracts to sell GBP. The positions outstanding exclude the amount of intercompany loans classified as net investment hedges. See Note 14 to the Financial Statements for additional information.
(c) To economically hedge the translation of expected income denominated in GBP to U.S. dollars, PPL enters into a combination of average rate forwards and average rate options to sell GBP.

NDT Funds - Securities Price Risk (PPL and PPL Energy Supply)

In connection with certain NRC requirements, PPL Susquehanna maintains trust funds to fund certain costs of decommissioning the PPL Susquehanna nuclear plant (Susquehanna). At September 30, 2013, these funds were invested primarily in domestic equity securities and fixed-rate, fixed-income securities and are reflected at fair value on the Balance Sheet. The mix of securities is designed to provide returns sufficient to fund Susquehanna's decommissioning and to compensate for inflationary increases in decommissioning costs. However, the equity securities included in the trusts are exposed to price fluctuation in equity markets, and the values of fixed-rate, fixed-income securities are primarily exposed to changes in interest rates. PPL actively monitors the investment performance and periodically reviews asset allocation in accordance with its nuclear decommissioning trust policy statement. At September 30, 2013, a hypothetical 10% increase in interest rates and a 10% decrease in equity prices would have resulted in an estimated $60 million reduction in the fair value of the trust assets. See Notes 13 and 17 to the Financial Statements for additional information regarding the NDT funds.

Credit Risk *(All Registrants)*

See Notes 13 and 14 to the Financial Statements in this Form 10-Q and "Risk Management - Energy Marketing & Trading and Other - Credit Risk" in PPL's, PPL Energy Supply's, LKE's, LG&E's and KU's 2012 Form 10-K and "Risk Management" in PPL Electric's 2012 Form 10-K for additional information.

Foreign Currency Translation *(PPL)*

The value of the British pound sterling fluctuates in relation to the U.S. dollar. Changes in this exchange rate resulted in a foreign currency translation loss of $159 million for the nine months ended September 30, 2013, which primarily reflected a $454 million reduction to PP&E and goodwill offset by a reduction of $295 million to net liabilities. Changes in this exchange rate resulted in a foreign currency translation gain of $53 million for the nine months ended September 30, 2012, which primarily reflected a $123 million increase to PP&E and goodwill offset by an increase of $70 million to net liabilities. The impact of foreign currency translation is recorded in AOCI.

Related Party Transactions *(All Registrants)*

The Registrants are not aware of any material ownership interests or operating responsibility by senior management of the Registrants in outside partnerships, including leasing transactions with variable interest entities or other entities doing business with the Registrants.

See Note 11 to the Financial Statements for additional information on related party transactions for PPL Energy Supply, PPL Electric, LKE, LG&E and KU.

Acquisitions, Development and Divestitures *(All Registrants)*

The Registrants from time to time evaluate opportunities for potential acquisitions, divestitures and development projects. Development projects are reexamined based on market conditions and other factors to determine whether to proceed with the projects, sell, cancel or expand them, execute tolling agreements or pursue other options. See Note 8 to the Financial Statements for information on the more significant activities.

Environmental Matters

(All Registrants)

Extensive federal, state and local environmental laws and regulations are applicable to PPL's, PPL Energy Supply's, LKE's, LG&E's and KU's air emissions, water discharges and the management of hazardous and solid waste, as well as other aspects of the Registrants' businesses. The cost of compliance or alleged non-compliance cannot be predicted with certainty but could be material. In addition, costs may increase significantly if the requirements or scope of environmental laws or regulations, or similar rules, are expanded or changed by the relevant agencies. Costs may take the form of increased capital expenditures or operating and maintenance expenses, monetary fines, penalties or other restrictions. Many of these environmental law considerations are also applicable to the operations of key suppliers, or customers, such as coal producers and industrial power users, and may impact the costs for their products or their demand for the Registrants' services.

The following is a discussion of the more significant environmental matters. See Note 10 to the Financial Statements in this Form 10-Q and "Item 1. Business - Environmental Matters" in the Registrants' 2012 Form 10-K for additional information on environmental matters.

GHG Regulations
In June 2013, President Obama released his Climate Action Plan which reiterates the goal of reducing greenhouse gas emissions in the U.S. "in the range of" 17% below 2005 levels by 2020 through such actions as regulating power plant emissions, promoting increased use of renewables and clean energy technology, and establishing tighter energy efficiency standards. Also, by Presidential Memorandum the EPA was directed to issue a new proposal for new power plants by September 20, 2013, with a final rule to be issued in a timely fashion thereafter, and to issue proposed standards for existing power plants by June 1, 2014 with a final rule by June 1, 2015. The EPA was further directed to require that states develop implementation plans for existing plants by June 2016.

The EPA's re-proposal for new power plants was released on September 20, 2013. The EPA's dependence on carbon capture and sequestration, a technology which is not presently commercially viable, effectively precludes the construction of new coal plants. The proposal is further problematic as the proposed standards for new gas plants may not be achievable at all times. PPL will comment on the rule to this effect. Regulation of existing plants could have a significant industry-wide impact depending on the structure and stringency of the final rule and state implementation plans.

Additionally, the Administration's recent increase in its estimate of the "social cost of carbon" (which is used to calculate benefits associated with proposed regulations) from $23.80 to $38 per metric ton in 2015 may lead to more costly regulatory requirements. Additionally, the Climate Action Plan requirements related to preparing the U.S. for the impacts of climate change could affect PPL, PPL Electric, LKE, LG&E and KU and others in the industry as transmission system modifications to improve the ability to withstand major storms may be needed in order to meet those requirements.

Climate Change
Physical effects associated with possible climate change could include the impact of changes in weather patterns, such as storm frequency and intensity, and the resultant potential damage, as applicable, to the Registrants' generation assets, electricity transmission and distribution systems, as well as impacts on the Registrants' customers. In addition, changed weather patterns could potentially reduce annual rainfall in areas where PPL, PPL Energy Supply, LKE, LG&E and KU have hydroelectric generating facilities or where river water is used to cool their fossil and nuclear (as applicable) powered generators. The Registrants cannot currently predict whether their businesses will experience these potential climate change-related risks or estimate the potential cost of their related consequences.

(All Registrants except PPL Electric)

Coal Combustion Residuals (CCRs)
In June 2010, the EPA proposed two approaches to regulating the disposal and management of CCRs (as either hazardous or non-hazardous waste) under existing solid waste regulations. A final rulemaking is currently expected by the end of 2014, as a result of litigation by environmental groups. Regulations could impact handling, disposal and/or beneficial use of CCRs. The financial and operational impact is expected to be material if CCRs are regulated as hazardous waste, and significant if regulated as non-hazardous, in accordance with the proposed rule.

In July 2013, the U.S. House of Representatives passed House Bill H.R. 2218, the Coal Residuals and Reuse Management Act of 2013, which would preempt the EPA from issuing final CCR regulations and would set non-hazardous CCR standards under RCRA and authorize state permit programs. It remains uncertain whether similar legislation will likely be passed by the U.S. Senate.

Effluent Limitation Guidelines (ELGs)
In June 2013, the EPA published proposed regulations to revise discharge limitations for steam electric generation wastewater permits. The proposed limitations are based on the EPA review of available treatment technologies and their capacity for reducing pollutants and include new requirements for fly ash and bottom ash transport water and metal cleaning waste waters, as well as new limits for scrubber wastewater and landfill leachate. The EPA's proposed ELG regulations also contain some requirements that would affect the inspection and operation of CCR facilities, if finalized. The proposal contains several alternative approaches, some of which could significantly impact PPL's, PPL Energy Supply's, LKE's, LG&E's and KU's coal-fired plants. PPL, PPL Energy Supply, LKE, LG&E and KU worked with industry groups to comment on the proposed regulation on September 20, 2013. The final regulation is expected in May 2014. At the present time, PPL, PPL Energy Supply, LKE, LG&E and KU are unable to predict the outcome of this matter or estimate a range of reasonably possible costs, but the costs could be significant.

316(b) Cooling Water Intake Structure Rule
In April 2011, the EPA published a draft regulation under Section 316(b) of the Clean Water Act, which regulates cooling water intakes for power plants. The draft rule has two provisions: requiring installation of Best Technology Available (BTA) to reduce mortality of aquatic organisms that are pulled into the plant cooling water system (entrainment), and imposing standards for reduction of mortality of aquatic organisms trapped on water intake screens (impingement). A final rule is expected to be issued in November 2013. The proposed regulation would apply to nearly all PPL-owned steam electric generation plants in Pennsylvania, Kentucky, and Montana, potentially even including those equipped with closed-cycle cooling systems. PPL's, PPL Energy Supply's, LKE's, LG&E's and KU's compliance costs could be significant, especially if the final rule requires closed-cycle systems at plants that do not currently have them or conversions of once-through systems to closed-cycle.

MATS
The EPA finalized MATS requiring fossil-fuel fired plants to reduce emissions of mercury and other hazardous air pollutants by April 16, 2015. The rule is being challenged by industry groups and states. The EPA has subsequently proposed changes to the rule with respect to new sources to address the concern that the rule effectively precludes construction of any new coal-fired plants. PPL, PPL Energy Supply, LKE, LG&E and KU are generally well-positioned to comply with MATS, primarily due to recent investments in environmental controls at PPL Energy Supply and approved ECR plans to install additional controls at some of LG&E's and KU's Kentucky plants. Additionally, PPL Energy Supply is evaluating chemical additive systems for mercury control at Brunner Island, and modifications to existing controls at Colstrip for improved particulate matter reductions. In September 2012, PPL Energy Supply announced its intention to place its Corette plant in long-term reserve status beginning in April 2015 due to expected market conditions and costs to comply with MATS. Also, PPL has received approval for two compliance extensions in Kentucky, and has requested an extension for one of its plants in Pennsylvania. Other extension requests are under consideration.

In connection with a unanimous settlement agreement filed with the KPSC in November 2011, KU agreed to defer the requested approval for certain environmental upgrades to Units 1 and 2 at its E.W. Brown generating plant which represented approximately $200 million in capital costs. LG&E and KU are evaluating, among other measures, chemical additive systems for mercury control at Trimble County and Brown plants. These measures, combined with the completion of recent feasibility studies conducted based on current market conditions, provide alternative compliance options for KU on Units 1 and 2 at the E.W. Brown station.

The anticipated retirements of certain coal-fired electricity generating units are in response to this and other environmental regulations.

CSAPR and CAIR
In 2011, the EPA finalized its CSAPR regulating emissions of nitrogen oxide and sulfur dioxide through new allowance trading programs which were to be implemented in two phases (2012 and 2014). Like its predecessor, the CAIR, CSAPR targeted sources in the eastern U.S. In December 2011, the U.S. Court of Appeals for the District of Columbia Circuit (D.C. Circuit Court) stayed implementation of CSAPR, leaving CAIR in place. Subsequently, in August 2012, the D.C. Circuit Court vacated and remanded CSAPR back to the EPA for further rulemaking, again leaving CAIR in place in the interim, and in June 2013 the U.S. Supreme Court granted the EPA's petition for review of the D.C. Circuit Court's decision. Oral argument before the U.S. Supreme Court has been scheduled for December 2013. Prior to a revised rule from the EPA, coal-fired generating plants could face tighter nitrous oxide emission limitations through state action.

The PPL, PPL Energy Supply, LKE, LG&E and KU plants in Pennsylvania and Kentucky will continue to comply with CAIR through optimization of existing controls, balanced with emission allowance purchases. The D.C. Circuit Court's August 2012 decision leaves plants in CSAPR-affected states potentially exposed to more stringent emission reductions due to regional haze implementation (it was previously determined that CSAPR or CAIR participation satisfies regional haze requirements), and/or petitions to the EPA by downwind states under Section 126 of the Clean Air Act requesting the EPA to require plants that allegedly contribute to downwind non-attainment to take action to reduce emissions.

Regional Haze
Under the EPA's regional haze programs (developed to eliminate man-made visibility degradation by 2064), states are required to make reasonable progress every decade, including the application of Best Available Retrofit Technology (BART) on power plants commissioned between 1962 and 1977. For the eastern U.S., the EPA had determined that region-wide reductions under the CAIR or CSAPR trading program could be utilized by state programs to satisfy BART requirements. However, the August 2012 decision by the D.C. Circuit Court to vacate and remand CSAPR exposes power plants located in the eastern U.S., including PPL Energy Supply's plants in Pennsylvania and PPL's plants in Kentucky, to reductions in sulfur dioxide and nitrogen oxides as required by BART.

The EPA signed its final Federal Implementation Plan of the Regional Haze Rules for Montana in September 2012, with tighter emissions limits for PPL Energy Supply's Colstrip Units 1 & 2 based on the installation of new controls (no limits or additional controls were specified for Colstrip Units 3 & 4), and tighter emission limits for PPL Energy Supply's Corette plant (which are not based on additional controls). The cost of the potential additional controls for Colstrip Units 1 & 2, if required, could be significant. PPL Energy Supply expects to meet the tighter permit limits at Corette without any significant changes to operations, although other requirements have led to the planned suspension of operations at Corette beginning in April 2015 (see "MATS" discussion above). PPL is participating in litigation regarding this matter before the U.S. Court of Appeals for the Ninth Circuit.

National Ambient Air Quality Standards *(Kentucky Registrants)*
During 2010 and 2012, the EPA issued new ambient air standards for sulfur dioxide and particulates, respectively. In 2013, the EPA preliminarily designated Jefferson County, Kentucky, as a partial non-attainment area for sulfur dioxide. Final designations of non-attainment areas may occur in 2013 and 2014, respectively. Existing environmental plans for LG&E's and KU's Kentucky plants, including announced retirements of certain plants and ECR-approved new or upgraded scrubbers or baghouses at other plants, may aid in achievement of eventual ambient air requirements. However, depending upon the specifics of final non-attainment designations and consequent compliance plans, additional controls may be required, the financial impact of which could be significant.

New Accounting Guidance *(All Registrants)*

See Notes 2 and 19 to the Financial Statements for a discussion of new accounting guidance adopted and pending adoption.

Application of Critical Accounting Policies *(All Registrants)*

Financial condition and results of operations are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. The following table summarizes the accounting policies by Registrant that are particularly important to the financial condition or results of operations, and require estimates or other judgments of matters inherently uncertain. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in each Registrant's 2012 Form 10-K for a discussion of each critical accounting policy.

	PPL	PPL Energy Supply	PPL Electric	LKE	LG&E	KU
Defined Benefits	X	X	X	X	X	X
Loss Accruals	X	X	X	X	X	X
Income Taxes	X	X	X	X	X	X
Asset Impairments (Excluding Investments)	X	X		X	X	X
AROs	X	X		X	X	X
Price Risk Management	X	X				
Regulatory Assets and Liabilities	X		X	X	X	X
Revenue Recognition - unbilled revenue			X	X	X	X

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Reference is made to "Risk Management" in "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations."

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

PPL Corporation, PPL Energy Supply, LLC, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company, and Kentucky Utilities Company

The Registrants' principal executive officers and principal financial officers, based on their evaluation of the Registrants' disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Securities Exchange Act of 1934) have concluded that, as of September 30, 2013, the Registrants' disclosure controls and procedures are effective to ensure that material information relating to the Registrants and their consolidated subsidiaries is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms, particularly during the period for which this quarterly report has been prepared. The aforementioned principal officers have concluded that the disclosure controls and procedures are also effective to ensure that information required to be disclosed in reports filed under the Exchange Act is accumulated and communicated to management, including the principal executive and principal financial officers, to allow for timely decisions regarding required disclosure.

(b) Change in internal controls over financial reporting.

PPL Corporation, PPL Energy Supply, LLC, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company, and Kentucky Utilities Company

As reported in the June 30, 2013 Form 10-Q, the principal executive officers and principal financial officers of the Registrants concluded that the implementation of a financial consolidation and reporting system for PPL and its primary U.S. subsidiaries resulted in a material change to the Registrants' internal control over financial reporting. The new system enhances the consolidation of subsidiary accounts, provides reporting tools for analysis and automates certain aspects of financial statement preparation for each of the Registrants. Processes and controls over the consolidation and reporting processes that were previously considered to be effective were replaced with new or modified controls that were also determined to be effective.

The new consolidation and reporting system was subject to extensive testing and data reconciliation during implementation. Post-implementation reviews have been and will continue to be conducted to enable us to determine the effectiveness of the internal controls relating to the system implementation processes and to key business processes.

The Registrants' principal executive officers and principal financial officers have concluded that there were no other changes in the Registrants' internal control over financial reporting during the Registrants' third fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Registrants' internal control over financial reporting.

PPL Corporation

As reported in the June 30, 2013 Form 10-Q, PPL's principal executive officer and principal financial officer concluded that the implementation of a new general ledger system and a financial reporting system at WPD resulted in a material change to its internal control over financial reporting. The general ledger system that was implemented at WPD replaced the existing mainframe system and resulted in more automation and enhanced controls over general ledger processing and consolidation. The reporting system that was implemented at WPD improves and automates controls over data transfer included in PPL's consolidation process and improves controls over GAAP and foreign currency adjustments. In each of the WPD system implementations, controls that were previously determined to be effective were replaced with new or modified controls that were also determined to be effective.

The general ledger and reporting systems were subject to extensive testing and data reconciliation during their implementation. Post-implementation reviews have been and will continue to be conducted to enable us to determine the effectiveness of the internal controls relating to the system implementation processes and to key business processes remain effective. Risks related to the system implementations at WPD were also partially mitigated by PPL's existing policy of consolidating foreign subsidiaries on a one-month lag, which provided management additional time for review and analysis of WPD results and their incorporation into PPL's consolidated financial statements.

The Registrant's principal executive officer and principal financial officer have concluded that there were no other changes in the Registrant's internal control over financial reporting during the Registrant's third fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Registrant's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

For additional information regarding pending administrative and judicial proceedings involving regulatory, environmental and other matters, which information is incorporated by reference into this Part II, see:

- "Item 3. Legal Proceedings" in each Registrant's 2012 Form 10-K; and
- Notes 5, 6 and 10 to the Financial Statements.

Item 1A. Risk Factors

There have been no material changes in the Registrants' risk factors from those disclosed in "Item 1A. Risk Factors" of the 2012 Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchase of Equity Securities during the Third Quarter of 2013:

	(a)	(b)	(c)	(d)
Period	Total Number of Shares (or Units) Purchased (1)	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans of Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
July 1 to July 31, 2013				
August 1 to August 31, 2013	750,000	$30.81		
September 1 to September 30, 2013	750,000	$31.00		
Total	1,500,000	$30.91		

(1) Represents shares of common stock repurchased in the open market to offset a portion of shares issued under stock based compensation plans.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

PPL Electric Utilities Corporation

Effective October 31, 2013, PPL Electric amended and restated its Articles of Incorporation and Bylaws, copies of which are filed as exhibits 3 (a) and 3(b), respectively, to this report.

Item 6. Exhibits

The following Exhibits indicated by an asterisk preceding the Exhibit number are filed herewith. The balance of the Exhibits have heretofore been filed with the Commission and pursuant to Rule 12(b)-32 are incorporated herein by reference. Exhibits indicated by a [_] are filed or listed pursuant to Item 601(b)(10)(iii) of Regulation S-K.

1(a)	- Final Terms of the WPD West Midlands £400 million 3.875% Senior Unsecured Notes due October 17, 2024 (Exhibit 1.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated October 18, 2013)
1(b)	- Final Terms of WPD East Midlands £40 million 1.676% Notes due 2052 (Exhibit 1.2 to PPL Corporation Form 8-K Report (File No. 1-11459) dated October 18, 2013)
1(c)	- Final Terms of WPD East Midlands £25 million 1.676% Notes due 2052 (Exhibit 1.3 to PPL Corporation Form 8-K Report (File No. 1-11459) dated October 18, 2013)
2(a)	- Purchase and Sale Agreement by and between PPL Montana, LLC and NorthWestern Corporation, dated as of September 26, 2013 (Exhibit 2.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated September 27, 2013)
2(b)	- Lease Termination Agreement by and between PPL Montana, LLC, Montana OL3 LLC and Montana OP3 LLC, dated as of September 26, 2013 (Exhibit 2.2 to PPL Corporation Form 8-K Report (File No. 1-11459) dated September 27, 2013)
2(c)	- Lease Termination Agreement by and between PPL Montana, LLC, Montana OL4 LLC and Montana OP4 LLC, dated as of September 26, 2013 (Exhibit 2.3 to PPL Corporation Form 8-K Report (File No. 1-11459) dated September 27, 2013)
2(d)	- Lease Termination Agreement by and between PPL Montana, LLC, Montana OL1 LLC and Montana OP1 LLC, dated as of September 26, 2013 (Exhibit 2.4 to PPL Corporation Form 8-K Report (File No. 1-11459) dated September 27, 2013)
2(e)	- Lease Termination Agreement by and between PPL Montana, LLC, Montana OL1 LLC and Montana OP1 LLC, dated as of September 26, 2013 (Exhibit 2.5 to PPL Corporation Form 8-K Report (File No. 1-11459) dated September 27, 2013)
*3(a)	- Amended and Restated Articles of Incorporation of PPL Electric Utilities Corporation, effective as of October 31, 2013
*3(b)	- Amended and Restated Bylaws of PPL Electric Utilities Corporation, effective as of October 31, 2013
*4(a)	- Amendment No. 10 to Employee Stock Ownership Plan, dated September 16, 2013
4(b)	- Amended and Restated Trust Deed, dated September 10, 2013, by and among Western Power Distribution (East Midlands) plc, Western Power Distribution (West Midlands) plc, Western Power Distribution (South West) plc and Western Power Distribution (South Wales) plc as Issuers, and HSBC Corporate Trustee Company (UK) Limited as Note Trustee (Exhibit 4.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated October 18, 2013)
*12(a)	- PPL Corporation and Subsidiaries Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends
*12(b)	- PPL Energy Supply, LLC and Subsidiaries Computation of Ratio of Earnings to Fixed Charges
*12(c)	- PPL Electric Utilities Corporation and Subsidiaries Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends
*12(d)	- LG&E and KU Energy LLC and Subsidiaries Computation of Ratio of Earnings to Fixed Charges
*12(e)	- Louisville Gas and Electric Company Computation of Ratio of Earnings to Fixed Charges
*12(f)	- Kentucky Utilities Company Computation of Ratio of Earnings to Fixed Charges

Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, for the quarterly period ended September 30, 2013, filed by the following officers for the following companies:

*31(a)	- PPL Corporation's principal executive officer
*31(b)	- PPL Corporation's principal financial officer
*31(c)	- PPL Energy Supply, LLC's principal executive officer

*31(d) - PPL Energy Supply, LLC's principal financial officer

*31(e) - PPL Electric Utilities Corporation's principal executive officer

*31(f) - PPL Electric Utilities Corporation's principal financial officer

*31(g) - LG&E and KU Energy LLC's principal executive officer

*31(h) - LG&E and KU Energy LLC's principal financial officer

*31(i) - Louisville Gas and Electric Company's principal executive officer

*31(j) - Louisville Gas and Electric Company's principal financial officer

*31(k) - Kentucky Utilities Company's principal executive officer

*31(l) - Kentucky Utilities Company's principal financial officer

Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, for the quarterly period ended September 30, 2013, furnished by the following officers for the following companies:

*32(a) - PPL Corporation's principal executive officer and principal financial officer

*32(b) - PPL Energy Supply, LLC's principal executive officer and principal financial officer

*32(c) - PPL Electric Utilities Corporation's principal executive officer and principal financial officer

*32(d) - LG&E and KU Energy LLC's principal executive officer and principal financial officer

*32(e) - Louisville Gas and Electric Company's principal executive officer and principal financial officer

*32(f) - Kentucky Utilities Company's principal executive officer and principal financial officer

101.INS - XBRL Instance Document for PPL Corporation, PPL Energy Supply, LLC, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company

101.SCH - XBRL Taxonomy Extension Schema for PPL Corporation, PPL Energy Supply, LLC, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company

101.CAL - XBRL Taxonomy Extension Calculation Linkbase for PPL Corporation, PPL Energy Supply, LLC, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company

101.DEF - XBRL Taxonomy Extension Definition Linkbase for PPL Corporation, PPL Energy Supply, LLC, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company

101.LAB - XBRL Taxonomy Extension Label Linkbase for PPL Corporation, PPL Energy Supply, LLC, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company

101.PRE - XBRL Taxonomy Extension Presentation Linkbase for PPL Corporation, PPL Energy Supply, LLC, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrants have duly caused this report to be signed on their behalf by the undersigned thereunto duly authorized. The signature for each undersigned company shall be deemed to relate only to matters having reference to such company or its subsidiaries.

PPL Corporation
(Registrant)

PPL Energy Supply, LLC
(Registrant)

Date: November 1, 2013

/s/ Vincent Sorgi
Vincent Sorgi
Vice President and Controller
(Principal Accounting Officer)

PPL Electric Utilities Corporation
(Registrant)

Date: November 1, 2013

/s/ Dennis A. Urban, Jr.
Dennis A. Urban, Jr.
Controller
(Principal Financial Officer and Principal Accounting Officer)

LG&E and KU Energy LLC
(Registrant)

Louisville Gas and Electric Company
(Registrant)

Kentucky Utilities Company
(Registrant)

Date: November 1, 2013

/s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 3(a)

AMENDED AND RESTATED ARTICLES OF INCORPORATION

OF

PPL ELECTRIC UTILITIES CORPORATION

ARTICLE I.

The name of the Corporation is

PPL ELECTRIC UTILITIES CORPORATION

ARTICLE II.

The location and post office address of the registered office of the Corporation in this Commonwealth is

Two North Ninth Street
Allentown, Pennsylvania 18101

ARTICLE III.

The purpose or purposes for which the Corporation is incorporated under the Business Corporation Law of the Commonwealth of Pennsylvania are to engage in, and do any lawful act concerning, any or all lawful business for which a corporation may be incorporated under said Business Corporation Law, including but not limited to:

1. The supply of light, heat or power to the public by means of electricity or by any other means.

2. The production, generation, manufacture, transmission, storage, distribution or furnishing of artificial or natural gas, electricity or steam or air conditioning or refrigerating services, or any combination thereof to or for the public.

3. The diverting, pumping or impounding of water for the development or furnishing of hydroelectric power to or for the public.

4. The transportation of artificial or natural gas, electricity, petroleum or petroleum products or water or any combination of such substances for the public.

5. The diverting, developing, pumping, impounding, distributing or furnishing of water from either surface or subsurface sources to or for the public.

6. Manufacturing, processing, owning, using and dealing in personal property of every class and description, engaging in research and development, the furnishing of services, and acquiring, owning, using and disposing of real property of every nature whatsoever.

ARTICLE IV.

The term for which the Corporation is to exist is perpetual.

ARTICLE V.

The aggregate number of shares which the Corporation shall have authority to issue is 190,629,936 s hares, of which 170,000,000 are shares of Common Stock, without nominal or par value.

ARTICLE VI.

The designations, preferences, qualifications, limitations, restrictions, and the special or relative rights in respect of the shares of each class shall be as follows:

Division A - PREFERRED STOCK

The Board of Directors shall have the full authority permitted by law to divide the authorized and unissued shares into classes or series, or both, and to determine for any such class or series its designation and the number of shares of the class or series and the voting rights, preferences, limitations and special rights, if any, of the shares of the class or series.

Division B - COMMON STOCK

SECTION 1. _Dividends and Shares in Distribution on Common Stock_.

(A) Subject to the rights of the holders of any Preferred Stock, the Common Stock alone shall receive all further dividends and shares upon liquidation, dissolution, winding up or distribution.

(B) A consolidation or merger of the Corporation with or into any other corporation or corporations shall not be deemed a distribution of assets of the Corporation within the meaning of any provision of this Article VI.

SECTION 2. _Voting Rights_. Except as otherwise provided in these Amended and Restated Articles of Incorporation, each share of the Preferred Stock and the Common Stock shall be equal in voting power and shall entitle the holder thereof to one vote upon any question presented to any shareholders' meeting, it being hereby agreed and declared that a majority in number of shares, regardless of the class to which such shares may belong, is a majority in value or in interest within the meaning of any statute or law requiring the consent of shareholders holding a majority in interest or a greater amount in value of stock of the Corporation.

Division C - GENERAL

SECTION 1. _Pre-emptive Rights_. The Corporation may issue or sell shares, option rights, or securities having conversion or option rights for money or otherwise without first offering them to shareholders of any class or classes.

SECTION 2. _Redemption_. Any shares of Preferred Stock and the Common Stock which are redeemed, repurchased or otherwise reacquired by the Corporation shall, until further action by the Board of Directors or the Executive Committee of the Board of Directors, have the status of authorized and unissued shares, without designation as to series.

SECTION 3. _Convertibility_. Unless otherwise provided in the terms of a series of Series Preferred Stock or Preference Stock or otherwise in these Amended and Restated Articles of Incorporation, the shares of each of Preferred Stock and the Common Stock, respectively, shall not be convertible into shares of any other class or classes or into any other securities of the Corporation.

ARTICLE VII.

A majority of the directors may amend, alter or repeal the Bylaws, subject to the power of the shareholders to change such action; *provided, however,* that any amendment, alteration or repeal of, or the adoption of any provision inconsistent with, Sections 3.01, 3.01.1, 3.04, 3.05, or 3.13 of the Bylaws, if by action of the shareholders, shall be only upon the affirmative vote of the shareholders entitled to cast at least two-thirds of the votes which all shareholders are entitled to cast; and if by action of the directors, shall be only upon the approval of two-thirds of the directors.

ARTICLE VIII.

These Amended and Restated Articles of Incorporation may be amended in the manner from time to time prescribed by statute and all rights conferred upon shareholders herein are granted subject to this reservation; *provided, however,* that, notwithstanding the foregoing (and in addition to any vote that may be required by law, these Amended and Restated Articles of Incorporation or the Bylaws), the affirmative vote of the shareholders entitled to cast at least two-thirds of the votes which all shareholders are entitled to cast shall be required to amend, alter or repeal, or to adopt any provision inconsistent with, Articles VII or VIII of these Amended and Restated Articles of Incorporation.

ARTICLE IX.

The following provisions of the Business Corporation Law of 1988 shall not be applicable to the Corporation: 15 Pa.C.S. § 2538 (relating to approval of transactions with interested shareholders) and 15 Pa.C.S. Subchapter E (relating to control transactions).

ARTICLE X.

[Reserved]

ARTICLE XI.

Uncertificated Shares . Any or all classes and series of shares of the Corporation, or any part thereof, may be represented by uncertificated shares to the extent determined by the Board of Directors, except as required by applicable law, including that shares represented by a certificate that is issued and outstanding shall continue to be represented thereby until the certificate is surrendered to the Corporation. Within a reasonable time after the issuance or transfer of uncertificated shares, the Corporation shall send to the registered owner thereof a written notice containing the information required by applicable law to be set forth or stated on certificates. Except as otherwise expressly provided by law, the rights and obligations of the holders of shares represented by certificates and the rights and obligations of the holders of uncertificated shares of the same class and series shall be identical.

ARTICLE XII.

No shareholder of the Corporation and no creditor of any shareholder of the Corporation shall have any claim on the assets of the Corporation except to the extent of any dividends or other distributions declared by the Board of Directors or otherwise expressly provided for by these Articles of Incorporation or the Business Corporation Law of the Commonwealth of Pennsylvania.

Exhibit 3(b)

Bylaws of
PPL Electric Utilities Corporation

10/31/13

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BYLAWS
OF
PPL ELECTRIC UTILITIES CORPORATION
(a Pennsylvania Corporation)

ARTICLE I
Offices and Fiscal Year

Section 1.01. *Registered Office*. The registered office of the corporation in the Commonwealth of Pennsylvania shall be at Two North Ninth Street, Allentown, Pennsylvania 18101.

Section 1.02. *Fiscal Year*. The fiscal year of the corporation shall begin on the first day of January in each year.

Section 1.03. *Corporate Seal*. The corporation shall have a corporate seal in the form of a circle containing the name of the corporation, the year of incorporation and such other details, if any, as approved by the board of directors.

ARTICLE II
Meetings of Shareholders

Section 2.01. *Place of Meeting*. All meetings of the shareholders of the corporation shall be held at the registered office of the corporation unless another place is designated by the board of directors in the notice of such meeting.

Section 2.02. *Annual Meeting*. The board of directors may fix the date and time of the annual meeting of the shareholders, but if no such date and time is fixed by the board the meeting for any calendar year shall be held on the third Thursday in May in such year, at 2 o'clock P.M., and at said meeting the shareholders then entitled to vote shall elect directors and shall transact such other business as may properly be brought before the meeting.

Section 2.03. *Special Meetings*. Special meetings of the shareholders of the corporation for any purpose or purposes may be called at any time by the Chairman of the Board, if there be one, or, in the case of a vacancy in the office, the President; or by the board of directors.

Section 2.04. *Notice of Meetings*. Written notice of every meeting of the shareholders, whether annual or special, shall be given to each shareholder of record entitled to vote at the meeting, at least five days prior to the day named for the meeting; *provided*, *however*, that at least ten days written notice prior to the day of the meeting shall be given in the case of any annual or special meeting at which there is to be considered any amendment to the Articles of Incorporation of the corporation, the sale of all or substantially all of its assets, or its merger with or consolidation into any other corporation. Such notice shall specify the place, day and hour of the meeting and, in the case of a special meeting of shareholders, the general nature of the business to be transacted.

Section 2.05. *Quorum, Manner of Acting, and Adjournment*.

(a) *Quorum*. The presence in person or by proxy of shareholders entitled to cast a majority of the votes which all shareholders are entitled to cast on the particular matter shall constitute a quorum for the purposes of consideration and action on the matter. Shares of the corporation owned, directly or indirectly, by it and controlled, directly or indirectly, by the board of directors, as such, shall not be counted in determining the total number of outstanding shares for quorum purposes at any given time. The shareholders present at a duly organized meeting can continue to do business until adjournment notwithstanding the withdrawal of enough shareholders to leave less than a quorum.

(b) *Adjournments*. Any regular or special meeting of the shareholders, including one at which directors are to be elected and one which cannot be organized because a quorum has not attended, may be adjourned for such period and to such place as the shareholders present and entitled to vote shall direct.

Except as otherwise provided in the Articles of Incorporation, those shareholders entitled to vote who attend a meeting called for the election of directors that has been previously adjourned for lack of a quorum, although less than a quorum as fixed in this section, shall nevertheless constitute a quorum for the purpose of electing directors. Also, except as otherwise provided in the Articles of Incorporation, those shareholders entitled to vote who attend a meeting of shareholders that has been previously adjourned for one or more periods aggregating at least 15 days because of an absence of a quorum, although less than a quorum, shall nevertheless constitute a quorum for the purpose of acting upon any matter set forth in the notice of the meeting if the notice states that those shareholders who attend the adjourned meeting shall nevertheless constitute a quorum for the purpose of acting upon the matter.

(c) *Action by Shareholders*. Except as otherwise provided in the Articles of Incorporation, a section of these bylaws adopted by the shareholders or the Business Corporation Law, whenever any corporate action is to be taken by vote of the shareholders, it shall be authorized upon receiving the affirmative vote of a majority of the votes cast by all shareholders entitled to vote thereon and, if any shareholders are entitled to vote thereon as a class, upon receiving the affirmative vote of a majority of the votes cast by the shareholders entitled to vote as a class.

Section 2.06. *Organization*. At every meeting of the shareholders, the Chairman of the Board, or, in the case of vacancy in the office or absence of the Chairman of the Board, one of the following directors or officers: a director designated by the Chairman, the president, an executive vice president, a senior vice president, any vice president, or a Chairman chosen by the shareholders entitled to cast a majority of the votes which all shareholders present in person or by proxy are entitled to cast, shall act as Chairman; and the secretary or a person appointed by the Chairman shall act as secretary.

Section 2.07 *Voting and Proxies*. Except as otherwise provided by statute or in the Articles of Incorporation, every shareholder of record shall have the right to one vote for every share standing in his name on the books of the corporation.

In all elections for directors, every shareholder entitled to vote shall have the right to multiply the number of votes to which he may be entitled by the total number of directors to be elected in the same election by the holders of the class of shares of which his shares are a part, and he may cast the whole number of such votes for one candidate or he may distribute them among any two or more candidates. The candidates receiving the highest number of votes from each class or group of classes entitled to elect directors separately up to the number of directors to be elected in the same election by such class or group of classes shall be elected.

Every shareholder entitled to vote at a meeting of shareholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for him by proxy. Every proxy shall be executed in writing by the shareholder or by his duly authorized attorney in fact and filed with the secretary of the corporation. A proxy, unless coupled with an interest, shall be revocable at will, notwithstanding any other agreement or any provision in the proxy to the contrary, but the revocation of a proxy shall not be effective until notice thereof has been given to the secretary of the corporation. No unrevoked proxy shall be valid after eleven months from the date of its execution, unless a longer time is expressly provided therein, but in no event shall any proxy, unless coupled with an interest, be voted on after three years from the date of its execution. A proxy shall not be revoked by the death or incapacity of the maker unless, before the vote is counted or the authority is exercised, written notice of such death or incapacity is given to the secretary of the corporation. A proxy coupled with an interest shall include an unrevoked proxy in favor of a creditor of a shareholder and such a proxy shall be valid as long as the debt owed by him to the creditor remains unpaid.

Section 2.08. *Voting Lists*. The officer or agent of the corporation having charge of the transfer books for shares of the corporation shall make a complete list of the shareholders entitled to vote at any meeting of shareholders, arranged in alphabetical order, with the address of and the number of shares held by each. The list shall be produced and kept open at the time and place of the meeting, and shall be subject to the inspection of any shareholder during the whole time of the meeting for the purposes thereof. In lieu of the making of such list, the corporation may make the information therein available at the meeting by any other means. The original share register or transfer book or a duplicate thereof, kept in Pennsylvania, shall be prima facie evidence as to who are the shareholders entitled to examine such list or share register or transfer book, or to vote, in person or by proxy, at any meeting of shareholders.

Section 2.09. *Judges of Election*. In advance of any meeting of shareholders, the board of directors may appoint one or three judges of election, who need not be shareholders. If judges of election be not so appointed, the chairman of the meeting may, and on the request of any shareholder or his proxy shall, appoint judges of election at the meeting. The judges of election shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum and the authenticity, validity and effect of proxies, receive votes or ballots, hear and determine all challenges and questions in any way arising in connection with nominations by shareholders or the right to vote, count and tabulate all votes, determine the result and do such acts as may be proper to conduct the election or vote with fairness to all shareholders. If there are three judges of election, the decision, act or certificate of a majority shall be effective in all respects as the decision, act or certificate of all.

On request of the chairman of the meeting or of any shareholder, the judges shall make a report in writing of any challenge or question or matter determined by them, and execute a certificate of any fact found by them. Any report or certificate made by them shall be prima facie evidence of the facts stated therein.

Section 2.10. *Determination of Shareholders of Record*. The board of directors may fix a date as a record date for the determination of the shareholders entitled to notice of, or to vote at, any meeting of shareholders, which date, except in the case of an adjourned meeting, shall be not more than 90 days prior to the date of the meeting. Only shareholders of record on the date so fixed, and no others, shall be entitled to notice of, or to vote at, such meeting, notwithstanding any transfer of any shares on the books of the corporation after any such record date so fixed. When a determination of shareholders of record has been made for purposes of a meeting, the determination shall apply to any adjournment thereof unless the board of directors fixes a new record date for the adjourned meeting. The board of directors may similarly fix a record date for the determination of shareholders of record for any other purpose. If a record date is not fixed by the board of directors, the record date shall be as determined in the Business Corporation Law.

ARTICLE III
Board of Directors

Section 3.01. *Authority, Number and Qualifications*. The business and affairs of the corporation shall be managed under the direction of a board of directors. The board of directors shall consist of not less than six and not more than twenty directors, as shall be fixed from time to time by resolution of the board of directors. In addition, the board of directors may designate from among its number a Chairman of the Board. All directors of the corporation shall be natural persons of full age, but need not be residents of Pennsylvania. A director may also be an officer or employee of the corporation.

Section 3.01.1 *Term of Office*. Each director shall hold office until the expiration of the term for which he or she was selected and until a successor shall have been elected and qualified or until his or her earlier death, resignation or removal.

Section 3.02. *Organization*. At every meeting of the Board of Directors, the Chairman of the Board, if there be one, or, in the case of a vacancy in the office or absence of the Chairman of the Board, the Vice Chairman, or a Chairman chosen by a majority of the directors present, shall preside, and the secretary, or any person appointed by the Chairman of the meeting, shall act as secretary.

Section 3.03. *Resignations*. Any director of the corporation may resign at any time by giving written notice to the Chairman of the Board, if there be one, or the President, or the secretary of the corporation. Such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 3.04. *Vacancies*. The board of directors may declare vacant the office of a director if he be declared of unsound mind by an order of court, or convicted of felony, or for any other proper cause.

Except as otherwise provided in the Articles of Incorporation, newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the board of directors resulting from death, resignation, retirement, disqualification, removal from office or other cause shall be filled solely by the majority vote of the directors then in office, although less than a quorum. Each director so chosen shall hold office until the next election of the class for which such director has been chosen, and until his or her successor has been selected and qualified or until his or her earlier death, resignation or removal.

If one or more directors shall resign from the board effective as of a future date, the directors then in office, including those who have so resigned, shall have power by the applicable vote to fill the vacancies, the vote thereon to take effect when the resignations become effective.

Section 3.05. *Removal by Shareholders*. Any director may be removed from office by vote of shareholders only upon the affirmative vote of the shareholders entitled to cast at least two-thirds of the votes which all shareholders would be entitled to cast at any annual election of directors and upon any additional vote of shareholders that may be required by law.

Section 3.06. *Place of Meeting*. The board of directors may hold its meetings at such place or places within Pennsylvania, or elsewhere, as the board of directors may from time to time appoint, or as may be designated in the notice calling the meeting.

Section 3.07. *Organization Meeting*. Immediately after each annual election of directors or other meeting at which the entire board of directors is elected, the newly elected board of directors shall meet for the purpose of organization, election of officers, and the transaction of other business, at the place where said election of directors was held. Notice of such meeting need not be given. Such organization meeting may be held at any other time or place which shall be specified in a notice given as hereinafter provided for special meetings of the board of directors.

Section 3.08. *Regular Meetings*. Regular meetings of the board of directors shall be held at such time as shall be designated from time to time by the board of directors. At such meetings, the directors shall transact such business as may properly be brought before the meeting. Notice need not be given of regular meetings held at the registered office of the corporation. If held elsewhere, the notice requirements of Section 3.06 shall apply.

Section 3.09. *Special Meetings*. Special meetings of the board of directors shall be held whenever called by two or more of the directors or by the Chairman of the Board, if there be one, or, in the case of vacancy in the office or absence of the Chairman of the Board, the president. Notice of every special meeting of the board of directors shall be given to each director by telephone or in writing at least 24 hours (in the case of notice by telephone, telex, TWX or facsimile transmission) or 48 hours (in the case of notice by telegraph, courier service or express mail) or five days (in the case of notice by United States mail) before the time at which the meeting is to be held. Every such notice shall state the time and place of the meeting. Neither the business to be transacted at nor the purpose of any special meeting need be specified in a notice of the meeting.

Section 3.10. *Quorum, Manner of Acting, and Adjournment*. A majority of the directors in office shall be present at each meeting in order to constitute a quorum for the transaction of business. Except as otherwise provided in the Articles of Incorporation or by statute, the acts of a majority of the directors present at a meeting at which a quorum is present shall be the acts of the board of directors. In the absence of a quorum, a majority of the directors present may adjourn the meeting from time to time until a quorum be present, provided that the notice, if any, required by Sections 3.08 or 3.09 of this Article has been given. The directors shall act only as a board and the individual directors shall have no power as such, *provided*, *however*, that any action which may be taken at a meeting of the board may be taken without a meeting if a consent or consents in writing setting forth the action so taken shall be signed by all of the directors and shall be filed with the secretary of the corporation.

Section 3.11. *Executive and Other Committees*. The board of directors may, by resolution adopted by a majority of the directors in office, establish an Executive Committee and one or more other committees. Any committee, to the extent provided in such resolution, shall have and may exercise all of the powers and authority of the board of directors, except that no committee shall have any power or authority as to the following:

(1) The submission to shareholders of any action requiring approval of shareholders under the Business Corporation Law.

(2) The creation or filling of vacancies in the board of directors.

(3) The adoption, amendment or repeal of these bylaws.

(4) The amendment or repeal of any resolution of the board of directors that by its terms is amendable or repealable only by the board.

(5) Action on matters committed by a resolution of the board of directors exclusively to another committee of the board.

A majority of the directors in office designated to a committee shall be present at each meeting in order to constitute a quorum for the transaction of business. The acts of a majority of the committee members present at a meeting at which a quorum is present shall be the acts of the committee. Any action which may be taken at a meeting of a committee may be taken without a meeting if a consent or consents in writing setting forth the action so taken shall be signed by all of the committee members and shall be filed with the secretary of the corporation.

Each committee shall keep records of its proceedings.

Section 3.12. Compensation. The board of directors shall have the authority to fix the compensation of directors for their services as directors. A director may be a salaried officer of the corporation, but no employee shall receive a salary for serving as a director.

Section 3.13. *Nominations for Election of Directors and Proposed Business to be Transacted*.

(a) *Director Nominations*. Except as otherwise provided in or fixed by or pursuant to the provisions of Article VI of the Articles of Incorporation, nominations for the election of directors may be made by the board of directors or a committee appointed by the board of directors or by any shareholder entitled to vote in the election of directors generally. However, any shareholder entitled to vote in the election of directors generally may nominate one or more persons for election as directors at a meeting only if written notice (meeting the requirements hereinafter set forth) of such shareholder's intent to make such nomination or nominations has been given by the shareholder and received by the secretary of the corporation in the manner and within the time specified by this Subsection. The notice shall be delivered to the secretary of the corporation not later than (i) with respect to an election to be held at an annual meeting of shareholders, 75 days in advance of the date of such meeting; *provided*, *however*, that in the event that less than 85 days' notice or prior public disclosure of the date of the annual meeting is given, notice from the shareholders to be timely must be received not later than the tenth day following the date on which such notice of the date of the annual meeting was mailed or such public disclosure was made, whichever first occurs, and (ii) with respect to an election to be held at a special meeting of shareholders for the election of directors, the close of business on the earlier of (A) the seventh day following the date on which notice of such meeting is first given to shareholders or (B) the fourth day prior to the meeting. In lieu of delivery to the secretary, the notice may be mailed to the secretary by certified mail, return receipt requested, but shall be deemed to have been given only upon actual receipt by the secretary. Each such notice shall set forth: (a) the name and address of the shareholder who intends to make the nomination and of the person or persons to be nominated; (b) a representation that the shareholder is a holder of record of stock of the corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (c) a description of all arrangements or understandings between the shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder; (d) such other information regarding each nominee proposed by such shareholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had proxies been solicited with respect to such nominee by the management or board of directors of the corporation; and (e) the consent of each nominee to serve as a director of the corporation if so elected. If a judge or judges of election shall not have been appointed pursuant to these bylaws, the presiding officer of the meeting may, if the facts warrant, determine and declare to the meeting that any nomination made at the meeting was not made in accordance with the procedures of this Subsection and, in such event, the nomination shall be disregarded. Any decision by the presiding officer of the meeting made in good faith shall be conclusive and binding upon all shareholders of the corporation for any purpose.

(b) *Proposed Business to be Transacted*. Except as otherwise provided in Section 3.13(a) of these bylaws, at any annual meeting or special meeting of shareholders, only such business as is properly brought before the meeting in accordance with this Subsection may be transacted. To be properly brought before any meeting, any proposed business that is to be brought pursuant to this Subsection must be either (i) specified in the notice of the meeting (or any supplement thereto) given by or at the direction of the board of directors, (ii) otherwise properly brought before the meeting by or at the direction of the board of directors, or (iii) in the case of an annual meeting of shareholders, otherwise properly brought before the meeting by a shareholder (x) who is a shareholder of record on the date of giving notice provided for in these bylaws and on the record date for the determination of shareholders entitled to vote at such annual meeting, and (y) who complies with the notice provisions set forth in this Subsection. For business to be properly brought before an annual meeting by a shareholder, the shareholder must have given timely notice thereof in writing to the secretary of the corporation. To be timely, a shareholder's notice must be delivered to the secretary of the corporation not later than 75 days in advance of the date of such meeting; *provided*, *however*, that in the event that less than 85 days' notice or prior public disclosure of the date of the annual meeting is given, notice from the shareholders to be timely must be received not later than the tenth day following the date on which such notice of the date of the annual meeting was mailed or such public disclosure was made, whichever first occurs. In lieu of delivery to the secretary, the notice may be mailed to the secretary by certified mail, return receipt requested, but shall be deemed to have been given only upon actual receipt by the secretary. A shareholder's notice to the secretary of the corporation, as required by this Subsection, shall set forth as to each matter the shareholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and record address of the shareholder proposing such business, (iii) the class, series and number of shares of the corporation's stock which are beneficially owned by the shareholder, (iv) a description of all arrangements or understandings between such shareholder and any other person or persons (including their names) in connection with the proposal of such business by such shareholder in such business, (v) all other information which would be required to be included in a proxy statement or other filing required to be filed with the Securities and Exchange Commission if, with respect to any such item of business, such shareholder were a participant in a solicitation subject to Regulation 14A under the Securities Exchange Act of 1934, as amended, and (vi) a representation that such shareholder intends to appear in person or by proxy at the annual meeting of shareholders to bring such business before the meeting. Except as provided in Section 3.13(a) of these bylaws, notwithstanding anything in the bylaws to the contrary, no business shall be conducted at any meeting of shareholders except in accordance with the procedures set forth in this Subsection, *provided*, *however*, that nothing in this Subsection shall be deemed to preclude discussion by any shareholders of any business properly brought before any such meeting. The presiding officer of a meeting may, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this Subsection, and if he should so determine, he shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted. Any decision by the presiding officer of the meeting made in good faith shall be conclusive and binding upon all shareholders of the corporation for any purpose.

ARTICLE IV
Notice—Waivers—Meetings

Section 4.01 *Manner of Giving Notice*.

(a) General Rule. Whenever written notice is required to be given to any person under the provisions of the Articles of Incorporation, these bylaws, or the Business Corporation Law, it may be given to the person, either personally or by sending a copy thereof by first-class or express mail, postage prepaid, or by telegram (with messenger service specified), telex or TWX (with answerback received) or courier service, charges prepaid, or by facsimile transmission, to the address (or to the telex, TWX or facsimile transmission telephone number) of the person appearing on the books of the corporation or, in the case of directors, supplied by the director to the corporation for the purpose of notice. Notice of any regular or special meeting of the shareholders (or any other notice required by the Articles of Incorporation, these bylaws, or the Business Corporation Law to be given to all shareholders or to all holders of a class or series of shares) may be given by any class of mail, postage prepaid, if the notice is deposited in the United States mail at least 20 days prior to the day named for the meeting or any corporate or shareholder action specified in the notice.

If the notice is sent by mail, telegraph or courier service, it shall be deemed to have been given to the person entitled thereto when deposited in the United States mail or with a telegraph office or courier service for delivery to that person or, in the case of telex or TWX, when dispatched or, in the case of facsimile transmission, when received. A notice of meeting shall specify the place, day and hour of the meeting and any other information required by any other provision of the Articles of Incorporation, these bylaws, or the Business Corporation Law.

(b) *Adjourned Shareholder Meetings*. When a meeting of shareholders is adjourned, it shall not be necessary to give any notice of the adjourned meeting or of the business to be transacted at an adjourned meeting, other than by announcement at the meeting at which the adjournment is taken, unless the board fixes a new record date for the adjourned meeting or the Business Corporation Law requires notice of the business to be transacted and such notice has not previously been given.

Section 4.02. *Waivers of Notice*. Whenever any written notice is required to be given under the provisions of the Articles of Incorporation, these bylaws, or the Business Corporation Law, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Except in the case of a special meeting of shareholders, neither the business to be transacted at, nor the purpose of, the meeting need be specified in the waiver of notice of such meeting.

Attendance of a person, either in person or by proxy, at any meeting, shall constitute a waiver of notice of such meeting, except where a person attends a meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called or convened.

Section 4.03. *Conference Telephone Meetings*. One or more directors may participate in a meeting of the board, or of a committee of the board, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this section shall constitute presence in person at such meeting.

ARTICLE V
Officers

Section 5.01. *Number, Qualifications and Designation*. The officers of the corporation shall be a president, a secretary, a treasurer, one or more vice presidents (including executive vice presidents and senior vice presidents) and such other officers as the business of the corporation may require, including one or more assistant officers. One person may hold more than one office. Officers may but need not be directors or shareholders of the corporation.

Section 5.02. *Election and Term of Office*. The officers of the corporation shall be elected by the board of directors, and each such officer shall hold his office until the next annual organization meeting of the directors (which is held immediately following the annual meeting of shareholders), or until his death, resignation, or removal.

Section 5.03. *Resignations*. Any officer may resign at any time by giving written notice to the board of directors, or to the Chairman of the Board, if there be one, or the President, or the secretary of the corporation. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 5.04. *Removal*. Any officer may be removed, either for or without cause, by the board of directors whenever in the judgment of the board of directors the best interests of the corporation will be served thereby.

Section 5.05. *Vacancies*. A vacancy in any office because of death, resignation, removal, disqualification, or any other cause, may be filled by the board of directors.

Section 5.06. *General Powers*. All officers of the corporation as between themselves and the corporation, shall, respectively have such authority and perform such duties in the management of the property and affairs of the corporation as may be determined by resolution of the board of directors.

Section 5.07. *Compensation*. The salaries or other compensation of the officers elected by the board of directors shall be fixed from time to time by the board of directors or in such manner as the board of directors shall from time to time provide.

Section 5.08. *Standard of Care*. In lieu of the standards of conduct otherwise provided by law, officers of the corporation shall be subject to the same standards of conduct, including standards of care and loyalty and rights of justifiable reliance, as shall at the time be applicable to directors of the corporation.

ARTICLE VI
Capital Stock

Section 6.01. *Share Certificates*.

(a) *Form of Certificates*. To the extent that certificates for shares of the corporation are issued, such certificates shall be in such form as approved by the board of directors, and shall state that the corporation is incorporated under the laws of the Commonwealth of Pennsylvania, the name of the person to whom issued, and the number and class of shares and the designation of the series (if any) that the certificate represents. If the corporation is authorized to issue shares of more than one class or series, certificates for shares of the corporation shall set forth upon the face or back of the certificate (or shall state on the face or back of the certificate that the corporation will furnish to any shareholder upon request and without charge), a full or summary statement of the designations, voting rights, preferences, limitations and special rights of the shares of each class or series authorized to be issued so far as they have been fixed and determined and the authority of the board of directors to fix and determine the designations, voting rights, preferences, limitations and special rights of the classes and series of shares of the corporation.

(b) *Share Register*. The share register or transfer books and blank share certificates shall be kept by the secretary or by any transfer agent or registrar designated by the board of directors for that purpose.

(c) *Issuance*. The share certificates of the corporation shall be numbered and registered in the share register or transfer books of the corporation as they are issued. They shall be executed in such manner as the board of directors shall determine.

Section 6.02. *Transfer*. Transfers of shares shall be made on the share register or transfer books of the corporation only by the record holder of such shares, or by attorney lawfully constituted in writing, and, in the case of shares represented by a certificate, upon surrender of the certificate therefor, endorsed by the person named in the certificate or by an attorney lawfully constituted in writing.

Section 6.03. *Record Holder of Shares*. The corporation shall be entitled to treat the person in whose name any share or shares of the corporation stand on the books of the corporation as the absolute owner thereof, and shall not be bound to recognize any equitable or other claim to, or interest in, such share or shares on the part of any other person.

Section 6.04. *Lost, Destroyed or Mutilated Certificates*. The holder of any shares of the corporation shall immediately notify the corporation of any loss, destruction or mutilation of the certificate therefor, and the board of directors may, in its discretion, cause a new certificate or certificates to be issued to such holder, in case of mutilation of the certificate, upon the surrender of the mutilated certificate or, in case of loss or destruction of the certificate, upon satisfactory proof of such loss or destruction and, if the board of directors shall so determine, the deposit of a bond in such form and in such sum, and with such surety or sureties, as it may direct.

ARTICLE VII
Indemnification of Directors, Officers, Etc.

Section 7.01. *Personal Liability of Directors*.

(a) To the fullest extent that the laws of the Commonwealth of Pennsylvania, as now in effect or as hereafter amended, permit elimination or limitation of the liability of directors, no director of the corporation shall be personally liable for monetary damages as such for any action taken, or any failure to take any action, as a director.

(b) Any amendment or repeal of this Section 7.01 which has the effect of increasing directors' liability shall operate prospectively only, and shall not affect any action taken, or any failure to act, prior to its adoption.

Section 7.02. *Indemnification of Directors and Officers*.

(a) *Right to Indemnification*. Except as prohibited by law, every director and officer of the corporation shall be entitled as of right to be indemnified by the corporation against reasonable expense and any liability paid or incurred by such person in connection with any actual or threatened claim, action, suit or proceeding, civil, criminal, administrative, investigative or other, whether brought by or in the right of the corporation or otherwise, in which he or she may be involved, as a party or otherwise, by reason of such person being or having been a director or officer of the corporation or by reason of the fact that such person is or was serving at the request of the corporation as a director, officer, employee, fiduciary or other representative of another corporation, partnership, joint venture, trust, employee benefit plan or other entity (such claim, action, suit or proceeding hereinafter being referred to as "action"). Such indemnification shall include the right to have expenses incurred by such person in connection with an action paid in advance by the corporation prior to final disposition of such action, subject to such conditions as may be prescribed by law. Persons who are not directors or officers of the corporation may be similarly indemnified in respect of service to the corporation or to another such entity at the request of the corporation to the extent the Board of Directors at any time denominates such person as entitled to the benefits of this Section 7.02. As used herein, "expense" shall include fees and expenses of counsel selected by such person; and "liability" shall include amounts of judgments, excise taxes, fines and penalties, and amounts paid in settlement.

(b) *Right of Claimant to Bring Suit*. If a claim under paragraph (a) of this Section 7.02 is not paid in full by the corporation within thirty days after a written claim has been received by the corporation, the claimant may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim, and, if successful in whole or in part, the claimant shall also be entitled to be paid the expense of prosecuting such claim. It shall be a defense to any such action that the conduct of the claimant was such that under Pennsylvania law the corporation would be prohibited from indemnifying the claimant for the amount claimed, but the burden of proving such defense shall be on the corporation. Neither the failure of the corporation (including its Board of Directors, independent legal counsel and its shareholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because the conduct of the claimant was not such that indemnification would be prohibited by law, nor an actual determination by the corporation (including its Board of Directors, independent legal counsel or its shareholders) that the conduct of the claimant was such that indemnification would be prohibited by law, shall be a defense to the action or create a presumption that the conduct of the claimant was such that indemnification would be prohibited by law.

(c) *Insurance and Funding*. The corporation may purchase and maintain insurance to protect itself and any person eligible to be indemnified hereunder against any liability or expense asserted or incurred by such person in connection with any action, whether or not the corporation would have the power to indemnify such person against such liability or expense by law or under the provisions of this Section 7.02. The corporation may create a trust fund, grant a security interest, cause a letter of credit to be issued or use other means (whether or not similar to the foregoing) to ensure the payment of such sums as may become necessary to effect indemnification as provided herein.

(d) *Non-Exclusivity; Nature and Extent of Rights*. The right of indemnification provided for herein (l) shall not be deemed exclusive of any other rights, whether now existing or hereafter created, to which those seeking indemnification hereunder may be entitled under any agreement, bylaw or charter provision, vote of shareholders or directors or otherwise, (2) shall be deemed to create contractual rights in favor of persons entitled to indemnification hereunder, (3) shall continue as to persons who have ceased to have the status pursuant to which they were entitled or were denominated as entitled to indemnification hereunder and shall inure to the benefit of the heirs and legal representatives of persons entitled to indemnification hereunder and (4) shall be applicable to actions, suits or proceedings commenced after the adoption hereof, whether arising from acts or omissions occurring before or after the adoption hereof. The right of indemnification provided for herein may not be amended, modified or repealed so as to limit in any way the indemnification provided for herein with respect to any acts or omissions occurring prior to the effective date of any such amendment, modification or repeal.

Section 7.03. *Indemnification of Persons Not Indemnified under Section 7.02.*

(a) *Scope*. The provisions of this Section 7.03 are applicable only to employees and other authorized representatives of the corporation who are not entitled to the benefits of Section 7.02 pursuant to either the terms of Section 7.02 or a resolution of the Board of Directors of this corporation.

(b) *Employees; Third Party Actions*. The corporation shall indemnify any employee of the corporation who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that such person is or was an authorized representative of the corporation (which, for the purposes of this Section 7.03, shall mean an employee or agent of the corporation, or a person who is or was serving at the request of the corporation as a director, officer, employee, fiduciary or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise) against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in, or not opposed to, the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which that person reasonably believed to be in, or not opposed to, the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

(c) *Employees; Derivative Actions*. The corporation shall indemnify any employee of the corporation who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that such person is or was an authorized representative of the corporation, against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in, or not opposed to, the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his or her duty to the corporation unless and only to the extent that the court of common pleas of the county in which the registered office of the corporation is located or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the court of common pleas or such other court shall deem proper.

(d) *Other Authorized Representatives*. To the extent that an authorized representative of the corporation who is not an employee of the corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsections (b) and (c) of this Section 7.03 or in defense of any claim, issue or matter therein, such person shall be indemnified by the corporation against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith. Such an authorized representative may, at the discretion of the corporation, be indemnified by the corporation in any other circumstances and to any extent if the corporation would be required by subsections (b) and (c) of this Section 7.03 to indemnify such person in such circumstances and to such extent if such person were or had been an employee of the corporation.

(e) *Procedure for Effecting Indemnification*. Indemnification under subsections (b), (c) or (d) of this Section 7.03 shall be made when ordered by a court (in which case the expenses, including attorneys' fees, of the authorized representative in enforcing such right of indemnification shall be added to and be included in the final judgment against the corporation) or shall be made upon a determination that indemnification of the authorized representative is required or proper in the circumstances because such person has met the applicable standard of conduct set forth in subsections (b) and (c) of this Section 7.03. Such determination shall be made:

(1) By the board of directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or

(2) If such a quorum is not obtainable, or, even if obtainable, a majority vote of a quorum of disinterested directors so direct, by independent legal counsel in a written opinion, or

(3) By the shareholders.

(f) *Advancing Expenses*. Expenses (including attorneys' fees) incurred in defending a civil or criminal action, suit or proceeding shall be paid by the corporation in advance of the final disposition of such action, suit or proceeding, upon receipt of an undertaking by or on behalf of an employee to repay such amount unless it shall ultimately be determined that such person is entitled to be indemnified by the corporation as required in this Section 7.03 or as authorized by law and may be paid by the corporation in advance on behalf of any other authorized representative when authorized by the board of directors upon receipt of a similar undertaking.

(g) *Non-Exclusivity; Nature and Extent of Rights*. Each person who shall act as an authorized representative of the corporation and who is not entitled to the benefits of Section 7.02, shall be deemed to be doing so in reliance upon such rights of indemnification as are provided in this Section 7.03.

The indemnification provided by this Section 7.03 shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any agreement, vote of shareholders or disinterested directors, statute or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office or position, and shall continue as to a person who has ceased to be an authorized representative of the corporation and shall inure to the benefit of the heirs, executors and administrators of such a person.

ARTICLE VIII
Amendments

Section 8.01. *Amendment of Bylaws*. The directors may make, amend, alter or repeal these bylaws by a vote of the majority of the members of the board of directors at any regular or special meeting duly convened after notice of that purpose; subject, however, to the power of the shareholders to make, amend, and repeal these bylaws at any annual or special meeting duly convened after notice of that purpose.

ARTICLE IX
[RESERVED]

AMENDMENT NO. 10 TO PPL EMPLOYEE STOCK OWNERSHIP PLAN

WHEREAS, PPL Services Corporation ("PPL") has adopted the PPL Employee Stock Ownership Plan ("Plan") effective January 1, 2000; and

WHEREAS, the Plan was amended and restated effective January 1, 2002, and subsequently amended by Amendment No. 1, 2, 3, 4, 5, 6, 7, 8 and 9; and

NOW, THEREFORE, the Plan is hereby amended as follows:

I. Effective January 1, 2012, Article V Allocation is amended to read as follows:

Article V
Allocation

5.6 **Supplemental 2012 Allocation.** There shall be a supplemental contribution for the 2012 Plan Year that shall be allocated according to the following formula, notwithstanding any other provision in this Plan:

(a) For all Participants that are not covered by a collective bargaining agreement, are not a Highly Compensated Eligible Employee, and have compensation less than $70,000, there shall be an allocation of Stock with a value of $800.

(b) For all Participants that are not covered by a collective bargaining agreement, are not a Highly Compensated Eligible Employee, and have compensation of $70,000 or more, there shall be an allocation of Stock with a value of $250.

(c) This supplement allocation shall be in addition to any other allocation for the 2012 Plan Year under this Article V.

II. Except as provided in this Amendment No. 10, all other provisions of the Plan shall remain in full force and effect.

IN WITNESS WHEREOF, this Amendment No. 10 is executed this __________ day of __________________, 2013.

Employee Benefit Plan Board

By: ______________________________

Karla A. Durn

Chair, Employee Benefit Plan Board

Exhibit 12(a)

PPL CORPORATION AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

(Millions of Dollars)

	9 Months Ended Sept 30, 2013	Years Ended December 31, 2012	2011	2010	2009	2008
Earnings, as defined:						
Income from Continuing Operations Before Income Taxes	$ 1,571	$ 2,082	$ 2,201	$ 1,239	$ 538	$ 1,273
Adjustment to reflect earnings from equity method investments on a cash basis (a)		34	1	7	1	
	1,571	2,116	2,202	1,246	539	1,273
Total fixed charges as below	816	1,065	1,022	698	513	568
Less:						
Capitalized interest	36	53	51	30	43	57
Preferred security distributions of subsidiaries on a pre-tax basis		5	23	21	24	27
Interest expense and fixed charges related to discontinued operations			3	12	15	16
Total fixed charges included in Income from Continuing Operations Before Income Taxes	780	1,007	945	635	431	468
Total earnings	$ 2,351	$ 3,123	$ 3,147	$ 1,881	$ 970	$ 1,741
Fixed charges, as defined:						
Interest charges (b)	$ 795	$ 1,019	$ 955	$ 637	$ 446	$ 518
Estimated interest component of operating rentals	21	41	44	39	42	22
Preferred security distributions of subsidiaries on a pre-tax basis		5	23	21	24	27
Fixed charges of majority-owned share of 50% or less-owned persons				1	1	1
Total fixed charges (c)	$ 816	$ 1,065	$ 1,022	$ 698	$ 513	$ 568
Ratio of earnings to fixed charges	2.9	2.9	3.1	2.7	1.9	3.1
Ratio of earnings to combined fixed charges and preferred stock dividends (d)	2.9	2.9	3.1	2.7	1.9	3.1

(a) Includes other-than-temporary impairment loss of $25 million in 2012.
(b) Includes interest on long-term and short-term debt, as well as amortization of debt discount, expense and premium - net.
(c) Interest on unrecognized tax benefits is not included in fixed charges.
(d) PPL, the parent holding company, does not have any preferred stock outstanding; therefore, the ratio of earnings to combined fixed charges and preferred stock dividends is the same as the ratio of earnings to fixed charges.

Exhibit 12(b)

PPL ENERGY SUPPLY, LLC AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Millions of Dollars)

	9 Months Ended Sept 30, 2013	Years Ended December 31, 2012	2011	2010	2009	2008
Earnings, as defined:						
Income (Loss) from Continuing Operations Before Income Taxes	$ 279	$ 738	$ 1,212	$ 881	$ (13)	$ 671
Adjustments to reflect earnings from equity method investments on a cash basis			1	7	1	
	279	738	1,213	888	(12)	671
Total fixed charges as below	172	238	259	426	364	390
Less:						
Capitalized interest	28	47	47	33	44	57
Interest expense and fixed charges related to discontinued operations			3	147	102	157
Total fixed charges included in Income (Loss) from Continuing Operations Before Income Taxes	144	191	209	246	218	176
Total earnings	$ 423	$ 929	$ 1,422	$ 1,134	$ 206	$ 847
Fixed charges, as defined:						
Interest charges (a)	$ 159	$ 214	$ 223	$ 387	$ 321	$ 374
Estimated interest component of operating rentals	13	24	36	38	42	15
Fixed charges of majority-owned share of 50% or less-owned persons				1	1	1
Total fixed charges (b)	$ 172	$ 238	$ 259	$ 426	$ 364	$ 390
Ratio of earnings to fixed charges (c)	2.5	3.9	5.5	2.7	0.6	2.2

(a) Includes interest on long-term and short-term debt, as well as amortization of debt discount, expense and premium - net.
(b) Interest on unrecognized tax benefits is not included in fixed charges.
(c) In January 2011, PPL Energy Supply distributed its 100% membership interest in PPL Global to PPL Energy Supply's parent, PPL Energy Funding. As a result, PPL Global's operating results were reclassified as Discontinued Operations. Upon reflecting this reclassification, earnings were less than fixed charges for 2009. See Note 9 in PPL Energy Supply's 2011 Form 10-K for additional information. The total amount of fixed charges for this period was approximately $364 million and the total amount of earnings was approximately $206 million. The amount of the deficiency, or the amount of fixed charges in excess of earnings, was approximately $158 million.

Exhibit 12(c)

PPL ELECTRIC UTILITIES CORPORATION AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

(Millions of Dollars)

	9 Months Ended Sep. 30, 2013	Years Ended December 31, 2012	2011	2010	2009	2008
Earnings, as defined:						
Income Before Income Taxes	$ 243	$ 204	$ 257	$ 192	$ 221	$ 278
Total fixed charges as below	87	107	105	102	121	114
Total earnings	$ 330	$ 311	$ 362	$ 294	$ 342	$ 392
Fixed charges, as defined:						
Interest charges (a)	$ 84	$ 104	$ 102	$ 101	$ 120	$ 113
Estimated interest component of operating rentals	3	3	3	1	1	1
Total fixed charges (b)	$ 87	$ 107	$ 105	$ 102	$ 121	$ 114
Ratio of earnings to fixed charges	3.8	2.9	3.4	2.9	2.8	3.4
Preferred stock dividend requirements on a pre-tax basis		$ 6	$ 21	$ 23	$ 28	$ 28
Fixed charges, as above	$ 87	107	105	102	121	114
Total fixed charges and preferred stock dividends	$ 87	$ 113	$ 126	$ 125	$ 149	$ 142
Ratio of earnings to combined fixed charges and preferred stock dividends	3.8	2.8	2.9	2.4	2.3	2.8

(a) Includes interest on long-term and short-term debt, as well as amortization of debt discount, expense and premium - net.
(b) Interest on unrecognized tax benefits is not included in fixed charges.

Exhibit 12(d)

LG&E AND KU ENERGY LLC AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Millions of Dollars)

	Successor (a)				Predecessor (b)		
	9 Months Ended Sep. 30, 2013	Year Ended Dec. 31, 2012	Year Ended Dec. 31, 2011	2 Months Ended Dec. 31, 2010	10 Months Ended Oct. 31, 2010	Year Ended December 31, 2009	Year Ended December 31, 2008
Earnings, as defined:							
Income from Continuing Operations Before Income Taxes	$ 412	$ 331	$ 419	$ 70	$ 300	$ (1,235)	$ (1,536)
Adjustment to reflect earnings from equity method investments on a cash basis (c)		33	(1)		(4)	11	
Loss on impairment of goodwill						1,493	1,806
Mark to market impact of derivative instruments				2	(20)	(19)	34
	412	364	418	72	276	250	304
Total fixed charges as below	116	157	153	25	158	186	199
Total earnings	$ 528	$ 521	$ 571	$ 97	$ 434	$ 436	$ 503
Fixed charges, as defined:							
Interest charges (d)	$ 111	$ 151	$ 147	$ 24	$ 153	$ 176	$ 184
Estimated interest component of operating rentals	5	6	6	1	5	5	5
Estimated discontinued operations interest component of rental expense						5	10
Total fixed charges	$ 116	$ 157	$ 153	$ 25	$ 158	$ 186	$ 199
Ratio of earnings to fixed charges	4.6	3.3	3.7	3.9	2.7	2.3	2.5

(a) Post-acquisition activity covering the time period after October 31, 2010.
(b) Pre-acquisition activity covering the time period prior to November 1, 2010.
(c) Includes other-than-temporary impairment loss of $25 million in 2012.
(d) Includes interest on long-term and short-term debt, as well as amortization of debt discount, expense and premium - net.

Exhibit 12(e)

LOUISVILLE GAS AND ELECTRIC COMPANY

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Millions of Dollars)

	Successor (a)				Predecessor (b)		
	9 Months Ended Sep. 30, 2013	Year Ended Dec. 31, 2012	Year Ended Dec. 31, 2011	2 Months Ended Dec. 31, 2010	10 Months Ended Oct. 31, 2010	Year Ended December 31, 2009	Year Ended December 31, 2008
Earnings, as defined:							
Income Before Income Taxes	$ 191	$ 192	$ 195	$ 29	$ 167	$ 142	$ 131
Mark to market impact of derivative instruments				1	(20)	(20)	35
	191	192	195	30	147	122	166
Total fixed charges as below	32	44	46	8	40	46	60
Total earnings	$ 223	$ 236	$ 241	$ 38	$ 187	$ 168	$ 226
Fixed charges, as defined:							
Interest charges (c)	$ 30	$ 42	$ 44	$ 8	$ 38	$ 44	$ 58
Estimated interest component of operating rentals	2	2	2		2	2	2
Total fixed charges	$ 32	$ 44	$ 46	$ 8	$ 40	$ 46	$ 60
Ratio of earnings fixed charges	7.0	5.4	5.2	4.8	4.7	3.7	3.8

(a) Post-acquisition activity covering the time period after October 31, 2010.
(b) Pre-acquisition activity covering the time period prior to November 1, 2010.
(c) Includes interest on long-term and short-term debt, as well as amortization of debt discount, expense and premium - net.

Exhibit 12(f)

KENTUCKY UTILITIES COMPANY

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Millions of Dollars)

	Successor (a)				Predecessor (b)		
	9 Months Ended Sep. 30, 2013	Year Ended Dec. 31, 2012	Year Ended Dec. 31, 2011	2 Months Ended Dec. 31, 2010	10 Months Ended Oct. 31, 2010	Year Ended December 31, 2009	Year Ended December 31, 2008
Earnings, as defined:							
Income Before Income Taxes	$ 272	$ 215	$ 282	$ 55	$ 218	$ 200	$ 226
Adjustment to reflect earnings from equity method investments on a cash basis (c)		33	(1)		(4)	11	
Mark to market impact of derivative instruments						1	(1)
	272	248	281	55	214	212	225
Total fixed charges as below	54	72	73	11	71	79	77
Total earnings	$ 326	$ 320	$ 354	$ 66	$ 285	$ 291	$ 302
Fixed charges, as defined:							
Interest charges (d)	$ 51	$ 69	$ 70	$ 10	$ 69	$ 76	$ 74
Estimated interest component of operating rentals	3	3	3	1	2	3	3
Total fixed charges	$ 54	$ 72	$ 73	$ 11	$ 71	$ 79	$ 77
Ratio of earnings to fixed charges	6.0	4.4	4.8	6.0	4.0	3.7	3.9

(a) Post-acquisition activity covering the time period after October 31, 2010.
(b) Pre-acquisition activity covering the time period prior to November 1, 2010.
(c) Includes other-than-temporary impairment loss of $25 million in 2012.
(d) Includes interest on long-term and short-term debt, as well as amortization of debt discount, expense and premium - net.

CERTIFICATION

I, WILLIAM H. SPENCE, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PPL Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2013

/s/ William H. Spence
William H. Spence
Chairman, President and Chief Executive Officer
(Principal Executive Officer)
PPL Corporation

CERTIFICATION

I, PAUL A. FARR, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PPL Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2013

/s/ Paul A. Farr
Paul A. Farr
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)
PPL Corporation

CERTIFICATION

I, DAVID G. DECAMPLI, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PPL Energy Supply, LLC (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2013

/s/ David G. DeCampli
David G. DeCampli
President
(Principal Executive Officer)
PPL Energy Supply, LLC

CERTIFICATION

I, PAUL A. FARR, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PPL Energy Supply, LLC (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2013

/s/ Paul A. Farr
Paul A. Farr
Executive Vice President
(Principal Financial Officer)
PPL Energy Supply, LLC

CERTIFICATION

I, GREGORY N. DUDKIN, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PPL Electric Utilities Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2013

/s/ Gregory N. Dudkin
Gregory N. Dudkin
President
(Principal Executive Officer)
PPL Electric Utilities Corporation

CERTIFICATION

I, DENNIS A. URBAN, JR., certify that:

1. I have reviewed this quarterly report on Form 10-Q of PPL Electric Utilities Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2013

/s/ Dennis A. Urban, Jr.
Dennis A. Urban, Jr.
Controller
(Principal Financial Officer and Principal Accounting Officer)
PPL Electric Utilities Corporation

Exhibit 31(g)

CERTIFICATION

I, VICTOR A. STAFFIERI, certify that:

1. I have reviewed this quarterly report on Form 10-Q of LG&E and KU Energy LLC (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2013

/s/ Victor A. Staffieri
Victor A. Staffieri
Chairman, President and Chief Executive Officer
(Principal Executive Officer)
LG&E and KU Energy LLC

CERTIFICATION

I, KENT W. BLAKE, certify that:

1. I have reviewed this quarterly report on Form 10-Q of LG&E and KU Energy LLC (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2013

/s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
LG&E and KU Energy LLC

Exhibit 31(i)

CERTIFICATION

I, VICTOR A. STAFFIERI, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Louisville Gas and Electric Company (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2013

/s/ Victor A. Staffieri
Victor A. Staffieri
Chairman, President and Chief Executive Officer
(Principal Executive Officer)
Louisville Gas and Electric Company

Exhibit 31(j)

CERTIFICATION

I, KENT W. BLAKE, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Louisville Gas and Electric Company (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2013

/s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
Louisville Gas and Electric Company

CERTIFICATION

I, VICTOR A. STAFFIERI, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kentucky Utilities Company (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2013

/s/ Victor A. Staffieri
Victor A. Staffieri
Chairman, President and Chief Executive Officer
(Principal Executive Officer)
Kentucky Utilities Company

Exhibit 31(l)

CERTIFICATION

I, KENT W. BLAKE, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kentucky Utilities Company (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2013

/s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
Kentucky Utilities Company

Exhibit 32(a)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL CORPORATION'S FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2013

In connection with the quarterly report on Form 10-Q of PPL Corporation (the "Company") for the quarter ended September 30, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, William H. Spence, the Principal Executive Officer of the Company, and Paul A. Farr, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 1, 2013

/s/ William H. Spence
William H. Spence
Chairman, President and Chief Executive Officer
(Principal Executive Officer)
PPL Corporation

/s/ Paul A. Farr
Paul A. Farr
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)
PPL Corporation

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32(b)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL ENERGY SUPPLY, LLC'S FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2013

In connection with the quarterly report on Form 10-Q of PPL Energy Supply, LLC (the "Company") for the quarter ended September 30, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, David G. DeCampli, the Principal Executive Officer of the Company, and Paul A. Farr, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 1, 2013

/s/ David G. DeCampli
David G. DeCampli
President
(Principal Executive Officer)
PPL Energy Supply, LLC

/s/ Paul A. Farr
Paul A. Farr
Executive Vice President
(Principal Financial Officer)
PPL Energy Supply, LLC

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32(c)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL ELECTRIC UTILITIES CORPORATION'S FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2013

In connection with the quarterly report on Form 10-Q of PPL Electric Utilities Corporation (the "Company") for the quarter ended September 30, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Gregory N. Dudkin, the Principal Executive Officer of the Company, and Dennis A. Urban, Jr., the Principal Financial and Accounting Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 1, 2013

/s/ Gregory N. Dudkin
Gregory N. Dudkin
President
(Principal Executive Officer)
PPL Electric Utilities Corporation

/s/ Dennis A. Urban, Jr.
Dennis A. Urban, Jr.
Controller
(Principal Financial and Accounting Officer)
PPL Electric Utilities Corporation

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32(d)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR LG&E AND KU ENERGY LLC'S FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2013

In connection with the quarterly report on Form 10-Q of LG&E and KU Energy LLC (the "Company") for the quarter ended September 30, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Victor A. Staffieri, the Principal Executive Officer of the Company, and Kent W. Blake, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 1, 2013

/s/ Victor A. Staffieri
Victor A. Staffieri
Chairman, President and Chief Executive Officer
(Principal Executive Officer)
LG&E and KU Energy LLC

/s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
LG&E and KU Energy LLC

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32(e)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR LOUISVILLE GAS AND ELECTRIC COMPANY'S FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2013

In connection with the quarterly report on Form 10-Q of Louisville Gas and Electric Company (the "Company") for the quarter ended September 30, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Victor A. Staffieri, the Principal Executive Officer of the Company, and Kent W. Blake, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 1, 2013

/s/ Victor A. Staffieri
Victor A. Staffieri
Chairman, President and Chief Executive Officer
(Principal Executive Officer)
Louisville Gas and Electric Company

/s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
Louisville Gas and Electric Company

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32(f)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR KENTUCKY UTILITIES COMPANY'S FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2013

In connection with the quarterly report on Form 10-Q of Kentucky Utilities Company (the "Company") for the quarter ended September 30, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Victor A. Staffieri, the Principal Executive Officer of the Company, and Kent W. Blake, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 1, 2013

/s/ Victor A. Staffieri
Victor A. Staffieri
Chairman, President and Chief Executive Officer
(Principal Executive Officer)
Kentucky Utilities Company

/s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
Kentucky Utilities Company

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.