	Three Months		Nine Months	
	2016	2015	2016	2015
Income (Numerator)				
Income from continuing operations after income taxes	$ 473	$ 396	$ 1,437	$ 1,198
Less amounts allocated to participating securities	1	2	4	5
Income from continuing operations after income taxes available to PPL common shareowners - Basic and Diluted	$ 472	$ 394	$ 1,433	$ 1,193
Income (loss) from discontinued operations (net of income taxes) available to PPL common shareowners - Basic and Diluted	$ —	$ (3)	$ —	$ (915)
Net income	$ 473	$ 393	$ 1,437	$ 283
Less amounts allocated to participating securities	1	2	4	1
Net income available to PPL common shareowners - Basic and Diluted	$ 472	$ 391	$ 1,433	$ 282
Shares of Common Stock (Denominator)				
Weighted-average shares - Basic EPS	678,114	670,763	676,905	668,731
Add incremental non-participating securities:				
Share-based payment awards	2,234	2,939	3,064	2,523
Weighted-average shares - Diluted EPS	680,348	673,702	679,969	671,254
Basic EPS				
Available to PPL common shareowners:				
Income from continuing operations after income taxes	$ 0.70	$ 0.59	$ 2.12	$ 1.78
Income (loss) from discontinued operations (net of income taxes)	—	(0.01)	—	(1.36)
Net Income	$ 0.70	$ 0.58	$ 2.12	$ 0.42
Diluted EPS				
Available to PPL common shareowners:				
Income from continuing operations after income taxes	$ 0.69	$ 0.59	$ 2.11	$ 1.78
Income (loss) from discontinued operations (net of income taxes)	—	(0.01)	—	(1.36)
Net Income	$ 0.69	$ 0.58	$ 2.11	$ 0.42

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

	Three Months	Nine Months

	2016	2015	2016	2015
Stock-based compensation plans (a)	248	1,368	3,168	3,805
DRIP	761	475	1,533	1,318

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

See Note 7 for additional information on common stock issued under the ATM Program.

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

	Three Months		Nine Months	
	2016	2015	2016	2015
Stock options	696	1,484	696	1,218
Performance units	316	—	210	49

5. Income Taxes

Reconciliations of income taxes for the periods ended September 30 are as follows.

(PPL)

	Three Months		Nine Months	
	2016	2015	2016	2015
Federal income tax on Income from Continuing Operations Before Income Taxes at statutory tax rate - 35%	$ 214	$ 189	$ 681	$ 571
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	13	15	37	44
Valuation allowance adjustments	4	—	13	8
Impact of lower U.K. income tax rates	(37)	(40)	(136)	(138)
Federal and state tax reserve adjustments (a)	—	(9)	—	(21)
Enactment of the U.K. Finance Act 2016 (b)	(42)	—	(42)	—
Depreciation not normalized	—	—	(6)	(4)
Interest benefit on U.K. financing entities	(4)	(4)	(13)	(15)
Stock-based compensation (c)	(1)	—	(12)	—
Other	(8)	(7)	(12)	(13)
Total increase (decrease)	(75)	(45)	(171)	(139)
Total income taxes	$ 139	$ 144	$ 510	$ 432

(a) During the three and nine months ended September 30, 2015, PPL recorded a $9 million tax benefit related to a planned amendment of a prior period tax return.

During the nine months ended September 30, 2015, PPL recorded a $12 million tax benefit to adjust the settled refund amount approved by the Joint Committee on Taxation for the open audit years 1998 - 2011.

(b) The U.K. Finance Act 2016, enacted in September 2016, reduces the U.K. statutory income tax rate effective April 1, 2020 from 18% to 17%. As a result, PPL reduced its net deferred tax liabilities and recognized a deferred tax benefit during the three and nine months ended September 30, 2016.

(c) During the three and nine months ended September 30, 2016, PPL recorded lower income tax expense related to the application of new stock-based compensation accounting guidance. See Note 2 for additional information.

(PPL Electric)

	Three Months		Nine Months	
	2016	2015	2016	2015
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 52	$ 32	$ 149	$ 112
ncrease (decrease) due to:				
State income taxes, net of federal income tax benefit	9	7	27	21
Depreciation not normalized	(2)	(1)	(5)	(3)
Stock-based compensation (a)	—	—	(7)	—

Other	(1)	(3)	(2)	—
Total increase (decrease)	6	3	13	18
otal income taxes	$ 58	$ 35	$ 162	$ 130

(a) During the nine months ended September 30, 2016, PPL Electric recorded lower income tax expense related to the application of new stock-based compensation accounting guidance. See Note 2 for additional information.

(LKE)

	Three Months		Nine Months	
	2016	2015	2016	2015
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 74	$ 68	$ 189	$ 172
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	8	7	20	18
Amortization of investment tax credit	(1)	(1)	(2)	(2)
Valuation allowance adjustments (a)	—	—	—	8
Stock-based compensation	(1)	—	(2)	—
Other	(1)	(1)	(3)	(2)
Total increase (decrease)	5	5	13	22
Total income taxes	$ 79	$ 73	$ 202	$ 194

(a) Represents a valuation allowance against tax credits expiring in 2016 and 2017 that are more likely than not to expire before being utilized.

(LG&E)

	Three Months		Nine Months	
	2016	2015	2016	2015
ederal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 36	$ 33	$ 90	$ 83
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	4	4	10	9
Other	(1)	(1)	(2)	(1)
Total increase (decrease)	3	3	8	8
Total income taxes	$ 39	$ 36	$ 98	$ 91

(KU)

	Three Months		Nine Months	
	2016	2015	2016	2015
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 44	$ 41	$ 117	$ 106
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	5	4	12	11
Other	(1)	(1)	(1)	(2)
Total increase (decrease)	4	3	11	9
Total income taxes	$ 48	$ 44	$ 128	$ 115

)ther *(PPL)*

In February 2015, PPL and the IRS Appeals Division reached a settlement on the amount of PPL's refund from its open audits for the years 1998 - 2011. In April 2015, PPL was notified that the Joint Committee on Taxation approved PPL's settlement. For the nine months ended September 30, 2015, PPL recorded a tax benefit of $24 million. Of this amount, $12 million was reflected in continuing operations. PPL finalized the settlement of interest in the second quarter of 2016 and recorded an additional $3 million tax benefit.

6. Utility Rate Regulation

(All Registrants)

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

	PPL		PPL Electric	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Current Regulatory Assets:				
Environmental cost recovery	$ 4	$ 24	$ —	$ —
Generation formula rate	12	7	—	—
Transmission service charge	8	10	8	10
Other	6	7	4	3
Total current regulatory assets (a)	$ 30	$ 48	$ 12	$ 13
Noncurrent Regulatory Assets:				
Defined benefit plans	$ 791	$ 809	$ 456	$ 469
Taxes recoverable through future rates	333	326	333	326
Storm costs	71	93	19	30
Unamortized loss on debt	62	68	39	42
Interest rate swaps	143	141	—	—
Accumulated cost of removal of utility plant	143	137	143	137
AROs	208	143	—	—
Other	14	16	1	2
Total noncurrent regulatory assets	$ 1,765	$ 1,733	$ 991	$ 1,006
Current Regulatory Liabilities:				
Generation supply charge	$ 22	$ 41	$ 22	$ 41
Demand side management	6	8	—	—
Gas supply clause	—	6	—	—
Universal service rider	10	5	10	5
Transmission formula rate	25	48	25	48
Fuel adjustment clause	14	14	—	—
Act 129 compliance rider	22	—	22	—
Storm damage expense	13	16	13	16
Other	8	7	2	3
Total current regulatory liabilities	$ 120	$ 145	$ 94	$ 113
Noncurrent Regulatory Liabilities:				
Accumulated cost of removal of utility plant	$ 698	$ 691	$ —	$ —
Coal contracts (b)	3	17	—	—

Power purchase agreement - OVEC (b)	77	83	—	—
Net deferred tax assets	23	23	—	—
Act 129 compliance rider	—	22	—	22
Defined benefit plans	27	24	—	—
Interest rate swaps	80	82	—	—
Other	3	3	—	—
Total noncurrent regulatory liabilities	$ 911	$ 945	$ —	$ 22

	LKE		LG&E		KU	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Current Regulatory Assets:						
Environmental cost recovery	$ 4	$ 24	$ 4	$ 13	$ —	$ 11
Generation formula rate	12	7	—	—	12	7
Other	2	4	2	3	—	1
Total current regulatory assets	$ 18	$ 35	$ 6	$ 16	$ 12	$ 19
Noncurrent Regulatory Assets:						
Defined benefit plans	$ 335	$ 340	$ 211	$ 215	$ 124	$ 125
Storm costs	52	63	29	35	23	28
Unamortized loss on debt	23	26	16	17	7	9
Interest rate swaps	143	141	102	98	41	43
AROs	208	143	77	57	131	86
Plant retirement costs	4	6	—	—	4	6
Other	9	8	2	2	7	6
Total noncurrent regulatory ssets	$ 774	$ 727	$ 437	$ 424	$ 337	$ 303
Current Regulatory Liabilities:						
Demand side management	$ 6	$ 8	$ 4	$ 4	$ 2	$ 4
Gas supply clause	—	6	—	6	—	—
Fuel adjustment clause	14	14	2	2	12	12
Other	6	4	1	1	5	3
Total current regulatory liabilities	$ 26	$ 32	$ 7	$ 13	$ 19	$ 19
Noncurrent Regulatory Liabilities:						
Accumulated cost of removal of utility plant	$ 698	$ 691	$ 306	$ 301	$ 392	$ 390
Coal contracts (b)	3	17	1	7	2	10
Power purchase agreement - OVEC (b)	77	83	53	57	24	26
Net deferred tax assets	23	23	23	23	—	—
Defined benefit plans	27	24	—	—	27	24
Interest rate swaps	80	82	40	41	40	41
Other	3	3	1	2	2	1
Total noncurrent regulatory liabilities	$ 911	$ 923	$ 424	$ 431	$ 487	$ 492

(a) These amounts are included in "Other current assets" on the Balance Sheets.

(b) 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

U.K. Activities *(PPL)*

Ofgem Review of Line Loss Calculation

In 2014, Ofgem issued its final decision on the DPCR4 line loss incentives and penalties mechanism. WPD began refunding its liability for over-recovery of line losses to customers on April 1, 2015, which will continue through March 31, 2019. The liability at September 30, 2016 was $31 million.

Kentucky Activities

Rate Case Proceedings (PPL, LKE, LG&E and KU)

On November 1, 2016, LG&E and KU announced that on November 23, 2016, they anticipate filing requests with the KPSC for increases in annual base electricity rates of approximately $103 million at KU and an increase in annual base electricity and gas rates of approximately $94 million and $14 million at LG&E. The proposed base rate increases to be requested are an electricity rate increase of 6.4% at KU and electricity and gas rate increases of 8.5% and 4.2% at LG&E and would become effective in July 2017. LG&E's and KU's applications include requests for CPCNs for implementing an Advanced Metering System program and a Distribution Automation program. The applications are to be based on a forecasted test year of July 1, 2017 through June 30, 2018 and a requested return-on-equity of 10.23%. LG&E and KU cannot predict the outcome of these proceedings.

CPCN and ECR Filings(PPL, LKE, LG&E and KU)

On August 8, 2016, the KPSC issued an order approving CPCNs and ECR rate treatment regarding environmental construction projects relating to the EPA's regulations addressing the handling of coal combustion by-products and MATS. The construction projects began in 2016 and are expected to continue through 2023. The KPSC order established a 9.8% authorized return on equity for these projects. Recovery of costs has commenced with bills rendered on and after August 31, 2016.

Gas Franchise(LKE and LG&E)

LG&E's existing gas franchise agreement for the Louisville/Jefferson County service area expired on March 31, 2016. LG&E submitted a proposed bid for a new franchise agreement on June 9, 2016. On August 30, 2016, LG&E and Louisville/Jefferson County entered into a revised franchise agreement with a 5-year term (with renewal options). The franchise fee may be modified at Louisville/Jefferson County's election upon 60 days' notice. However, any franchise fee is capped at 3% of gross receipts for natural gas service within the franchise area. The agreement further provides that if the KPSC determines that the franchise fee should be recovered from LG&E's customers, the franchise fee shall revert to zero. On August 30, 2016, LG&E filed an application in a KPSC proceeding to review and rule upon the recoverability of the franchise fee.

Louisville/Jefferson County submitted a motion to dismiss the proceeding filed by LG&E, and further filed a KPSC complaint against LG&E relating to these issues. On October 19, 2016, the KPSC issued an order rejecting Louisville/Jefferson County's complaint and provided Louisville/Jefferson County 20 days to file an amended complaint. Until the KPSC issues orders in these proceedings, LG&E cannot predict the outcome of this matter but does not anticipate that it will have a material effect on its financial condition or results of operation. LG&E continues to provide gas service to customers in this franchise area at existing rates, but without collecting or remitting a franchise fee.

Pennsylvania Activities*(PPL and PPL Electric)*

Act 129

Act 129 requires Pennsylvania Electric Distribution Companies (EDCs) to meet, by specified dates, specified goals for reduction in customer electricity usage and peak demand. EDCs not meeting the requirements of Act 129 are subject to significant penalties. In November 2015, PPL Electric filed with the PUC its Act 129 Phase III Energy Efficiency and Conservation Plan for the period June 1, 2016 through May 31, 2021. In January 2016, PPL Electric and the other parties to the case reached a settlement of all major issues and filed that settlement with the Administrative Law Judge. In June 2016, the PUC issued a final order approving PPL Electric's Phase III Plan as modified by the settlement, allowing PPL Electric to recover, through the Act 129 compliance rider, a maximum $313 million in program cost over the five-year period June 1, 2016 through May 31, 2021.

Act 129 also requires Default Service Providers (DSP) to provide electricity 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.

PPL Electric has received PUC approval of its biannual DSP procurement plans for all prior periods required under Act 129. In January 2016, PPL Electric filed a Petition for Approval of a new DSP procurement plan with the PUC for the period June 1, 2017 through May 31, 2021. The parties to the proceeding reached a settlement on all but one issue and a partial settlement agreement and briefs on the open issue were submitted to the Administrative Law Judge (ALJ) in July 2016. In August 2016, the ALJ issued an initial decision, and certain parties filed exceptions and reply exceptions. In October 2016, the PUC issued an order approving the partial settlement agreement and adopting the initial decision with minor modifications.

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7. Financing Activities

⌣redit 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 Electric, LKE, 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, 2016					December 31, 2015	
	Expiration Date	Capacity	Borrowed	Letters of Credit and Commercial Paper Issued	Unused Capacity	Borrowed	Letters of Credit and Commercial Paper Issued
PPL							
U.K.							
WPD plc							
Syndicated Credit Facility	Jan 2021	£ 210	£ 153	£ —	£ 57	£ 133	£ —
WPD (South West)							
Syndicated Credit Facility	July 2021	245	100	—	145	—	—
WPD (East Midlands)							
Syndicated Credit Facility	July 2021	300	31	—	269	—	—
WPD (West Midlands)							
Syndicated Credit Facility	July 2021	300	—	—	300	—	—
Uncommitted Credit Facilities		40	—	4	36	—	4
Total U.K. Credit Facilities (a)		£ 1,095	£ 284	£ 4	£ 807	£ 133	£ 4
U.S.							
PPL Capital Funding							
Syndicated Credit Facility	Jan 2021	$ 700	$ —	$ —	$ 700	$ —	$ 151
Syndicated Credit Facility	Nov 2018	300	—	—	300	—	300
Bilateral Credit Facility	Mar 2017	150	—	17	133	—	20
Total PPL Capital Funding Credit Facilities		$ 1,150	$ —	$ 17	$ 1,133	$ —	$ 471
PPL Electric							
Syndicated Credit Facility	Jan 2021	$ 400	$ —	$ 131	$ 269	$ —	$ 1

LKE							
Syndicated Credit Facility (b)	Oct 2018	$ 75	$ —	$ —	$ 75	$ 75	$ —
LG&E							
Syndicated Credit Facility	Dec 2020	$ 500	$ —	$ 128	$ 372	$ —	$ 142
KU							
Syndicated Credit Facility	Dec 2020	$ 400	$ —	$ 7	$ 393	$ —	$ 48
Letter of Credit Facility	Oct 2017	198	—	198	—	—	198
Total KU Credit Facilities		$ 598	$ —	$ 205	$ 393	$ —	$ 246

(a) WPD plc's amounts borrowed at September 30, 2016 and December 31, 2015 were USD-denominated borrowings of $200 million for both periods, which bore interest at 1.35% and 1.83%. The unused capacity reflects the amount borrowed in GBP of £153 million as of the date borrowed. WPD (South West) amount borrowed at September 30, 2016 was a GBP-denominated borrowing which equated to $131 million and bore interest at 0.68%. WPD (East Midlands) amount borrowed at September 30, 2016 was a GBP-denominated borrowing which equated to $40 million and bore interest at 0.66%. At September 30, 2016, the unused capacity under the U.K. credit facilities was approximately $1.1 billion.

(b) LKE's interest rate on outstanding borrowings at December 31, 2015 was 1.68%.

PPL, PPL Electric, LG&E and KU maintain commercial paper programs to provide an additional financing source to fund short-term liquidity needs, as 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, 2016				December 31, 2015	
	Weighted - Average Interest Rate	Capacity	Commercial Paper Issuances	Unused Capacity	Weighted - Average Interest Rate	Commercial Paper Issuances
PPL Capital Funding		$ 1,000	$ —	$ 1,000	0.78%	$ 451
PPL Electric	0.74%	400	130	270		—
LG&E	0.73%	350	128	222	0.71%	142
KU	0.66%	350	7	343	0.72%	48
Total		$ 2,100	$ 265	$ 1,835		$ 641

(LKE)

ee Note 11 for discussion of intercompany borrowings.

Long-term Debt

(PPL)

In May 2016, PPL Capital Funding issued $650 million of 3.10% Senior Notes due 2026. PPL Capital Funding received proceeds of $645 million, net of a discount and underwriting fees, which will be used to invest in or make loans to subsidiaries of PPL, to repay short-term debt and for general corporate purposes.

In May 2016, WPD (East Midlands) borrowed £100 million at 0.4975% under a new ten-year index linked term loan agreement, which will be used for general corporate purposes.

In May 2016, WPD plc repaid the entire $460 million principal amount of its 3.90% Senior Notes upon maturity.

In October 2016, WPD (East Midlands) issued an additional £40 million of its 2.671% Index-linked Senior Notes due 2043. WPD (East Midlands) received proceeds of £83 million, which equated to $101 million at the time of issuance, net of fees and including a premium. The principal amount of the notes is adjusted based on changes in a specified index, as detailed in the terms of the related indentures. The proceeds will be used for general corporate purposes.

(PPL and PPL Electric)

In March 2016, the LCIDA issued $116 million of Pollution Control Revenue Refunding Bonds, Series 2016A due 2029 and $108 million of Pollution Control Revenue Refunding Bonds, Series 2016B due 2027 on behalf of PPL Electric. The bonds were issued bearing interest at an initial term rate of 0.90% through their mandatory purchase dates of September 1, 2017 and August 15, 2017. Thereafter, the method of determining the interest rate on the bonds may be converted from time to time at PPL Electric's option. The proceeds of the bonds were used to redeem $116 million of 4.70% Pollution Control Revenue Refunding Bonds, 2005 Series A due 2029 and $108 million of 4.75% Pollution Control Revenue Refunding Bonds, 2005 Series B due 2027 previously issued by the LCIDA on behalf of PPL Electric.

In connection with the issuance of each of these new series of LCIDA bonds, PPL Electric entered into a loan agreement with the LCIDA pursuant to which the LCIDA has loaned to PPL Electric the proceeds of the LCIDA bonds on payment terms that correspond to the LCIDA bonds. In order to secure its obligations under the loan agreement, PPL Electric issued $224 million of First Mortgage Bonds under its 2001 Mortgage Indenture, which also have payment terms that correspond to the LCIDA bonds.

(PPL, LKE and LG&E)

September 2016, the County of Trimble, Kentucky issued $125 million of Pollution Control Revenue Refunding Bonds, 2016 Series (Louisville Gas and Electric Company Project) due 2044 on behalf of LG&E. The bonds were issued with a floating interest rate that initially will reset weekly. The method of determining the interest rate on the bonds may be converted from time to time at LG&E's option. The proceeds of the bonds were used to redeem $83 million of Pollution Control Revenue Refunding Bonds, 2000 Series A (Louisville Gas and Electric Company Project) due 2030 and $42 million of Pollution Control Revenue Refunding Bonds, 2002 Series A (Louisville Gas and Electric Company Project) due 2032 previously issued by the County of Trimble, Kentucky on behalf of LG&E.

(PPL, LKE and KU)

In August 2016, the County of Carroll, Kentucky issued $96 million of Pollution Control Revenue Refunding Bonds, 2016 Series A (Kentucky Utilities Company Project) due 2042 on behalf of KU. The bonds were issued bearing interest at an initial term rate of 1.05% through their mandatory purchase date of September 1, 2019. Thereafter, the method of determining the interest rate on the bonds may be converted from time to time at KU's option. The proceeds of the bonds were used to redeem $96 million of Pollution Control Revenue Refunding Bonds, 2002 Series C (Kentucky Utilities Company Project) due 2032 previously issued by the County of Carroll, Kentucky on behalf of KU.

(PPL)

ATM Program

In February 2015, PPL filed a registration statement with the SEC and entered into two separate equity distribution agreements, pursuant to which PPL may sell, from time to time, up to an aggregate of $500 million of its common stock. For the periods ended September 30, PPL issued the following:

	Three Months		Nine Months	
	2016	2015	2016	2015
Number of shares (in thousands)	710	436	710	858
Average share price	$ 35.23	$ 32.95	$ 35.23	$ 33.33
Net Proceeds	$ 25	$ 14	$ 25	$ 28

Distributions

In August 2016, PPL declared a quarterly common stock dividend, payable October 3, 2016, of 38 cents per share (equivalent to $1.52 per annum). Future dividends, declared at the discretion of the Board of Directors, will depend upon future earnings, cash flows, financial and legal requirements and other factors.

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, modify or terminate the projects. Any resulting transactions may impact future financial results. See Note 8 in the Registrants' 2015 Form 10-K for additional information.

(PPL)

Discontinued Operations

Spinoff of PPL Energy Supply

In June 2015, PPL completed the spinoff of PPL Energy Supply, which combined its competitive power generation businesses with those of Riverstone to form a new, stand-alone, publicly traded company named Talen Energy.

Following completion of the spinoff, PPL shareowners owned 65% of Talen Energy and affiliates of Riverstone owned 35%. The spinoff had no effect on the number of PPL common shares owned by PPL shareowners or the number of shares of PPL common stock outstanding. The transaction is intended to be tax-free to PPL and its shareowners for U.S. federal income tax purposes.

PPL has no continuing ownership interest in or control of Talen Energy and Talen Energy Supply (formerly PPL Energy Supply). See Note 8 in PPL's 2015 Form 10-K for additional information.

Loss on Spinoff

In June 2015, in conjunction with the accounting for the spinoff, PPL evaluated whether the fair value of the Supply segment's net assets was less than the carrying value as of the June 1, 2015 spinoff date.

PPL considered several valuation methodologies to derive a fair value estimate of its Supply segment at the spinoff date. These methodologies included considering the closing "when-issued" Talen Energy market value on June 1, 2015 (the spinoff date), adjusted for the proportional share of the equity value attributable to the Supply segment, as well as, the valuation methods consistently used in PPL's goodwill impairment assessments - an income approach using a discounted cash flow analysis of the Supply segment and an alternative market approach considering market multiples of comparable companies.

Although the Talen Energy market value approach utilized the most observable inputs of the three approaches, PPL considered certain limitations of the "when-issued" trading market for the spinoff transaction including the short trading duration, lack of liquidity in the market and anticipated initial Talen stock ownership base selling pressure, among other factors, and concluded that these factors limited this input being solely determinative of the fair value of the Supply segment. As such, PPL also considered the other valuation approaches in estimating the overall fair value, but ultimately assigned the highest weighting to the Talen Energy market value approach.

The following table summarizes PPL's fair value analysis:

Approach	Weighting	Weighted Fair Value (in billions)
Talen Energy Market Value	50%	$ 1.4
Income/Discounted Cash Flow	30%	1.1
Alternative Market (Comparable Company)	20%	0.7
Estimated Fair Value		$ 3.2

A key assumption included in the fair value estimate is the application of a control premium of 25% in the two market approaches. PPL concluded it was appropriate to apply a control premium in these approaches as the goodwill impairment testing guidance was followed in determining the estimated fair value of the Supply segment which had historically been a reporting unit for PPL. This guidance provides that the market price of an individual security (and thus the market capitalization of a reporting unit with publicly traded equity securities) may not be representative of the fair value of the reporting unit. This guidance also indicates that substantial value may arise to a controlling shareholder from the ability to take advantage of synergies and other benefits that arise from control over another entity, and that the market price of a company's individual share of stock does not reflect this additional value to a controlling shareholder. Therefore, the quoted market price need not be the sole measurement basis for determining the fair value, and including a control premium is appropriate in measuring the fair value of a reporting unit.

In determining the control premium, PPL reviewed premiums received during the prior five years in market sales transactions obtained from observable independent power producer and hybrid utility transactions greater than $1 billion. Premiums for these transactions ranged from 5% to 42% with a median of approximately 25%. Given these metrics, PPL concluded a control premium of 25% to be reasonable for both of the market valuation approaches used.

Assumptions used in the discounted cash flow analysis included forward energy prices, forecasted generation, and forecasted operation and maintenance expenditures that were consistent with assumptions used in the Energy Supply portion of the Talen Energy business planning process at that time and a market participant discount rate.

Using these methodologies and weightings, PPL determined the estimated fair value of the Supply segment (classified as Level 3) was below its carrying value of $4.1 billion and recorded a loss on the spinoff of $879 million in the second quarter of 2015, which is flected in discontinued operations and is nondeductible for tax purposes. This amount served to reduce the basis of the net assets counted for as a dividend at the June 1, 2015 spinoff date.

Costs of Spinoff

Employee-related costs incurred in the nine months ended September 30, 2015 primarily included accelerated stock-based compensation and pro-rated performance-based cash incentive and stock-based compensation awards, primarily for PPL Energy Supply employees and for PPL Services employees who became PPL Energy Supply employees in connection with the transaction. PPL Energy Supply recognized $24 million of these costs at the spinoff closing date, which are reflected in discontinued operations.

PPL also recorded $44 million of third-party costs related to this transaction during the nine months ended September 30, 2015. Of these costs, $31 million were primarily for bank advisory, legal and accounting fees to facilitate the transaction, and are reflected in discontinued operations. An additional $13 million of consulting and other costs were incurred to prepare the new Talen Energy organization for the spinoff and reconfigure the remaining PPL service functions. These costs are primarily recorded in "Other operation and maintenance" on the Statement of Income.

At the close of the transaction, $72 million ($42 million after-tax) of cash flow hedges, primarily unamortized losses on PPL interest rate swaps recorded in AOCI and designated as cash flow hedges of PPL Energy Supply's future interest payments, were reclassified into earnings and are reflected in discontinued operations for the nine months ended September 30, 2015.

Continuing Involvement(PPL and PPL Electric)

As a result of the spinoff, PPL and PPL Energy Supply entered into a Transition Services Agreement (TSA) that terminates no later than two years after the spinoff. Pursuant to the TSA, PPL is providing Talen Energy certain information technology, financial and accounting, human resource and other specified services. For the three and nine months ended September 30, 2016, the amounts PPL billed Talen Energy for these services were $9 million and $29 million. For the three and nine months ended September 30, 2015, the nounts PPL billed Talen Energy for these services were $11 million and $14 million. In general, the fees for the transition services allow the provider to recover its cost of the services, including overheads, but without margin or profit.

Additionally, prior to the spinoff, through the annual competitive solicitation process, PPL EnergyPlus was awarded supply contracts for a portion of the PLR generation supply for PPL Electric, which were retained by Talen Energy Marketing as part of the spinoff. PPL Electric's supply contracts with Talen Energy Marketing extend through November 2016. Energy purchases from PPL EnergyPlus were previously included in PPL Electric's Statements of Income as "Energy purchases from affiliate" but were eliminated in PPL's Consolidated Statements of Income.

For the three and nine months ended September 30, 2016, PPL Electric's energy purchases from Talen Energy Marketing were $15 million and $98 million. For the three and nine months ended September 30, 2015, PPL Electric's energy purchases from Talen Energy Marketing were not significant. These energy purchases are no longer considered affiliate transactions.

Summarized Results of Discontinued Operations(PPL)

The operations of the Supply segment prior to the spinoff on June 1, 2015 are included in "Income (Loss) from Discontinued Operations (net of income taxes)" on the Statements of Income. Following are the components of Discontinued Operations in the Statement of Income for the periods ended September 30, 2015:

	Three Months	Nine Months
perating revenues	$ —	$ 1,427
Operating expenses	—	1,328
Other Income (Expense) - net	—	(22)
Interest expense (a)	—	150
Income (loss) before income taxes	—	(73)
Income tax expense (benefit)	3	(37)
Loss on spinoff	—	(879)
Income (Loss) from Discontinued Operations (net of income taxes)	$ (3)	$ (915)

(a) Includes interest associated with the Supply segment with no additional allocation as the Supply segment was sufficiently capitalized.

Development

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

Northeast/Pocono

In October 2012, the FERC issued an order in response to PPL Electric's December 2011 request for ratemaking incentives for the Iortheast/Pocono Reliability project (a new 58-mile, 230 kV transmission line that includes three new substations and upgrades to djacent facilities). The FERC granted the incentive for inclusion in rate base of all prudently incurred construction work in progress costs but denied the requested incentive for a 100 basis point adder to the return on equity.

In December 2012, PPL Electric submitted an application to the PUC requesting permission to site and construct the project. In January 2014, the PUC issued a final order approving the application. The line was energized in April 2016, completing the approximately $350 million project which includes additional substation security enhancements. Costs related to the project are included on the Balance Sheets, primarily in "Regulated utility plant."

9. Defined Benefits

(PPL, LKE and LG&E)

Certain net periodic defined benefit costs are applied to accounts that are further distributed among capital, expense and regulatory assets, 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 and its subsidiaries, LKE and its subsidiaries and LG&E for the periods ended September 30:

	Pension Benefits							
	Three Months				Nine Months			
	U.S.		U.K.		U.S.		U.K.	
	2016	2015	2016 (a)	2015	2016	2015	2016 (a)	2015
PPL								
Service cost	$ 16	$ 20	$ 17	$ 21	$ 49	$ 76	$ 53	$ 60
Interest cost	44	42	58	80	131	152	182	236
Expected return on plan assets	(57)	(56)	(124)	(133)	(171)	(201)	(389)	(393)
Amortization of:								

Prior service cost	2	1	—	—	6	5	—	—
Actuarial loss	12	18	34	39	37	65	107	118
Net periodic defined benefit costs (credits) before settlements	17	25	(15)	7	52	97	(47)	21
Settlements	3	—	—	—	3	—	—	—
Net periodic defined benefit costs (credits) (b)	$ 20	$ 25	$ (15)	$ 7	$ 55	$ 97	$ (47)	$ 21

	Pension Benefits							
	Three Months				Nine Months			
	U.S.		U.K.		U.S.		U.K.	
	2016	2015	2016 (a)	2015	2016	2015	2016 (a)	2015
LKE								
Service cost	$ 6	$ 7			$ 18	$ 20		
Interest cost	18	17			53	51		
Expected return on plan assets	(23)	(22)			(68)	(66)		
Amortization of:								
Prior service cost	2	1			6	5		
Actuarial loss	5	9			15	26		
Net periodic defined benefit costs	$ 8	$ 12			$ 24	$ 36		
LG&E								
Service cost	$ —	$ —			$ 1	$ 1		
Interest cost	4	3			11	10		
Expected return on plan assets	(5)	(5)			(15)	(15)		
Amortization of:								
Prior service cost	1	1			3	2		
Actuarial loss	2	3			5	9		
Net periodic defined benefit costs	$ 2	$ 2			$ 5	$ 7		

(a) See Note 2 for a discussion of changes to the discount rate used for the U.K. Pension Plans.

(b) For the nine months ended September 30, 2015, the total net periodic defined benefit cost includes $18 million reflected in discontinued operations related to costs allocated from PPL's plans to PPL Energy Supply prior to the spinoff.

	Other Postretirement Benefits			
	Three Months		Nine Months	
	2016	2015	2016	2015
PPL				
Service cost	$ 2	$ 2	$ 6	$ 9
Interest cost	6	6	19	20
Expected return on plan assets	(6)	(6)	(17)	(20)
Amortization of actuarial loss	1	—	1	—
Net periodic defined benefit costs	$ 3	$ 2	$ 9	$ 9
LKE				
Service cost	$ 1	$ 1	$ 3	$ 4
Interest cost	2	2	7	7

Expected return on plan assets	(2)	(1)	(5)	(4)
Amortization of prior service cost	1	1	2	2
Net periodic defined benefit costs	$ 2	$ 3	$ 7	$ 9

(PPL Electric, LG&E and KU)

In addition to the specific plans it sponsors, LG&E is allocated costs of defined benefit plans sponsored by LKE. PPL Electric and KU do not directly 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. These allocations are based on 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 Electric, and LKE allocated the following net periodic defined benefit costs to LG&E and KU:

	Three Months		Nine Months	
	2016	2015	2016	2015
PPL Electric	$ 6	$ 8	$ 17	$ 24
LG&E	2	3	7	10
KU	2	4	8	13

Cash Flows - U.S. Pension Plans

(PPL & LKE)

During the nine months ended September 30, 2016, LKE contributed $66 million to its pension plans. LKE does not anticipate making any additional significant contributions to these plans in 2016.

(PPL, LKE and LG&E)

During the nine months ended September 30, 2016, LG&E contributed $35 million to its pension plan. LG&E does not anticipate making any additional contributions to the plan in 2016.

10. Commitments and Contingencies

Legal Matters

(All Registrants)

PL 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 (e) 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.

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

In December 2013, six residents, on behalf of themselves and others similarly situated, filed a class action complaint against LG&E and PPL in the U.S. District Court for the Western District of Kentucky alleging violations of the Clean Air Act and RCRA. In addition, these plaintiffs assert common law claims of nuisance, trespass and negligence. These plaintiffs seek injunctive relief and civil penalties, plus costs and attorney fees, for the alleged statutory violations. Under the common law claims, these plaintiffs seek monetary compensation and punitive damages for property damage and diminished property values for a class consisting of residents within four miles of the Cane Run plant. In their individual capacities, these plaintiffs seek compensation for alleged adverse health effects. In response to a motion to dismiss filed by PPL and LG&E, in July 2014, the court dismissed the plaintiffs' RCRA claims and all but one Clean Air Act claim, but declined to dismiss their common law tort claims. Upon motion of LG&E and PPL, the district court certified for appellate review the issue of whether the state common law claims are preempted by federal statute. In December 2014, the U.S. Court of Appeals for the Sixth Circuit issued an order granting appellate review regarding the above matter. Oral argument before the Sixth Circuit was held in August 2015. In November 2015, the Sixth Circuit issued an opinion affirming the District Court's ruling that plaintiffs' state law claims are not preempted by the Clean Air Act and remanding the matter to the District Court for further proceedings. The District Court as issued an order setting a discovery schedule through the second quarter of 2017. PPL, LKE and LG&E cannot predict the outcome of is matter. LG&E retired one coal-fired unit at the Cane Run plant in March 2015 and the remaining two coal-fired units at the plant in June 2015.

Mill Creek Environmental Claims*(PPL, LKE and LG&E)*

In May 2014, the Sierra Club filed a citizen suit against LG&E in the U.S. District Court for the Western District of Kentucky for alleged violations of the Clean Water Act. The Sierra Club alleged that various discharges at the Mill Creek plant constituted violations of the plant's water discharge permit. The Sierra Club sought civil penalties, injunctive relief, costs and attorney's fees. The parties reached a proposed settlement in the matter on September 27, 2016, which has been submitted to the court. LG&E has agreed to limited alterations to outfall facilities and discharge practices and to fund $1 million in environmental enhancement projects focused on tree planting and water quality in Kentucky. The settlement includes no finding or agreement of any violation of law by LG&E and does not involve fines or civil penalties. The U.S. Department of Justice has 45 days to review the settlement before the court can approve. PPL, LKE and LG&E cannot predict the ultimate outcome of this matter, but do not presently expect the matter to have a material effect on plant operation, capital expenditures or operating costs, or to result in significant charges beyond the amounts previously recorded.

E.W. Brown Environmental Claims*(PPL, LKE and KU)*

In October 2015, KU received a notice of intent from Earthjustice and the Sierra Club informing certain federal and state agencies of the Sierra Club's intent to file a citizen suit, following expiration of the mandatory 60-day notification period, for alleged violations of the Clean Water Act. The claimants allege discharges at the E.W. Brown plant in violation of applicable rules and the plant's water discharge permit. The claimants assert that, unless the alleged discharges are promptly brought into compliance, it intends to seek civil penalties, injunctive relief and attorney's fees. In November 2015, the claimants submitted an amended notice of intent to add the Kentucky Waterways Alliance as a claimant. On October 26, 2016, the claimants submitted an additional notice of intent alleging management of waste in a manner that may present an imminent and substantial endangerment under the RCRA. PPL, LKE and KU cannot predict the outcome of this matter or the potential impact on the operations of the E. W. Brown plant, including increased capital or operating costs, if any.

(PPL, LKE, LG&E and KU)

Trimble County Unit 2 Air Permit

The Sierra Club and other environmental groups petitioned the Kentucky Environmental and Public Protection Cabinet to overturn the air permit issued for the Trimble County Unit 2 baseload coal-fired 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 Kentucky Division for Air Quality. 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 operations of the Trimble County plant, including increased capital or operating costs, if any.

Trimble County Water Discharge Permit

In May 2010, the Kentucky Waterways Alliance and other environmental groups filed a petition with the Kentucky Energy and Environment Cabinet (KEEC) 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 KEEC issued a final order upholding the permit, which was subsequently appealed by the environmental groups. In September 2013, the Franklin Circuit Court reversed the KEEC order upholding the permit and remanded the permit to the agency for further proceedings. LG&E and the KEEC appealed the order to the Kentucky Court of Appeals. In July 2015, the Court of Appeals upheld the lower court ruling. On February 10, 2016, the Kentucky Supreme Court issued an order granting discretionary review and oral arguments were held on September 14, 2016. PPL, LKE, LG&E and KU are unable to predict the outcome of this matter or the potential impact on the operations of the Trimble County plant, including increased capital or operating costs, if any.

Regulatory Issues*(All Registrants)*

See Note 6 for information on regulatory matters related to utility rate regulation.

Electricity - Reliability Standards

The NERC is responsible for establishing and enforcing mandatory reliability standards (Reliability Standards) regarding the bulk electric system in North America. 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 electric system, including electric utility companies, generators and marketers. Under the Federal Power Act, the FERC may assess civil penalties for certain violations.

LG&E, KU and PPL Electric monitor their compliance with the Reliability Standards and self-report or self-log potential violations of applicable reliability requirements whenever identified, and submit accompanying mitigation plans, as required. The resolution of a small number of potential violations is pending. Penalties incurred to date have not been significant. 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.

Environmental Matters

(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 of these permits and rules.

WPD's distribution businesses are subject to certain statutory and regulatory environmental requirements. In connection with the matters discussed below, it may be necessary for WPD to incur significant compliance costs, which costs may be recoverable through rates subject to the approval of Ofgem. PPL believes that WPD has taken and continues to take measures to comply with all applicable environmental laws and regulations.

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 neither WPD nor PPL Electric owns any generating plants, their exposure to related environmental compliance costs is reduced. 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.

Air

(PPL, LKE, LG&E and KU)

The Clean Air Act, which regulates air pollutants from mobile and stationary sources in the United States, has a significant impact on the operation of fossil fuel plants. The Clean Air Act requires the EPA periodically to review and establish concentration levels in the ambient air for six criteria pollutants to protect public health and welfare. These concentration levels are known as NAAQS. The six criteria pollutants are carbon monoxide, lead, nitrogen dioxide, ozone, particulate matter and sulfur dioxide.

Federal environmental regulation of these criteria pollutants require states to adopt implementation plans, known as state implementation plans, for certain pollutants, which detail how the state will attain the standards that are mandated by the relevant law or regulation. Each state identifies the areas within its boundaries that meet the NAAQS (attainment areas) and those that do not (non-attainment areas), and must develop a state implementation plan both to bring non-attainment areas into compliance with the NAAQS and to maintain good air quality in attainment areas. In addition, for attainment of ozone and fine particulates standards, states in the eastern portion of the country, including Kentucky, are subject to a regional program developed by the EPA known as the Cross-State Air Pollution Rule. The NAAQS, future revisions to the NAAQS and state implementation plans, or future revisions to regional programs, may require installation of additional pollution controls, the costs of which PPL, LKE, LG&E and KU believe are subject to cost recovery.

Although PPL, LKE, LG&E and KU do not anticipate significant costs to comply with these programs, changes in market or operating conditions could result in different costs than anticipated.

National Ambient Air Quality Standards (NAAQS)

Under the Clean Air Act, the EPA is required to reassess the NAAQS for certain air pollutants on a five-year schedule. In 2008, the EPA revised the NAAQS for ozone and proposed to further strengthen the standard in November 2014. The EPA released a new ozone standard on October 1, 2015. The states and EPA will determine attainment with the new ozone standard through review of relevant ambient air monitoring data, with attainment or nonattainment designations scheduled no later than October 2017. States are also obligated to address interstate transport issues associated with new ozone standards through the establishment of "good neighbor" state implementation plans for those states that are found to contribute significantly to another state's non-attainment. States that are not in the ozone transport region, including Kentucky, are working together to evaluate further nitrogen oxide reductions from fossil-fueled plants with SCRs. The nature and timing of any additional reductions resulting from these evaluations cannot be predicted at this time.

In 2010, the EPA finalized revised NAAQS for sulfur dioxide and required states 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 Jefferson County in Kentucky. Attainment must be achieved by 2018. PPL, LKE, LG&E and KU anticipate that certain previously required compliance measures, such as upgraded or new sulfur dioxide Scrubbers at certain plants and the retirement of coal-fired generating units at LG&E's Cane Run plant and KU's Green River plant, will help to achieve compliance with the new sulfur dioxide and ozone standards. If additional reductions are required, the costs could be significant.

Mercury and Air Toxics Standards (MATS)

In February 2012, the EPA finalized the MATS rule requiring reductions of mercury and other hazardous air pollutants from fossil-fuel fired power plants, with an effective date of April 16, 2012. The MATS rule was challenged by industry groups and states and was upheld by the U.S. Court of Appeals for the D. C. Circuit Court (D.C. Circuit Court) in April 2014. A group of states subsequently petitioned the U.S. Supreme Court (Supreme Court) to review this decision and, in June 2015, the Supreme Court held that the EPA failed to properly consider costs when deciding to regulate hazardous air emissions from power plants under MATS. The Supreme Court remanded the matter to the D.C. Circuit Court, which in December 2015 remanded the rule to the EPA without vacating it. The EPA has proposed a supplemental finding regarding costs of the rule and has announced that it intends to make a final determination in 2016. The EPA's MATS rule remains in effect during the pendency of the ongoing proceedings.

LG&E and KU have installed significant controls in response to the MATS rule and in conjunction with compliance with other environmental requirements, including fabric-filter baghouses, upgraded Scrubbers or chemical additive systems for which appropriate KPSC authorization and/or ECR treatment has been received. LG&E and KU have received KPSC approval for a compliance plan providing for installation of additional MATS-related controls; however, the estimated cost of these controls is not expected to be significant for either LG&E or KU. PPL, LKE, LG&E and KU cannot predict the outcome of the MATS rule or its potential impact, if any, on plant operations, rate treatment or future capital or operating needs. See Note 6 for additional information.

New Source Review (NSR)

The NSR litigation brought by the EPA, states and environmental groups against coal-fired generating plants in past years continues to proceed through the courts. Although none of this litigation directly involves PPL, LKE, LG&E or KU, it can influence the permitting of large capital projects at LG&E's and KU's power plants, the costs of which cannot presently be determined but could be significant.

Climate Change

There is continuing world-wide attention focused on issues related to climate change. In June 2016, the President announced that the United States, Canada and Mexico have established the North American Climate, Clean Energy, and Environment Partnership Plan which specifies actions to promote clean energy, address climate change and protect the environment. The plan includes a goal to provide 50% of the energy used in North America from clean energy sources by 2025. The plan does not impose any nation-specific requirements.

In December 2015, 195 nations, including the U.S., signed the Paris Agreement on Climate which establishes a comprehensive framework for the reduction of greenhouse gas (GHG) emissions from both developed and developing nations. Although the agreement does not establish binding reduction requirements, it requires each nation to prepare, communicate and maintain GHG reduction commitments. Reductions can be achieved in a variety of ways, including energy conservation, power plant efficiency improvements, reduced utilization of coal-fired generation or replacing coal-fired generation with natural gas or renewable generation. Based on EPA's Clean Power Plan described below, the U.S. has committed to an initial reduction target of 26% to 28% below 2005 levels by 2025.

The U.K. has enacted binding carbon reduction requirements that are applicable to WPD. Under the U.K. law, WPD must purchase carbon allowances to offset emissions associated with WPD's operations. The cost of these allowances is included in WPD's current operating expenses. WPD expects these expenses to decrease as a result of energy efficiency measures and the removal of 18 fuel sources previously included in the allowance requirements.

The EPA's Rules under Section 111 of the Clean Air Act

As further described below, the EPA finalized rules imposing GHG emission standards for both new and existing power plants in the United States. The EPA has also issued a proposed federal implementation plan that would apply to any states that fail to submit an acceptable state implementation plan under these rules. The EPA's authority to promulgate these regulations under Section 111 of the Clean Air Act has been challenged in the D.C. Circuit Court by several states and industry groups. On February 9, 2016, the Supreme Court stayed the rule for existing plants (the Clean Power Plan) pending the D.C. Circuit Court's review and subsequent review by the Supreme Court if a writ of certiorari is filed and granted.

The EPA's rule for new power plants imposes separate emission standards for coal and natural 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 this technology is not presently commercially viable, the rule effectively precludes the construction of new coal-fired plants. The standard for NGCC power plants is the same as the EPA proposed in 2012 and is not continuously achievable. The preclusion of new coal-fired plants and the compliance difficulties posed for new natural gas-fired plants could have a significant industry-wide impact.

The EPA's Clean Power Plan

The EPA's rule for existing power plants, referred to as the Clean Power Plan, was published in the Federal Register in October 2015. The Clean Power Plan contains state-specific rate-based and mass-based reduction goals and guidelines for the development, submission and implementation of state implementation plans to achieve the state goals. State-specific goals were calculated from 2012 data by applying the EPA's broad interpretation and definition of the BSER, resulting in the most stringent targets to be met in 2030, with interim targets to be met beginning in 2022. The EPA believes it has offered some flexibility to the states as to how their compliance plans can be crafted, including the option to use a rate-based approach (limit emissions per megawatt hour) or a mass-based approach (limit total tons of emissions per year), and the option to demonstrate compliance through emissions trading and multi-state collaborations. Under the rate-based approach, Kentucky would need to make a 41% reduction from its 2012 emissions rate and under a mass-based approach it would need to make a 36% reduction. These reductions are significantly greater than initially proposed and present significant challenges to the state. If the Clean Power Plan is ultimately upheld and Kentucky fails to develop an approvable implementation plan by the applicable deadline, the EPA would impose a federal implementation plan that could be more stringent than what the state plan might provide. Depending on the provisions of the Kentucky implementation plan, LG&E and KU may need to modify their current portfolio of generating assets during the next decade and/or participate in an allowance trading program.

LG&E and KU are participating in the ongoing regulatory processes at the state and federal level. Various states, industry groups and individual companies including LKE have filed petitions for reconsideration with EPA and petitions for review with the D.C. Circuit Court challenging the Clean Power Plan. In February 2016, the U.S. Supreme Court stayed the rule pending the D.C. Circuit Court's review. A ruling from the D.C. Circuit Court may occur in late 2016 or in early 2017. PPL, LKE, LG&E and KU cannot predict the outcome of this matter or the potential impact, if any, on plant operations, or future capital or operating costs. PPL, LKE, LG&E and KU believe that the costs, which could be significant, would be subject to rate recovery.

In April 2014, the Kentucky General Assembly passed legislation limiting the measures that the Kentucky Energy and Environment Cabinet may consider in setting performance standards to comply with the EPA's regulations governing GHG emissions from existing sources. The legislation provides that such state GHG performance standards shall be based on emission reductions, efficiency measures and other improvements available at each power plant, rather than renewable energy, end-use energy efficiency, fuel switching and re-dispatch. These statutory restrictions may make it more difficult for Kentucky to achieve the GHG reduction levels that the EPA has established for Kentucky.

Sulfuric Acid Mist Emissions (PPL, LKE and LG&E)

In June 2016, the EPA issued a notice of violation under the Clean Air Act alleging that LG&E violated applicable rules relating to sulfuric acid mist emissions at its Mill Creek plant. The notice alleges failure to install proper controls, failure to operate the facility consistent with good air pollution control practice, and causing emissions exceeding applicable requirements or constituting a nuisance or endangerment. LG&E believes it has complied with applicable regulations during the relevant time period. Discussions between the EPA and LG&E are ongoing. PPL, LKE and LG&E are unable to predict the outcome of this

matter or the potential impact on operations of the Mill Creek plant, including increased capital or operating costs, and potential civil penalties or remedial measures, if any.

Water/Waste

(PPL, LKE, LG&E and KU)

Coal Combustion Residuals (CCRs)

In April 2015, the EPA published its final rule regulating CCRs. CCRs include fly ash, bottom ash and sulfur dioxide scrubber wastes. The rule became effective in October 2015. It imposes extensive new requirements, including location restrictions, design and operating standards, groundwater monitoring and corrective action requirements, and closure and post-closure care requirements on CCR impoundments and landfills that are located on active power plants in the United States and not closed. Under the rule, the EPA will regulate CCRs as non-hazardous under Subtitle D of RCRA and allow beneficial use of CCRs, with some restrictions. The rule's requirements for covered CCR impoundments and landfills include implementation of groundwater monitoring and commencement or completion of closure activities generally between three and ten years from certain triggering events. This self-implementing rule requires posting of compliance documentation on a publicly accessible website and is enforceable solely through citizen suits. LG&E and KU are also subject to state rules applicable to CCR management which may potentially be modified to reflect some or all requirements of the federal rule. Industry groups, environmental groups, individual companies and others have filed legal challenges to the final rule which are pending before the D.C. Circuit Court of Appeals.

LG&E and KU have received KPSC approval for a compliance plan providing for construction of additional landfill capacity at the Brown Station, closure of impoundments at the Mill Creek, Trimble County, Brown, and Ghent stations, and construction of process water management facilities at those plants. In addition to the foregoing measures required for compliance with federal CCR rule requirements, LG&E and KU also received KPSC approval for their plans to close impoundments at the retired Green River, Pineville and Tyrone plants to comply with applicable state law requirements. See Note 6 for additional information.

In connection with the final CCR rule, LG&E and KU recorded adjustments to existing AROs during 2015 and 2016. See Note 16 for additional information. Further changes to AROs, current capital plans or operating costs may be required as estimates are refined based on closure developments, groundwater monitoring results, and regulatory or legal proceedings. Costs relating to this rule are subject to rate recovery.

Clean Water Act

Regulations under the federal Clean Water Act dictate permitting and mitigation requirements for facilities and construction projects in the United States. Many of those requirements relate to power plant operations, including requirements related to the treatment of pollutants in effluents prior to discharge, the temperature of effluent discharges and the location, design and construction of cooling water intake structures at generating facilities, standards intended to protect aquatic organisms by reducing capture in the screens attached to cooling water intake structures (impingement) at generating facilities and the water volume brought into the facilities (entrainment). The requirements could impose significant costs for LG&E and KU which are subject to rate recovery.

Effluent Limitations Guidelines (ELGs)

In September 2015, the EPA released its final effluent limitations guidelines for wastewater discharge permits for new and existing steam electricity generating facilities. The rule provides strict technology-based discharge limitations for control of pollutants in scrubber wastewater, fly ash and bottom ash transport water, mercury control wastewater, gasification wastewater and combustion residual leachate. The new guidelines require deployment of additional control technologies providing physical, chemical and biological treatment of wastewaters. The guidelines also mandate operational changes including "no discharge" requirements for fly ash and bottom ash transport waters and mercury control wastewaters. The implementation date for individual generating stations will be determined by the states on a case-by-case basis according to criteria provided by the EPA, but the requirements of the rule must be fully implemented no later than 2023. It has not been decided how Kentucky intends to integrate the ELGs into its routine permit renewal process. Industry groups, environmental groups, individual companies and others have filed legal challenges to the final rule which have been consolidated before the United States Fifth Circuit Court of Appeals. LG&E and KU are developing compliance strategies and schedules. PPL, LKE, LG&E and KU are unable to fully estimate compliance costs or timing at this time, although certain preliminary estimates are included in current capital forecasts for applicable periods. Costs to comply with ELGs or other discharge limits, which are expected to be significant, are subject to rate recovery.

Clean Water Act Section 316(b)

The EPA's final 316(b) rule for existing facilities became effective in October 2014, and regulates cooling water intake structures and their impact on aquatic organisms. States are allowed broad discretion to make site-specific determinations under the rule. The rule requires existing facilities to choose between several options to reduce the impact to aquatic organisms that become trapped against water intake screens (impingement) and to determine the intake structure's impact on aquatic organisms pulled through a plant's cooling water system (entrainment). Plants equipped with closed-cycle cooling, an acceptable option, would likely not incur substantial costs. Once-through systems would likely require additional technology to comply with the rule. Based on studies conducted by LG&E and KU to date, all plants will incur only insignificant operational costs. In addition, LG&E's Mill Creek Unit 1 is expected to incur capital costs. PPL, LKE, LG&E and KU are evaluating compliance strategies but do not presently expect the compliance costs, which are subject to rate recovery, to be significant.

(All Registrants)

Waters of the United States (WOTUS)

The U.S. Court of Appeals for the Sixth Circuit has issued a stay of EPA's rule on the definition of WOTUS pending the court's review of the rule. The effect of the stay is that the WOTUS rule is not in effect anywhere in the United States. The ultimate outcome of the court's review of the rule remains uncertain. Because of the strict permitting programs already in place in Kentucky and Pennsylvania, the Registrants do not expect the rule to have a significant impact on their operations.

Other Issues

The EPA is reassessing its polychlorinated biphenyls (PCB) regulations under the Toxic Substance Control Act, which was significantly updated in June 2016. In 2010, the EPA issued an Advanced Notice of Proposed Rulemaking for changes to these regulations. The rulemaking, which could lead to a phase-out in the United States of all or some equipment containing PCBs, is not likely to be affected by the revisions to the Toxic Substances Control Act. The EPA has postponed the release of revisions to its proposed rulemaking. The Registrants cannot predict at this time the outcome of the proposed EPA rulemaking and what impact, if any, it would have on their facilities, but the costs could be significant.

Superfund and Other Remediation*(All Registrants)*

PPL Electric is potentially responsible for a share of the costs at several sites listed by the EPA under the federal Superfund program, including the Columbia Gas Plant site and the Brodhead 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. Should the EPA require different or additional measures in the future, however, or should PPL Electric's share of costs at multi-party sites increase substantially more than expected, the costs could be significant.

PPL Electric, LG&E and KU are investigating, responding to agency inquiries, 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. To date, the costs of these sites have not been significant.

There are additional sites, formerly owned or operated by PPL Electric, LG&E and KU predecessors or affiliates. LG&E and KU lack information on the condition of such additional sites and are therefore unable to estimate any potential liability they may have or a range of reasonably possible losses, if any, related to these sites. At September 30, 2016 and December 31, 2015, PPL Electric had a recorded liability of $10 million representing its best estimate of the probable loss incurred to remediate additional sites previously owned or operated by PPL Electric predecessors or affiliates. Depending on the outcome of investigations at sites where investigations have not begun or been completed, or developments at sites for which information is incomplete, the costs of remediation and other liabilities could be significant and may be as much as approximately $30 million.

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's subsidiaries in the United States undertake remedial action in response to notices of violations, 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 that 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 the operations of PPL Electric, LG&E and KU.

Future cleanup or remediation work at sites under review, or at sites not yet identified, may result in significant additional costs for PPL, PPL Electric, LKE, LG&E and KU. Insurance policies maintained by LKE, LG&E and KU may be applicable to certain of the costs or other obligations related to these matters but the amount of insurance coverage or reimbursement cannot be estimated or assured.

European Union Creosote Ban*(PPL)*

In 2011, the European Commission amended the European Union Biocides Directive to ban the use of creosote in contact with soil. Creosote is a wood preservative used to extend the life of wooden poles that support power lines. Although European Union member countries were required to pass implementing laws by 2012, the U.K. has not passed an implementing law and there are no legal penalties for failing to do so. The recent U.K. referendum in favor of the U.K.'s withdrawal from the European Union further reduces the likelihood that the U.K. will implement the European Union directive. In the unlikely event that the U.K. were to ban the use of creosote, WPD's creosote-treated wood poles would need to be replaced with an acceptable alternative at the time of routine replacement. Although the aggregate cost to replace poles could be significant, it would be incurred as poles are replaced in the ordinary course and would be subject to rate recovery. WPD has 1.4 million wood poles in its system. There are currently no alternative wood preservatives available that are acceptable to the industry and/or regulators.

Other

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 as of September 30, 2016. "Exposure" represents the estimated maximum potential amount of future payments that could be required to be made under the guarantee. 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." The total recorded liability at September 30, 2016, was $22 million for PPL and $17 million for LKE. The total recorded liability at December 31, 2015, was $25 million for PPL and $18 million for LKE. For reporting purposes, on a consolidated basis, all guarantees of 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, 2016		Expiration Date
PL				
Indemnifications related to the WPD Midlands acquisition			(a)	
WPD indemnifications for entities in liquidation and sales of assets	$	10	(b)	2019
WPD guarantee of pension and other obligations of unconsolidated entities		109	(c)	
PPL Electric				
Guarantee of inventory value		15	(d)	2018
LKE				
Indemnification of lease termination and other divestitures		301	(e)	2021 - 2023
LG&E and KU				
LG&E and KU guarantee of shortfall related to OVEC			(f)	

(a) Indemnifications related to certain liabilities, including a specific unresolved tax issue and those relating to properties and assets owned by the seller that were transferred to WPD Midlands in connection with the acquisition. A cross indemnity has been received from the seller on the tax issue. 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.

(b) Indemnification to the liquidators and certain others for existing liabilities or expenses or liabilities arising during the liquidation process. The indemnifications are limited to distributions made from the subsidiary to its parent either prior or subsequent to liquidation or are 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 where the agreements provide for specific limits.

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 or 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. Additionally, WPD and its affiliates remain secondarily responsible for lease payments under certain leases that they have assigned to third parties.

(c) Relates to certain obligations of discontinued or modified electric associations that were guaranteed at the time of privatization by the participating members. Costs are allocated to the members and can be reallocated if an existing member becomes insolvent. At September 30, 2016, WPD has recorded an estimated discounted liability 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, and as a result, the exposure has been estimated.

(d) A third party logistics firm provides inventory procurement and fulfillment services. The logistics firm has title to the inventory, however, upon termination of the contracts, PPL Electric has guaranteed to purchase any remaining inventory that has not been used or sold.

(e) LKE provides certain indemnifications covering the due and punctual payment, performance and discharge by each party of its respective obligations. The most comprehensive of these guarantees is the LKE guarantee covering operational, regulatory and environmental commitments and indemnifications made by WKE under a 2009 Transaction Termination Agreement. This guarantee has a term of 12 years ending July 2021, and a maximum exposure of $200 million, exclusive of certain items such as government fines and penalties that fall outside the cap. Another WKE-related LKE guarantee covers other indemnifications related to the purchase price of excess power, has a term expiring in 2023, and a maximum exposure of $100 million. In May 2012, LKE's indemnitee received an unfavorable arbitration panel's decision interpreting this matter. In October 2014, LKE's indemnitee filed a motion for discretionary review with the Kentucky Supreme Court seeking to overturn the arbitration decision, and such motion was denied by the court in September 2015. In September 2015, a counterparty issued a demand letter to LKE's indemnitee. In February 2016, the counterparty filed a complaint in Henderson, Kentucky Circuit Court, seeking an award of damages in the matter. The proceeding is currently in the discovery phase. LKE does not believe appropriate contractual, legal or commercial grounds exist for the claim made and has disputed the demands. LKE believes its indemnification obligations in the WKE matter remain subject to various uncertainties, including additional legal and contractual developments, as well as future prices, availability and demand for the subject excess power. Although the parties have also conducted certain settlement discussions, 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, and LKE could be required to perform on these indemnifications in the event of covered losses or liabilities being claimed by an indemnified party. LKE cannot predict the ultimate outcomes of the various indemnification scenarios, but does not expect such outcomes to result in significant losses above the amounts recorded.

(f) Pursuant to the OVEC power purchase contract, LG&E and KU are obligated to pay for their share of OVEC's excess debt service, post-retirement and decommissioning costs, as well as any shortfall from amounts included within a demand charge designed and expected to cover these costs over the term of the contract. LKE's proportionate share of OVEC's outstanding debt was $124 million at September 30, 2016, consisting of LG&E's share of $86 million and KU's share of $38 million. The maximum exposure and the expiration date of these potential obligations are not presently determinable. See "Energy Purchase Commitments" and "Guarantees and Other Assurances" in Note 13 in PPL's, LKE's, LG&E's and KU's 2015 Form 10-K for additional information on the OVEC power purchase contract.

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 ›ligations under certain of these contractual arrangements.

11. Related Party Transactions

Support Costs*(PPL Electric, LKE, LG&E and KU)*

PPL Services and LKS provide their respective PPL and LKE subsidiaries and each other with administrative, management and support services. PPL EU Services provides the majority of financial, supply chain, human resources and facilities management services primarily to PPL Electric. PPL Services provides certain corporate functions to PPL Electric. For all service companies, the costs of these services are charged to the respective recipients as direct support costs. General costs that cannot be directly attributed to a specific entity are allocated and charged to the respective recipients as indirect support costs. PPL Services and PPL EU Services use a three-factor methodology that includes the applicable recipients' invested capital, operation and maintenance expenses and number of employees to allocate indirect costs. LKS bases its indirect allocations on the subsidiaries' number of employees, total assets, revenues, number of customers and/or other statistical information. PPL Services, PPL EU Services and LKS charged the following amounts for the periods ended September 30, including amounts applied to accounts that are further distributed between capital and expense on the books of the recipients, based on methods that are believed to be reasonable.

	Three Months		Nine Months	
	2016	2015	2016	2015
PPL Electric from PPL Services	$ 33	$ 35	$ 98	$ 90
LKE from PPL Services	4	4	13	12
PPL Electric from PPL EU Services	17	12	50	44
LG&E from LKS	40	36	128	107
KU from LKS	46	43	151	127

In addition to the charges for services noted above, LKS makes payments on behalf of LG&E and KU for fuel purchases and other costs for products or services provided by third parties. LG&E and KU also 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.

ntercompany Borrowings*(LKE)*

LKE maintains a $225 million revolving line of credit with a PPL Energy Funding subsidiary whereby LKE can borrow funds on a short-term basis at market-based rates. At September 30, 2016 and December 31, 2015, $138 million and $54 million were outstanding and were reflected in "Notes payable with affiliate" on the Balance Sheets. The interest rate on borrowings is equal to one-month LIBOR plus a spread. The interest rates on the outstanding borrowing at September 30, 2016 and December 31, 2015 were 2.02% and 1.74%.

LKE has a $400 million ten-year note with a PPL affiliate with an interest rate of 3.5%. At September 30, 2016 and December 31, 2015, the note was reflected in "Long-term debt to affiliate" on the Balance Sheets.

Other*(PPL Electric, LG&E and KU)*

See Note 9 for discussions regarding intercompany allocations associated with defined benefits.

12. Other Income (Expense) - net

(PPL)

"Other Income (Expense) - net" for the three and nine months ended September 30, 2016 and 2015 consisted primarily of gains on foreign currency contracts to economically hedge PPL's translation risk related to its GBP denominated earnings in the U.K. See Note 14 for additional information on these derivatives.

13. Fair Value Measurements

(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, 2016 and 2015, there were no transfers between Level 1 and Level 2. See Note 1 in each Registrant's 2015 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, 2016				December 31, 2015			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
PPL								
Assets								
Cash and cash equivalents	$ 416	$ 416	$ —	$ —	$ 836	$ 836	$ —	$ —
Restricted cash and cash equivalents (a)	29	29	—	—	33	33	—	—
Price risk management assets (b):								
Foreign currency contracts	110	—	110	—	209	—	209	—
Cross-currency swaps	153	—	153	—	86	—	86	—
Total price risk management assets	263	—	263	—	295	—	295	—
Auction rate securities (c)	—	—	—	—	2	—	—	2
Total assets	$ 708	$ 445	$ 263	$ —	$ 1,166	$ 869	$ 295	$ 2
Liabilities								
Price risk management liabilities (b):								
Interest rate swaps	$ 54	$ —	$ 54	$ —	$ 71	$ —	$ 71	$ —

Foreign currency contracts	14	—	14	—	1	—	1	—
Total price risk management liabilities	$ 68	$ —	$ 68	$ —	$ 72	$ —	$ 72	$ —

rPL Electric

Assets								
Cash and cash equivalents	$ 36	$ 36	$ —	$ —	$ 47	$ 47	$ —	$ —
Restricted cash and cash equivalents (a)	2	2	—	—	2	2	—	—
Total assets	$ 38	$ 38	$ —	$ —	$ 49	$ 49	$ —	$ —

LKE

Assets								
Cash and cash equivalents	$ 11	$ 11	$ —	$ —	$ 30	$ 30	$ —	$ —
Cash collateral posted to counterparties (d)	8	8	—	—	9	9	—	—
Total assets	$ 19	$ 19	$ —	$ —	$ 39	$ 39	$ —	$ —

	September 30, 2016				December 31, 2015			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Liabilities								
Price risk management liabilities:								
Interest rate swaps	$ 54	$ —	$ 54	$ —	$ 47	$ —	$ 47	$ —
Total price risk management liabilities	$ 54	$ —	$ 54	$ —	$ 47	$ —	$ 47	$ —
LG&E								
Assets								
Cash and cash equivalents	$ 4	$ 4	$ —	$ —	$ 19	$ 19	$ —	$ —
Cash collateral posted to counterparties (d)	8	8	—	—	9	9	—	—
Total assets	$ 12	$ 12	$ —	$ —	$ 28	$ 28	$ —	$ —
Liabilities								
Price risk management liabilities:								
Interest rate swaps	$ 54	$ —	$ 54	$ —	$ 47	$ —	$ 47	$ —
'otal price risk management liabilities	$ 54	$ —	$ 54	$ —	$ 47	$ —	$ 47	$ —
KU								
Assets								
Cash and cash equivalents	$ 7	$ 7	$ —	$ —	$ 11	$ 11	$ —	$ —
Total assets	$ 7	$ 7	$ —	$ —	$ 11	$ 11	$ —	$ —

(a) Current portion is included in "Other current assets" and long-term portion is included in "Other noncurrent assets" on the Balance Sheets.

(b) Current portion is included in "Price risk management assets" and "Other current liabilities" and noncurrent portion is included in "Price risk management assets" and "Other deferred credits and noncurrent liabilities" on the Balance Sheets.

(c) Included in "Other noncurrent assets" on the Balance Sheets.

(d) Included in "Other noncurrent assets" on the Balance Sheets. Represents cash collateral posted to offset the exposure with counterparties related to certain interest rate swaps under master netting arrangements that are not offset.

Price Risk Management Assets/Liabilities - Interest Rate Swaps/Foreign Currency Contracts/Cross-Currency Swaps (*PPL, LKE, LG&E and KU)*

To manage interest rate risk, PPL, LKE, LG&E and KU use interest rate contracts such as forward-starting swaps, floating-to-fixed waps and fixed-to-floating swaps. To manage foreign currency risk, PPL uses foreign currency contracts such as forwards, options and ross-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.

Nonrecurring Fair Value Measurements *(PPL)*

See Note 8 for information regarding the estimated fair value of the Supply segment's net assets as of the June 1, 2015 spinoff date.

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

The carrying amounts of long-term debt on the Balance Sheets and their estimated fair values are set forth below. The fair values 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. Long-term debt is classified as Level 2. The effect of third-party credit enhancements is not included in the fair value measurement.

	September 30, 2016		December 31, 2015	
	Carrying Amount (a)	Fair Value	Carrying Amount (a)	Fair Value
PPL	$ 18,512	$ 23,180	$ 19,048	$ 21,218
PPL Electric	2,831	3,372	2,828	3,088
LKE	5,089	5,832	5,088	5,384
LG&E	1,642	1,852	1,642	1,704
KU	2,327	2,701	2,326	2,467

(a) Amounts are net of debt issuance costs.

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.

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 associated with commodities, interest rates on debt issuances and foreign exchange (including price, liquidity and volumetric risk) and credit risk (including non-performance risk and payment default risk). The Risk Management Committee, comprised of senior management and chaired by the Director-Risk Management, 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, verification of risk and transaction limits, value-at-risk analyses (VaR, 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) and the coordination and reporting of the Enterprise Risk Management program.

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 market liquidity and volumetric risks. Forward contracts, futures contracts, options, swaps and structured transactions are utilized as part of risk management strategies to minimize unanticipated fluctuations in earnings caused by changes in commodity prices, interest rates and 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 NPNS is elected.

The following summarizes the market risks that affect PPL and its subsidiaries.

Interest rate risk

- PPL and its subsidiaries are exposed to interest rate risk associated with forecasted fixed-rate and existing floating-rate debt issuances. PPL and WPD hold 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. LKE and LG&E utilize over-the-counter interest rate swaps to limit exposure to market fluctuations on floating-rate debt. PPL, LKE, LG&E and KU utilize forward starting interest rate swaps to hedge changes in benchmark interest rates, when appropriate, in connection with future debt issuances.
- PPL and its subsidiaries are exposed to interest rate risk associated with debt securities and derivatives 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.

Foreign currency risk

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

Commodity price risk

PPL is exposed to commodity price risk through its domestic subsidiaries as described below.

- PPL Electric is exposed to commodity price risk from its obligation as PLR; however, its PUC-approved cost recovery mechanism substantially eliminates its exposure to this risk. PPL Electric also mitigates its exposure to commodity price risk by entering into full-requirement supply agreements to serve its PLR customers. These supply agreements transfer the commodity price risk associated with the PLR obligation to the energy suppliers.
- LG&E's and KU's rates include certain mechanisms for fuel and fuel-related expenses. In addition, LG&E's rates include a mechanism for natural gas supply expenses. These mechanisms generally provide for timely recovery of market price fluctuations associated with these expenses.

Volumetric risk

PPL is exposed to volumetric risk through its subsidiaries as described below.

- WPD is exposed to volumetric risk which is significantly mitigated as a result of the method of regulation in the U.K. Under the RIIO - ED1 price control period, recovery of such exposure occurs on a two year lag. See Note 1 in PPL's 2015 Form 10-K for additional information on revenue recognition under RIIO - ED1.
- PPL Electric, LG&E and KU are exposed to volumetric risk on retail sales, mainly due to weather and other economic conditions for which there is limited mitigation between rate cases.

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

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.

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, subject to regulatory review or other processes, appropriate incremental costs incurred by these entities would be recoverable from customers through applicable rate mechanisms, 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.

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, LKE, LG&E and KU had no obligation to return cash collateral under master netting arrangements at September 30, 2016 and December 31, 2015.

PPL, LKE and LG&E posted $8 million of cash collateral under master netting arrangements at September 30, 2016 and $9 million of cash collateral under master netting arrangements at December 31, 2015.

KU did not post any cash collateral under master netting arrangements at September 30, 2016 and December 31, 2015.

See "Offsetting Derivative Instruments" below for a summary of derivative positions presented in the balance sheets where a right of setoff exists under these arrangements.

Interest Rate Risk

(All 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. In addition, the interest rate risk of certain subsidiaries is potentially mitigated as a result of the existing regulatory framework or the timing of rate cases.

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. PPL held no such contracts at September 30, 2016.

For the three months ended September 30, 2016, PPL had no hedge ineffectiveness associated with interest rate derivatives and an insignificant amount of hedge ineffectiveness for the three months ended September 30, 2015. For the nine months ended September 30, 2016 and 2015, PPL had an insignificant amount of ineffectiveness associated with interest rate derivatives.

At September 30, 2016, PPL held an aggregate notional value in cross-currency interest rate swap contracts of $802 million that range in maturity from 2017 through 2028 to hedge the interest payments and principal of WPD's U.S. dollar-denominated senior notes. In May 2016, $460 million of WPD's U.S. dollar-denominated senior notes were repaid upon maturity and $460 million notional value of cross-currency interest rate swap contracts matured. PPL recorded a $46 million gain upon settlement of the cross-currency interest rate swap contracts, which largely offset a loss recorded on the revaluation of U.S. dollar-denominated senior notes.

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 not probable of occurring.

PPL had no cash flow hedges reclassified into earnings associated with discontinued cash flow hedges for the three and nine months ended September 30, 2016. As a result of the June 1, 2015 spinoff of PPL Energy Supply, all PPL cash flow hedges associated with PPL Energy Supply were ineffective and discontinued and therefore, reclassified into earnings during the second quarter 2015 and reflected in discontinued operations for the nine months ended September 30, 2015. See Note 8 for additional information.

At September 30, 2016, 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 insignificant. Amounts are reclassified as the hedged interest expense is recorded.

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 at the time the underlying hedged interest expense is recorded. At September 30, 2016, 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 and earnings of 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 GBP 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. There were no such contracts outstanding at September 30, 2016.

At September 30, 2016, PPL had $22 million of accumulated net investment hedge after tax gains (losses) that were included in the foreign currency translation adjustment component of AOCI, compared to $19 million at December 31, 2015.

Economic Activity

PPL enters into foreign currency contracts on behalf of a subsidiary to economically hedge GBP-denominated anticipated earnings. At September 30, 2016, the total exposure hedged by PPL was approximately £1.8 billion (approximately $2.4 billion based on contracted rates). These contracts had termination dates ranging from October 2016 through December 2018.

In the third quarter of 2016, PPL settled foreign currency hedges related to 2017 and 2018 anticipated earnings, resulting in receipt of approximately $310 million of cash, and entered into new hedges at current market rates. The notional amount of the settled hedges was approximately £1.3 billion (approximately $2.0 billion based on contracted rates) with termination dates from January 2017 through November 2018. The settlement did not have a significant impact on net income as the hedge values were previously marked to fair value and recognized in "Other Income (Expense) - net" on the Statement of Income.

Accounting and Reporting

(All Registrants)

All derivative instruments are recorded at fair value on the Balance Sheet as an asset or liability unless NPNS is elected. NPNS contracts for PPL and 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 in earnings unless specific hedge accounting criteria are met and designated as such, except for the changes in fair values 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, 2016 and December 31, 2015.

See Notes 1 and 17 in each Registrant's 2015 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, 2016				December 31, 2015			
	Derivatives designated as hedging instruments		Derivatives not designated as hedging instruments		Derivatives designated as hedging instruments		Derivatives not designated as hedging instruments	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Current:								
Price Risk Management								
Assets/Liabilities (a):								
Interest rate swaps (b)	$ —	$ —	$ —	$ 6	$ —	$ 24	$ —	$ 5
Cross-currency swaps (b)	6	—	—	—	35	—	—	—
Foreign currency contracts	—	—	72	2	10	—	94	1
Total current	6	—	72	8	45	24	94	6
Noncurrent:								
Price Risk Management								
Assets/Liabilities (a):								
Interest rate swaps (b)	—	—	—	48	—	—	—	42
Cross-currency swaps (b)	147	—	—	—	51	—	—	—
Foreign currency contracts	—	—	38	12	—	—	105	—
Total noncurrent	147	—	38	60	51	—	105	42
Total derivatives	$ 153	$ —	$ 110	$ 68	$ 96	$ 24	$ 199	$ 48

(a) Current portion is included in "Price risk management assets" and "Other current liabilities" and noncurrent portion is included in "Price risk management assets" and "Other deferred credits and noncurrent liabilities" on the Balance Sheets.

(b) Excludes accrued interest, if applicable.

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, 2016.

	Derivative Gain (Loss) Recognized in OCI (Effective Portion)			Three Months		Nine Months	
Derivative Relationships	Three Months	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	$ —	$ (21)	Interest expense	$ (2)	$ —	$ (5)	$ —
Cross-currency swaps	78	87	Interest expense	2	—	2	—

			Other income (expense) - net	86	—	80	—
Total	$ 78	$ 66		$ 86	$ —	$ 77	$ —
Net Investment Hedges:							
Foreign currency contracts	$ —	$ 4					

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	$ 49	$ 280
Interest rate swaps	Interest expense	(2)	(6)
	Total	$ 47	$ 274

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	$ (7)

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, 2015.

	Derivative Gain (Loss) Recognized in OCI (Effective Portion)			Three Months		Nine Months	
Derivative Relationships	Three Months	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	$ (27)	$ (29)	Interest expense	$ (2)	$ —	$ (9)	$ —
			Discontinued operations	—	—	—	(77)
Cross-currency swaps	(3)	33	Interest expense	(1)	—	1	—
			Other income (expense) - net	(10)	—	22	—
Commodity contracts	—	—	Discontinued operations	—	—	13	7
Total	$ (30)	$ 4		$ (13)	$ —	$ 27	$ (70)
Net Investment Hedges:							
Foreign currency contracts	$ 7	$ 6					

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	$ 78	$ 64
Interest rate swaps	Interest expense	(2)	(6)
	Total	$ 76	$ 58

Derivatives Designated as Hedging Instruments	Location of Gain (Loss) Recognized as Regulatory Liabilities/Assets	Three Months	Nine Months
Interest rate swaps	Regulatory assets - noncurrent	$ (42)	$ (22)

Derivatives Not Designated as	Location of Gain (Loss) Recognized as

Hedging Instruments	Regulatory Liabilities/Assets	Three Months	Nine Months
Interest rate swaps	Regulatory assets - noncurrent	$ (5)	$ (2)

(LKE)

The following table presents the pre-tax effect of derivative instruments designated as cash flow hedges that are recognized in regulatory assets for the periods ended September 30, 2015. All derivative instruments designated as cash flow hedges were terminated in 2015 and there is no activity in the current period.

Derivative Instruments	Location of Gain (Loss) Recognized in Regulatory Assets	Three Months	Nine Months
Interest rate swaps	Regulatory assets - noncurrent	$ (42)	$ (22)

(LG&E)

The following table presents the pre-tax effect of derivative instruments designated as cash flow hedges that are recognized in regulatory assets for the periods ended September 30, 2015. All derivative instruments designated as cash flow hedges were terminated in 2015 and there is no activity in the current period.

Derivative Instruments	Location of Gain (Loss) Recognized in Regulatory Assets	Three Months	Nine Months
Interest rate swaps	Regulatory assets - noncurrent	$ (21)	$ (11)

(KU)

The following table presents the pre-tax effect of derivative instruments designated as cash flow hedges that are recognized in regulatory assets for the periods ended September 30, 2015. All derivative instruments designated as cash flow hedges were terminated in 2015 and there is no activity in the current period.

Derivative Instruments	Location of Gain (Loss) Recognized in Regulatory Assets	Three Months	Nine Months
Interest rate swaps	Regulatory assets - noncurrent	$ (21)	$ (11)

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, 2016		December 31, 2015	
	Assets	Liabilities	Assets	Liabilities
Current:				
Price Risk Management				
Assets/Liabilities:				
Interest rate swaps	$ —	$ 6	$ —	$ 5
Total current	—	6	—	5
Noncurrent:				
Price Risk Management				
Assets/Liabilities:				
Interest rate swaps	—	48	—	42
Total noncurrent	—	48	—	42
Total derivatives	$ —	$ 54	$ —	$ 47

The following tables present the pre-tax effect of derivatives not designated as cash flow hedges that are recognized in income or regulatory assets for the periods ended September 30, 2016.

Derivative Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Three Months	Nine Months
terest 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	$ 2	$ (7)

The following tables present the pre-tax effect of derivatives not designated as cash flow hedges that are recognized in income or regulatory assets for the periods ended September 30, 2015.

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	$ (5)	$ (2)

(PPL, LKE, LG&E and KU)

Offsetting Derivative Instruments

PPL, LKE, LG&E and KU or certain of their subsidiaries have master netting arrangements in place and also enter into agreements pursuant to which they purchase or sell 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 set off 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, 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, 2016								
Treasury Derivatives								
PPL	$ 263	$ 14	$ —	$ 249	$ 68	$ 14	$ 8	$ 46
LKE	—	—	—	—	54	—	8	46
LG&E	—	—	—	—	54	—	8	46
December 31, 2015								
Treasury Derivatives								
PPL	$ 295	$ 25	$ —	$ 270	$ 72	$ 25	$ 9	$ 38
LKE	—	—	—	—	47	—	9	38
LG&E	—	—	—	—	47	—	9	38

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, 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 downgrade in credit rating at levels that remain above investment grade. In either case, if the applicable credit rating were to fall below investment grade, 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, LKE's, LG&E's, and KU's obligations under the contracts. 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.

(PPL, LKE and LG&E)

At September 30, 2016, derivative contracts in a net liability position that contain credit risk-related contingent features, collateral posted on those positions and the related effect of a decrease in credit ratings below investment grade are summarized as follows:

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

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

15. Goodwill and Other Intangible Assets

(PPL)

The change in the carrying amount of goodwill for the nine months ended September 30, 2016 was due to the effect of foreign currency exchange rates on the U.K. Regulated segment.

The change in the other intangible assets for the nine months ended September 30, 2016 was primarily due to an increase in the gross carrying amount of indefinite lived intangibles at WPD attributable to new easements of $73 million, partially offset by the effect of foreign currency exchange rates.

16. Asset Retirement Obligations

PPL, LKE, LG&E and KU)

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

	PPL	LKE	LG&E	KU
Balance at December 31, 2015	$ 586	$ 535	$ 175	$ 360
Accretion	20	18	6	12
Effect of foreign currency exchange rates	(7)	—	—	—
Changes in estimated timing or cost	(116)	(116)	(24)	(92)
Obligations settled	(15)	(15)	(11)	(4)
Balance at September 30, 2016	$ 468	$ 422	$ 146	$ 276

LG&E and KU recorded decreases to existing ARO balances of $118 million ($24 million at LG&E and $94 million at KU) during the three and nine months ended September 30, 2016 due to revisions in the amounts and timing of future expected costs related to the osure of CCR impoundments. These revisions are the result of changes in closure plans related to expected costs and timing of closure. ırther changes to AROs, capital plans or operating costs may be required as estimates of future cash flows are refined based on closure developments and regulatory or legal proceedings.

PPL's, LKE's, LG&E's and KU's ARO liabilities are primarily related to CCR closure costs. See Note 10 for information on the final CCR rule and Note 6 for information on the rate recovery applications with the KPSC. LG&E's and KU's accretion and ARO-related depreciation expense are recorded as a regulatory asset, such that there is no net earnings impact.

17. Accumulated Other Comprehensive Income (Loss)

(PPL and LKE)

The after-tax changes in AOCI by component for the periods ended September 30 were as follows.

	Foreign currency translation adjustments	Unrealized gains (losses) Available-for-sale securities	Unrealized gains (losses) Qualifying derivatives	Equity investees' AOCI	Defined benefit plans Prior service costs	Defined benefit plans Actuarial gain (loss)	Total
PPL							
June 30, 2016	$ (716)	$ —	$ (5)	$ (1)	$ (5)	$ (2,130)	$ (2,857)
Amounts arising during the period	(641)	—	62	—	—	(6)	(585)
Reclassifications from AOCI	—	—	(69)	—	—	31	(38)
Net OCI during the period	(641)	—	(7)	—	—	25	(623)
September 30, 2016	$ (1,357)	$ —	$ (12)	$ (1)	$ (5)	$ (2,105)	$ (3,480)
December 31, 2015	$ (520)	$ —	$ (7)	$ —	$ (6)	$ (2,195)	$ (2,728)
Amounts arising during the period	(837)	—	57	—	—	(4)	(784)
Reclassifications from AOCI	—	—	(62)	(1)	1	94	32
Net OCI during the period	(837)	—	(5)	(1)	1	90	(752)
September 30, 2016	$ (1,357)	$ —	$ (12)	$ (1)	$ (5)	$ (2,105)	$ (3,480)
June 30, 2015	$ (435)	$ —	$ 2	$ —	$ (3)	$ (1,848)	$ (2,284)
Amounts arising during the period	52	—	(19)	—	—	—	33

Reclassifications from AOCI	—	—	10	—	—	35	45
Net OCI during the period	52	—	(9)	—	—	35	78
September 30, 2015	$ (383)	$ —	$ (7)	$ —	$ (3)	$ (1,813)	$ (2,206)
December 31, 2014	$ (286)	$ 202	$ 20	$ 1	$ 3	$ (2,214)	$ (2,274)
Amounts arising during the period	(97)	7	8	—	(6)	52	(36)
Reclassifications from AOCI	—	(2)	20	(1)	—	111	128
Net OCI during the period	(97)	5	28	(1)	(6)	163	92
Distribution of PPL Energy Supply (Note 8)	—	(207)	(55)	—	—	238	(24)
September 30, 2015	$ (383)	$ —	$ (7)	$ —	$ (3)	$ (1,813)	$ (2,206)
LKE							
June 30, 2016				$ (1)	$ (9)	$ (33)	$ (43)
Amounts arising during the period				—	—	—	—
Reclassifications from AOCI				—	—	1	1
Net OCI during the period				—	—	1	1
September 30, 2016				$ (1)	$ (9)	$ (32)	$ (42)

	Foreign currency translation adjustments	Unrealized gains (losses) Available-for-sale securities	Qualifying derivatives	Equity investees' AOCI	Defined benefit plans Prior service costs	Actuarial gain (loss)	Total
December 31, 2015				$ —	$ (10)	$ (36)	$ (46)
Amounts arising during the period				—	—	1	1
Reclassifications from AOCI				(1)	1	3	3
Net OCI during the period				(1)	1	4	4
September 30, 2016				$ (1)	$ (9)	$ (32)	$ (42)
June 30, 2015				$ (1)	$ (7)	$ (44)	$ (52)
Amounts arising during the period				—	—	—	—
Reclassifications from AOCI				—	—	1	1
Net OCI during the period				—	—	1	1
September 30, 2015				$ (1)	$ (7)	$ (43)	$ (51)
December 31, 2014				$ —	$ (8)	$ (37)	$ (45)
Amounts arising during the period				—	—	(8)	(8)
eclassifications from AOCI				(1)	1	2	2
Net OCI during the period				(1)	1	(6)	(6)
September 30, 2015				$ (1)	$ (7)	$ (43)	$ (51)

(PPL)

The following table presents the gains (losses) and related income taxes for reclassifications from AOCI for the periods ended September 30. 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) and subject to capitalization. See Note 9 for additional information.

Details about AOCI	Three Months 2016	Three Months 2015	Nine Months 2016	Nine Months 2015	Affected Line Item on the Statements of Income
Available-for-sale securities	$ —	$ —	$ —	$ 4	Other Income (Expense) - net
'otal Pre-tax	—	—	—	4	
Income Taxes	—	—	—	(2)	
Total After-tax	—	—	—	2	

Qualifying derivatives					
Interest rate swaps	(2)	(2)	(5)	(9)	Interest Expense
	—	—	—	(77)	Discontinued operations
Cross-currency swaps	86	(10)	80	22	Other Income (Expense) - net
	2	(1)	2	1	Interest Expense
Commodity contracts	—	—	—	20	Discontinued operations
Total Pre-tax	86	(13)	77	(43)	
Income Taxes	(17)	3	(15)	23	
Total After-tax	69	(10)	62	(20)	

Details about AOCI	Three Months 2016	Three Months 2015	Nine Months 2016	Nine Months 2015	Affected Line Item on the Statements of Income
Equity investees' AOCI	—	—	1	2	Other Income (Expense) - net
Total Pre-tax	—	—	1	2	
Income Taxes	—	—	—	(1)	
Total After-tax	—	—	1	1	
Defined benefit plans					
Prior service costs	(1)	—	(2)	—	
Net actuarial loss	(41)	(45)	(121)	(146)	
Total Pre-tax	(42)	(45)	(123)	(146)	
Income Taxes	11	10	28	35	
Total After-tax	(31)	(35)	(95)	(111)	
Total reclassifications during the period	$ 38	$ (45)	$ (32)	$ (128)	

18. New Accounting Guidance Pending Adoption

(All Registrants)

Accounting for Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board (FASB) issued accounting guidance that establishes a comprehensive new model for the recognition of revenue from contracts with customers. This model is based on the core principle that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

For public business entities, this guidance can be applied using either a full retrospective or modified retrospective transition method, beginning in annual reporting periods after December 15, 2017 and interim periods within those years. Public business entities may early adopt this guidance in annual reporting periods beginning after December 15, 2016. The Registrants expect to adopt this guidance effective January 1, 2018.

The Registrants continue to assess the impact of adopting this guidance, as well as the transition method they will use, and are monitoring the development of industry specific application guidance which could impact those assessments.

	Three Months	Nine Months
Margins	$ 12	$ 15
Other operation and maintenance	4	21
Depreciation	—	4
Taxes, other than income	(3)	(3)
Other Income (Expense) - net	—	(3)
Interest Expense	(5)	(14)
Income Taxes	(3)	(7)
Net Income	$ 5	$ 13

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 - Margins" for an explanation of why management believes this measure is useful and the factors underlying 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.

	2016 Three Months			2015 Three Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 368	$ —	$ 368	$ 351	$ —	$ 351
Operating Expenses						
Fuel	86	—	86	82	—	82
Energy purchases, including affiliate	24	—	24	27	—	27
Other operation and maintenance	13	72	85	11	76	87
Depreciation	8	35	43	5	35	40
Taxes, other than income	—	9	9	1	6	7
Total Operating Expenses	131	116	247	126	117	243
Total	$ 237	$ (116)	$ 121	$ 225	$ (117)	$ 108

	2016 Nine Months			2015 Nine Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	1,077	$ —	$ 1,077	$ 1,121	$ —	$ 1,121
Operating Expenses						
Fuel	233	—	233	267	—	267
Energy purchases, including affiliate	114	—	114	146	—	146
Other operation and maintenance	32	232	264	33	253	286
Depreciation	20	106	126	12	110	122

Taxes, other than income	2	22	24	2	19	21
Total Operating Expenses	401	360	761	460	382	842
otal	676	$ (360)	$ 316	$ 661	$ (382)	$ 279

(a) Represents amounts excluded from Margins.

(b) As reported on the Statements of Income.

KU: Statement of Income Analysis, Earnings and Margins

tatement of Income Analysis

Net income for the periods ended September 30 includes the following results.

	Three Months			Nine Months		
	2016	2015	$ Change	2016	2015	$ Change
Operating Revenues						
Retail and wholesale	$ 469	$ 452	$ 17	$ 1,324	$ 1,325	$ (1)
Electric revenue from affiliate	5	9	(4)	10	17	(7)
Total Operating Revenues	474	461	13	1,334	1,342	(8)
Operating Expenses						
Operation						
Fuel	141	146	(5)	374	428	(54)
Energy purchases	5	5	—	14	14	—
Energy purchases from affiliate	2	2	—	19	32	(13)
Other operation and maintenance	107	108	(1)	320	321	(1)
Depreciation	59	57	2	175	164	11
Taxes, other than income	7	7	—	22	22	—
Total Operating Expenses	321	325	(4)	924	981	(57)
Other Income (Expense) - net	(3)	—	(3)	(4)	1	(5)
Interest Expense	24	20	4	71	58	13
Income Taxes	48	44	4	128	115	13
Net Income	$ 78	$ 72	$ 6	$ 207	$ 189	$ 18

Operating Revenue

The increase (decrease) in operating revenue for the periods ended September 30, 2016 compared with 2015 was due to:

	Three Months	Nine Months
Base rates	$ —	$ 64
Volumes	13	(27)
Fuel and other energy prices (a)	(6)	(50)
ECR	3	8
Other	3	(3)
Total	$ 13	$ (8)

(a) The decrease for the three and nine month periods was due to lower recoveries of fuel and energy purchases due to lower commodity costs as described below.

Fuel

Fuel decreased $5 million for the three months ended September 30, 2016 compared with 2015, due to a decrease in market prices for coal and natural gas.

ɿel decreased $54 million for the nine months ended September 30, 2016 compared with 2015, due to a $49 million decrease in ɔmmodity costs, as a result of a decrease in market prices for coal and natural gas, and a $5 million decrease in volumes, driven by milder weather during the first quarter of 2016.

Earnings

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net Income	$ 78	$ 72	$ 207	$ 189
Special items, gains (losses), after-tax (a)	—	—	—	—

(a) There are no items management considers special for the periods presented.

Earnings increased for the three month period in 2016 compared with 2015 primarily due to higher sales volumes, driven by warmer weather, and lower other operation and maintenance expense, partially offset by higher interest expense.

Earnings increased for the nine month period in 2016 compared with 2015 primarily due to higher base electricity rates, effective July 1, 2015 and lower other operation and maintenance expense, partially offset by higher interest expense and lower sales volumes, driven by milder weather during the first quarter of 2016.

The table below quantifies the changes in the components of Net Income between these periods, which reflect amounts classified as Margins on a separate line and not in their respective Statement of Income line items.

	Three Months	Nine Months
1argins	$ 15	$ 48
Other operation and maintenance	4	6
Depreciation	(2)	(5)
Other Income (Expense) - net	(3)	(5)
Interest Expense	(4)	(13)
Income Taxes	(4)	(13)
Net Income	$ 6	$ 18

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 - Margins" for an explanation of why management believes this measure is useful and the factors underlying 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.

	2016 Three Months			2015 Three Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 474	$ —	$ 474	$ 461	$ —	$ 461
Operating Expenses						
Fuel	141	—	141	146	—	146
Energy purchases, including affiliate	7	—	7	7	—	7
Other operation and maintenance	20	87	107	17	91	108
Depreciation	6	53	59	6	51	57
Taxes, other than income	—	7	7	—	7	7
Total Operating Expenses	174	147	321	176	149	325
Total	$ 300	$ (147)	$ 153	$ 285	$ (149)	$ 136

	2016 Nine Months			2015 Nine Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 1,334	$ —	$ 1,334	$ 1,342	$ —	$ 1,342
Operating Expenses						
Fuel	374	—	374	428	—	428
Energy purchases, including affiliate	33	—	33	46	—	46
Other operation and maintenance	49	271	320	44	277	321
Depreciation	20	155	175	14	150	164
Taxes, other than income	1	21	22	1	21	22
Total Operating Expenses	477	447	924	533	448	981
Total	$ 857	$ (447)	$ 410	$ 809	$ (448)	$ 361

(a) Represents amounts excluded from Margins.

(b) As reported on the Statements of Income.

Financial Condition

The remainder of this Item 2 in this Form 10-Q is 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 (a)	PPL Electric	LKE	LG&E	KU

September 30, 2016					
Cash and cash equivalents	$ 416	$ 36	$ 11	$ 4	$ 7
Short-term debt	636	130	135	128	7
Notes payable with affiliate		—	138	—	—
December 31, 2015					
Cash and cash equivalents	$ 836	$ 47	$ 30	$ 19	$ 11
Short-term debt	916	—	265	142	48
Notes payable with affiliate		—	54	—	—

(a) At September 30, 2016, $8 million of cash and cash equivalents were denominated in GBP. If these amounts would be remitted as dividends, PPL would not anticipate a material incremental U.S. tax cost. Historically, dividends paid by foreign subsidiaries have been limited to distributions of the current year's earnings. See Note 5 to the Financial Statements in PPL's 2015 Form 10-K for additional information on undistributed earnings of WPD.

(PPL)

he Statements of Cash Flows separately report the cash flows of the discontinued operations in 2015. The "Operating Activities", ̈ınvesting Activities" and "Financing Activities" sections below included only the cash flows of continuing operations.

(All Registrants)

Net cash provided by (used in) operating, investing and financing activities for the nine month period ended September 30, and the changes between periods, were as follows.

	PPL		PPL Electric		LKE		LG&E		KU	
2016										
Operating activities	$	2,230	$	595	$	816	$	383	$	469
Investing activities		(2,066)		(740)		(599)		(343)		(254)
Financing activities		(558)		134		(236)		(55)		(219)
2015										
Operating activities	$	1,688	$	373	$	895	$	469	$	510
Investing activities		(2,463)		(764)		(921)		(519)		(400)
Financing activities		231		203		460		220		154
Change - Cash Provided (Used)										
Operating activities	$	542	$	222	$	(79)	$	(86)	$	(41)
ıvesting activities		397		24		322		176		146
Financing activities		(789)		(69)		(696)		(275)		(373)

Operating Activities

The components of the change in cash provided by (used in) operating activities for the nine months ended September 30, 2016 compared with 2015 were as follows.

	PPL		PPL Electric		LKE		LG&E		KU	
Change - Cash Provided (Used)										
Net income	$	239	$	72	$	40	$	13	$	18
Non-cash components		146		42		(7)		—		(7)
Working capital		102		74		(168)		(99)		(94)
Defined benefit plan funding		51		33		(16)		(20)		1
Other operating activities		4		1		72		20		41
Total	$	542	$	222	$	(79)	$	(86)	$	(41)

(PPL)

.'PL's cash provided by operating activities from continuing operations in 2016 increased $542 million in 2016 compared with 2015.

- Income from continuing operations increased by $239 million between the periods. This included an additional $146 million of net non-cash charges, including $124 million of lower unrealized gains on hedging activities primarily due to the settlement of hedges in the third quarter of 2016 and an increase in deferred income taxes, partially offset by defined benefit plan income (primarily due to an increase in estimated returns on higher asset balances and lower interest costs due to a change in the discount rate for the U.K. pension plans).

- The $102 million increase in cash from changes in working capital was primarily due to an increase in taxes payable (primarily due to an increase in current income tax expense in 2016) and an increase in accounts payable (due to timing of payments), partially offset by an increase in unbilled revenues (due to lower volumes as a result of unfavorable weather as compared to 2015) and a net increase in current regulatory assets and regulatory liabilities (due to the timing of rate recovery mechanisms).

- Defined benefit plan funding was $51 million lower in 2016.

(PPL Electric)

PPL Electric's cash provided by operating activities in 2016 increased $222 million in 2016 compared with 2015.

- The increase in non-cash components of $42 million in 2016 compared with 2015 was primarily due to an increase in depreciation and deferred income tax expense.
- The $74 million increase in cash from changes in working capital was primarily due to an increase in accounts payable (primarily due to timing of payments) and a decrease in prepayments (primarily due to higher tax prepayments in 2015) partially offset by a net increase in current regulatory assets and regulatory liabilities (due to the timing of rate recovery mechanisms).
- Defined benefit plan funding was $33 million lower in 2016.

(LKE)

LKE's cash provided by operating activities in 2016 decreased $79 million compared with 2015.

- The decrease in cash from working capital was driven primarily by lower tax payments received from PPL for the use of prior year excess tax depreciation deductions. Other decreases in cash were related to accounts receivable and unbilled revenues due to lower weather volatility during the measurement periods in 2016, and coal and natural gas inventories due to milder weather in the first quarter of 2016, partially offset by lower payments on accounts payable due to lower fuel purchases.
- The increase in cash from other operating activities was driven primarily by a decrease in cash outflows for the settlement of interest rate swaps. LG&E and KU settled interest rate swaps in the third quarter of 2015 which did not occur in 2016.

(LG&E)

LG&E's cash provided by operating activities in 2016 decreased $86 million compared with 2015.

- The decrease in cash from working capital was driven primarily by lower tax payments received from LKE for the use of prior year excess tax depreciation deductions. Other decreases in cash were related to accounts receivable and unbilled revenues due to lower weather volatility during the measurement periods in 2016, coal and natural gas inventories due to milder weather in the first quarter of 2016, and accounts receivable from affiliates due to lower intercompany settlements associated with capital expenditures, partially offset by lower payments on accounts payable due to lower fuel purchases.

- The increase in cash from other operating activities was driven primarily by a decrease in cash outflows for the settlement of interest rate swaps. LG&E settled interest rate swaps in the third quarter of 2015 which did not occur in 2016.

(KU)

KU's cash provided by operating activities in 2016 decreased $41 million compared with 2015.

- The decrease in cash from working capital was driven primarily by lower tax payments received from LKE for the use of prior year excess tax depreciation deductions. Other decreases in cash were related to accounts receivable and unbilled revenues due to lower weather volatility during the measurement periods in 2016, and coal inventory due to milder weather in the first quarter of 2016, partially offset by accounts payable to affiliates due to lower intercompany settlements associated with capital expenditures and lower payments on accounts payable due to lower fuel purchases.

- The increase in cash from other operating activities was driven primarily by a decrease in cash outflows for the settlement of interest rate swaps. KU settled interest rate swaps in the third quarter of 2015 which did not occur in 2016.

Investing Activities

(All Registrants)

Expenditures for Property, Plant and Equipment

Investment in PP&E is the primary investing activity of the registrants. The change in expenditures for PP&E for the nine months ended September 30, 2016 compared with 2015 was as follows.

	PPL	PPL Electric	LKE	LG&E	KU
Decrease	$ 487	$ 19	$ 328	$ 176	$ 152

For PPL, the decrease in expenditures was due to lower project expenditures at WPD, PPL Electric Utilities, LG&E, and KU. The decrease in expenditures for WPD was primarily due to a decrease in expenditures to enhance system reliability associated with the end of the DPCR5 price control period and changes in foreign currency exchange rates. The decrease in expenditures for PPL Electric was primarily due to the completion of the Susquehanna-Roseland transmission project and the completion of the Northeast Pocono reliability project. The decrease in expenditures for LG&E was primarily driven by the completion of the environmental air projects at LG&E's Mill Creek plant. The decrease in expenditures for KU was primarily driven by the completion of the environmental air projects at KU's Ghent plant and the CCR project at KU's E.W. Brown plant.

Financing Activities

\ll Registrants)

The components of the change in cash provided by (used in) financing activities for the nine months ended September 30, 2016 compared with 2015 was as follows.

	PPL	PPL Electric	LKE	LG&E	KU
Change - Cash Provided (Used)					
Debt issuance/retirement, net	$ (801)	$ —	$ (1,050)	$ (550)	$ (500)
Settlement of cross-currency swaps	46	—	—	—	—
Stock issuances/redemptions, net	(12)	—	—	—	—
Dividends	(22)	(53)	—	(6)	(91)
Capital contributions/distributions, net	—	(75)	(85)	27	20
Change in short-term debt, net	3	62	370	250	195
Notes payable with affiliate	—	—	63	—	—
Other financing activities	(3)	(3)	6	4	3
Total	$ (789)	$ (69)	$ (696)	$ (275)	$ (373)

See Note 7 to the Financial Statements in this Form 10-Q for information on 2016 short and long-term debt activity, equity transactions and PPL dividends. See the Registrants' 2015 Form 10-K for information on 2015 activity.

Credit Facilities

The Registrants maintain credit facilities to enhance liquidity, provide credit support and provide a backstop to commercial paper programs. Amounts borrowed under these credit facilities are reflected in "Short-term debt" on the Balance Sheets. At September 30, 2016, the total committed borrowing capacity and the use of that capacity under these credit facilities was as follows:

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External

	Committed Capacity	Borrowed	Letters of Credit and Commercial Paper Issued	Unused Capacity
PPL Capital Funding Credit Facilities	$ 1,150	$ —	$ 17	$ 1,133
PPL Electric Credit Facility	400	—	131	269
LKE Credit Facility	75	—	—	75
LG&E Credit Facility	500	—	128	372
KU Credit Facilities	598	—	205	393
Total LKE	1,173	—	333	840
Total U.S. Credit Facilities (a)	$ 2,723	$ —	$ 481	$ 2,242
Total U.K. Credit Facilities (b)	£ 1,055	£ 284	£ —	£ 771

(a) The commitments under the U.S. 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: PPL - 11%, PPL Electric - 7%, LKE - 21%, LG&E - 7% and KU - 37%.

(b) The amounts borrowed at September 30, 2016 were a USD-denominated borrowing of $200 million and GBP-denominated borrowings which equated to $171 million. The unused capacity reflects the USD-denominated borrowing amount borrowed in GBP of £153 million as of the date borrowed. At September 30, 2016, the USD equivalent of unused capacity under the U.K. committed credit facilities was $1 billion.

The commitments under the U.K. credit facilities are provided by a diverse bank group, with no one bank providing more than 13% of the total committed capacity.

See Note 7 to the Financial Statements for further discussion of the Registrants' credit facilities.

Intercompany (LKE, LG&E and KU)

	Committed Capacity	Borrowed	Other Used Capacity	Unused Capacity
LKE Credit Facility	$ 225	$ 138	$ —	$ 87
LG&E Money Pool (a)	500	—	128	372
KU Money Pool (a)	500	—	7	493

(a) 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. However, the FERC has issued a maximum short-term debt limit for each utility at $500 million from any source.

See Note 11 to the Financial Statements for further discussion of intercompany credit facilities.

Commercial Paper *(All Registrants)*

PPL, PPL Electric, LG&E and KU maintain commercial paper programs to provide an additional financing source to fund short-term liquidity needs, as 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, 2016:

	Capacity	Commercial Paper Issuances	Unused Capacity
PPL Capital Funding	$ 1,000	$ —	$ 1,000
PPL Electric	400	130	270
LG&E	350	128	222
KU	350	7	343
Total LKE	700	135	565
Total PPL	$ 2,100	$ 265	$ 1,835

Long-term Debt

(PPL)

In May 2016, PPL Capital Funding issued $650 million of 3.10% Senior Notes due 2026. PPL Capital Funding received proceeds of $645 million, net of a discount and underwriting fees, which will be used to invest in or make loans to subsidiaries of PPL, to repay short-term debt and for general corporate purposes.

In May 2016, WPD (East Midlands) borrowed £100 million at 0.4975% under a new ten-year index linked term loan agreement, which will be used for general corporate purposes.

In May 2016, WPD plc repaid the entire $460 million principal amount of its 3.90% Senior Notes upon maturity.

In October 2016, WPD (East Midlands) issued an additional £40 million of its 2.671% Index-linked Senior Notes due 2043. WPD (East Midlands) received proceeds of £83 million, which equated to $101 million at the time of issuance, net of fees and including a premium. The principal amount of the notes is adjusted based on changes in a specified index, as detailed in the terms of the related indentures. The proceeds will be used for general corporate purposes.

PPL and PPL Electric)

In March 2016, the LCIDA issued $116 million of Pollution Control Revenue Refunding Bonds, Series 2016A due 2029 and $108 million of Pollution Control Revenue Refunding Bonds, Series 2016B due 2027 on behalf of PPL Electric. The bonds were issued bearing interest at an initial term rate of 0.90% through their mandatory purchase dates of September 1, 2017 and August 15, 2017. Thereafter, the method of determining the interest rate on the bonds may be converted from time to time at PPL Electric's option. The proceeds of the bonds were used to redeem $116 million of 4.70% Pollution Control Revenue Refunding Bonds, 2005 Series A due 2029 and $108 million of 4.75% Pollution Control Revenue Refunding Bonds, 2005 Series B due 2027 previously issued by the LCIDA on behalf of PPL Electric.

In connection with the issuance of each of these new series of LCIDA bonds, PPL Electric entered into a loan agreement with the LCIDA pursuant to which the LCIDA has loaned to PPL Electric the proceeds of the LCIDA bonds on payment terms that correspond to the LCIDA bonds. In order to secure its obligations under the loan agreement, PPL Electric issued $224 million of First Mortgage Bonds under its 2001 Mortgage Indenture, which also have payment terms that correspond to the LCIDA bonds.

(PPL, LKE and LG&E)

n September 2016, the County of Trimble, Kentucky issued $125 million of Pollution Control Revenue Refunding Bonds, 2016 Series A (Louisville Gas and Electric Company Project) due 2044 on behalf of LG&E. The bonds were issued with a floating interest rate that initially will reset weekly. The method of determining the interest rate on the bonds may be converted from time to time at LG&E's option. The proceeds of the bonds were used to redeem $83 million of Pollution Control Revenue Refunding Bonds, 2000 Series A (Louisville Gas and Electric Company Project) due 2030 and $42 million of Pollution Control Revenue Refunding Bonds, 2002 Series A

(Louisville Gas and Electric Company Project) due 2032 previously issued by the County of Trimble, Kentucky on behalf of LG&E.

(PPL, LKE and KU)

In August 2016, the County of Carroll, Kentucky issued $96 million of Pollution Control Revenue Refunding Bonds, 2016 Series A (Kentucky Utilities Company Project) due 2042 on behalf of KU. The bonds were issued bearing interest at an initial term rate of 1.05% through their mandatory purchase date of September 1, 2019. Thereafter, the method of determining the interest rate on the bonds may be converted from time to time at KU's option. The proceeds of the bonds were used to redeem $96 million of Pollution Control Revenue Refunding Bonds, 2002 Series C (Kentucky Utilities Company Project) due 2032 previously issued by the County of Carroll, Kentucky on behalf of KU.

(PPL)

ATM Program

For the periods ended September 30, PPL issued the following:

	Three Months		Nine Months	
	2016	2015	2016	2015
Number of shares (in thousands)	710	436	710	858
Average share price	$ 35.23	$ 32.95	$ 35.23	$ 33.33
Net Proceeds	$ 25	$ 14	$ 25	$ 28

Common Stock Dividends

In August 2016, PPL declared a quarterly common stock dividend, payable October 3, 2016, of 38 cents per share (equivalent to $1.52 per annum). Future dividends, declared at the discretion of the Board of Directors, will depend upon future earnings, cash flows, financial and legal requirements and other factors.

Capital Expenditures

Capital expenditure plans are revised periodically to reflect changes in operational, market and regulatory conditions. In the second quarter of 2016, PPL decreased its projected capital spending for the period 2016 through 2020 related to distribution facilities by approximately $1.1 billion from the $9.5 billion projection previously disclosed in PPL's 2015 Form 10-K. The decreased projected capital spending results from a change in the forecasted GBP to U.S. dollar exchange rate from $1.60 to $1.30 for WPD expenditures that ecreased each yearly estimate by approximately $220 million.

Contractual Obligations

In 2016, PPL decreased its estimated contractual cash obligations by approximately $2.0 billion from the $39.1 billion estimate previously disclosed in PPL's 2015 Form 10-K. The decrease was primarily a result of the change in the GBP to U.S. dollar exchange rate from $1.50 to $1.30 as of September 30, 2016 for WPD's obligations. The decreases in PPL's estimated contractual cash obligations by year were as follows.

	Total	2016	2017 - 2018	2019 - 2020	After 2020
Total Change in Contractual Cash Obligations	$ (2,003)	$ (36)	$ (100)	$ (121)	$ (1,746)

Rating Agency Actions

(All Registrants)

Moody's and S&P have periodically reviewed the credit ratings of the debt 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 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. The credit ratings of the Registrants and their subsidiaries affect their liquidity, access to capital markets and cost of borrowing under their credit facilities.

The rating agencies have taken the following actions related to the Registrants and their subsidiaries during 2016:

(PPL)

In February 2016, Moody's and S&P affirmed their commercial paper ratings for PPL Capital Funding's $1.0 billion commercial paper program.

In May 2016, Moody's and S&P assigned ratings of Baa2 and BBB+ to PPL Capital Funding's $650 million 3.10% Senior Notes due 2026.

In June 2016, S&P assigned a long-term issuer rating of A- and a short-term issuer rating of A-2 to PPL Capital Funding.

(PPL Electric)

In February 2016, Moody's and S&P affirmed their commercial paper ratings for PPL Electric's $400 million commercial paper program.

In February 2016, Moody's and S&P assigned ratings of A1 and A to LCIDA's $116 million 0.90% Pollution Control Revenue Refunding Bonds due 2029 and $108 million 0.90% Pollution Control Revenue Refunding Bonds due 2027, issued on behalf of PPL Electric.

(LG&E)

In September 2016, Moody's and S&P assigned ratings of A1 and A to LG&E's Trimble Country 2016 Series A $125 million Pollution Control Revenue Refunding Bonds due 2044.

(KU)

In August 2016, Moody's and S&P assigned ratings of A1 and A to KU's Carroll County 2016 Series A $96 million Pollution Control Revenue Refunding Bonds due 2042.

Ratings Triggers

(PPL, LKE, LG&E and KU)

Various derivative and non-derivative contracts, including contracts for the sale and purchase of electricity and fuel, commodity transportation and storage, interest rate and foreign currency instruments (for PPL), contain provisions that require the posting of additional collateral or permit the counterparty to terminate the contract, if PPL'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 requirements for PPL, LKE and LG&E for derivative contracts in a net liability position at September 30, 2016.

(All Registrants)

For additional information on the Registrants' liquidity and capital resources, see "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations," in the Registrants' 2015 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 onditions and model assumptions. Actual future results may differ materially from those presented. These are not precise indicators of xpected future losses, but are rather only indicators of possible losses under normal market conditions at a given confidence level.

Interest Rate Risk

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 portfolios due to changes in the absolute level of interest rates. In addition, the interest rate risk of certain subsidiaries is potentially mitigated as a result of the existing regulatory framework or the timing of rate cases.

The following interest rate hedges were outstanding at September 30, 2016.

	Exposure Hedged	Fair Value, Net - Asset (Liability) (a)	Effect of a 10% Adverse Movement in Rates (b)	Maturities Ranging Through
PPL				
Cash flow hedges				
Cross-currency swaps (c)	$ 802	$ 155	$ (96)	2028
Economic hedges				
Interest rate swaps (d)	179	(54)	(2)	2033
LKE				
Economic hedges				
Interest rate swaps (d)	179	(54)	(2)	2033
G&E				
Economic hedges				
Interest rate swaps (d)	179	(54)	(2)	2033

(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 a 10% adverse movement in foreign currency exchange rates.

(c) Cross-currency swaps are utilized to hedge the principal and interest payments 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.

(d) Realized changes in the fair value of such economic hedges are recoverable through regulated rates and any subsequent changes in the fair value of these derivatives are included in regulatory assets or regulatory 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 on interest expense at September 30, 2016 was insignificant for PPL, PPL Electric, LKE, LG&E and KU. The estimated impact of a 10% adverse movement in interest rates on the fair value of debt at September 30, 2016 is shown below.

	10% Adverse Movement in Rates
PPL	$ 543
PPL Electric	136

LKE	175
LG&E	65
U	98

Foreign Currency Risk (PPL)

PPL is exposed to foreign currency risk primarily through investments in U.K. affiliates. Under its risk management program, PPL may enter into financial instruments to hedge certain foreign currency exposures, including translation risk of expected earnings, firm commitments, recognized assets or liabilities, anticipated transactions and net investments.

The following foreign currency hedges were outstanding at September 30, 2016.

	Exposure Hedged	Fair Value, Net - Asset (Liability)	Effect of a 10% Adverse Movement in Foreign Currency Exchange Rates (a)	Maturities Ranging Through
Economic hedges (b)	£ 1,791	$ 96	$ (214)	2018

(a) Effects of adverse movements decrease assets or increase liabilities, as applicable, which could result in an asset becoming a liability.

(b) To economically hedge the translation risk of expected earnings denominated in GBP.

(All Registrants)

Commodity Price Risk

PPL is exposed to commodity price risk through its domestic subsidiaries as described below.

- PPL Electric is exposed to commodity price risk from its obligation as PLR; however, its PUC-approved cost recovery mechanism substantially eliminates its exposure to this risk. PPL Electric also mitigates its exposure to commodity price risk by entering into full-requirement supply agreements to serve its PLR customers. These supply agreements transfer the commodity price risk associated with the PLR obligation to the energy suppliers.
- LG&E's and KU's rates include certain mechanisms for fuel and fuel-related expenses. In addition, LG&E's rates include a mechanism for natural gas supply expenses. These mechanisms generally provide for timely recovery of market price fluctuations associated with these expenses.

Volumetric Risk

PPL is exposed to volumetric risk through its subsidiaries as described below.

- WPD is exposed to volumetric risk which is significantly mitigated as a result of the method of regulation in the U.K. Under the RIIO - ED1 price control period, recovery of such exposure occurs on a two year lag. See Note 1 in PPL's 2015 Form 10-K for additional information on revenue recognition under RIIO - ED1.
- PPL Electric, LG&E and KU are exposed to volumetric risk on retail sales, mainly due to weather and other economic conditions for which there is limited mitigation between rate cases.

Credit Risk*(All Registrants)*

See Notes 13 and 14 to the Financial Statements in this Form 10-Q and "Risk Management - Credit Risk" in the Registrants' 2015 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 $840 million for the nine months ended September 30, 2016, which primarily reflected a $1.6 billion decrease to PP&E and $375 million decrease to goodwill partially offset by a $995 million decrease to long-term debt and a $160 million decrease to other net liabilities. Changes in this exchange rate resulted in a foreign currency translation loss of $101 million for the nine months ended September 30, 2015, which primarily reflected a $209 million decrease to PP&E and $54 million decrease to goodwill partially offset by a $131 million decrease to long-term debt and a $31 million decrease to other 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 in outside artnerships, including leasing transactions with variable interest entities, or other entities doing business with the Registrants. See Note 1 to the Financial Statements for additional information on related party transactions for 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, modify or terminate the projects. Any resulting transactions may impact future financial results. 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 Electric'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 significant. In addition, costs may increase significantly if the requirements or scope of environmental laws or regulations, or similar rules, are expanded or changed. 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 cost for their products or their demand for the Registrants' services. Increased capital and operating costs are subject to 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.

See Note 10 to the Financial Statements for a discussion of the more significant environmental matters including:

- Legal Matters,
- Climate Change,
- Coal Combustion Residuals,
- Effluent Limitations Guidelines,
- Mercury and Air Toxics Standards,
- National Ambient Air Quality Standards, and
- Superfund and Other Remediation.

Additionally, see "Item 1. Business - Environmental Matters" in the Registrants' 2015 Form 10-K for additional information on environmental matters.

New Accounting Guidance*(All Registrants)*

See Notes 2 and 18 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 an understanding of the reported financial condition or results of operations, and require management to make estimates or other judgments of matters that are inherently uncertain. See "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Registrants' 2015 Form 10-K for a discussion of each critical accounting policy.

	PPL	PPL Electric	LKE	LG&E	KU
Defined Benefits	X	X	X	X	X
Loss Accruals	X	X	X	X	X
Income Taxes	X	X	X	X	X
Goodwill Impairment	X		X	X	X
AROs	X		X	X	X
Price Risk Management	X				
Regulatory Assets and Liabilities	X	X	X	X	X
Revenue Recognition - Unbilled Revenue		X	X	X	X

PPL Corporation
PPL Electric Utilities Corporation
LG&E and KU Energy LLC
Louisville Gas and Electric Company
Kentucky Utilities Company

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Reference is made to "Risk Management" in "Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations."

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

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, 2016, 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.

The Registrants' principal executive officers and principal financial officers have concluded that there were no 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.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

ɔr information regarding pending administrative and judicial proceedings involving regulatory, environmental and other matters, hich information is incorporated by reference into this Part II, see:

- "Item 3. Legal Proceedings" in each Registrant's 2015 Form 10-K; and
- Notes 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 Registrants' 2015 Form 10-K and Form 10-Q for the period ending June 30, 2016 except the following:

(PPL)

Risks related to our U.K. segment

PPL's earnings may be adversely affected as a result of the June 23, 2016 referendum in the U.K. to withdraw from the European Union.

Significant uncertainty exists concerning the effects of the June 23, 2016 referendum in favor of the U.K. withdrawal from the European Union, including whether formal withdrawal will occur and the nature and duration of negotiations between the U.K. and European Union as to the terms of any withdrawal. PPL cannot predict the impact, either short-term or long-term, on foreign exchange rates or PPL's long-term financial condition that may be experienced as a result of any actions that may be taken by the U.K. government to withdraw from the European Union, although such impacts could be significant.

Item 4. Mine Safety Disclosures

Not applicable.

Item 6. Exhibits

The following Exhibits indicated by an asterisk preceding the Exhibit number are filed herewith. The balance of the Exhibits has eretofore 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.

4(a)	- Loan Agreement dated as of August 1, 2016 between Kentucky Utilities Company and the County of Carroll, Kentucky (Exhibit 4(a) to Kentucky Utilities Company Form 8-K Report (File No. 1-3464) dated August 26, 2016)
4(b)	- Supplemental Indenture No. 5, dated as of August 1, 2016, of Kentucky Utilities Company to The Bank of New York Mellon, as Trustee (Exhibit 4(b) to Kentucky Utilities Company Form 8-K Report (File No. 1-3464) dated August 26, 2016)
4(c)	- Loan Agreement dated as of September 1, 2016 between Louisville Gas and Electric Company and the County of Trimble, Kentucky (Exhibit 4(a) to Louisville Gas and Electric Company Form 8-K Report (File No. 1-2893) dated September 15, 2016)
4(d)	- Supplemental Indenture No. 5, dated as of September 1, 2016, of Louisville Gas and Electric Company to The Bank of New York Mellon, as Trustee (Exhibit 4(b) to Louisville Gas and Electric Company Form 8-K Report (File No. 1-2893) dated September 15, 2016)
*10(a)	- £50,000,000 Facility Letter entered into between Western Power Distribution (South West) plc and Svenska Handelsbanken AB dated as of October 11, 2016
*12(a)	- PPL Corporation and Subsidiaries Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends
*12(b)	- PPL Electric Utilities Corporation and Subsidiaries Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends
*12(c)	- LG&E and KU Energy LLC and Subsidiaries Computation of Ratio of Earnings to Fixed Charges
*12(d)	- Louisville Gas and Electric Company Computation of Ratio of Earnings to Fixed Charges
*12(e)	- 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, 2016, 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 Electric Utilities Corporation's principal executive officer
*31(d)	- PPL Electric Utilities Corporation's principal financial officer
31(e)	- LG&E and KU Energy LLC's principal executive officer
*31(f)	- LG&E and KU Energy LLC's principal financial officer
*31(g)	- Louisville Gas and Electric Company's principal executive officer
*31(h)	- Louisville Gas and Electric Company's principal financial officer
*31(i)	- Kentucky Utilities Company's principal executive officer
*31(j)	- Kentucky Utilities Company's principal financial officer

'ertifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, for the quarterly period ended September 30, 2016, furnished y the following officers for the following companies:

*32(a)	- PPL Corporation's principal executive officer and principal financial officer
*32(b)	- PPL Electric Utilities Corporation's principal executive officer and principal financial officer
*32(c)	- LG&E and KU Energy LLC's principal executive officer and principal financial officer
*32(d)	- Louisville Gas and Electric Company's principal executive officer and principal financial officer
*32(e)	- Kentucky Utilities Company's principal executive officer and principal financial officer
101.INS	- XBRL Instance Document
101.SCH	- XBRL Taxonomy Extension Schema
101.CAL	- XBRL Taxonomy Extension Calculation Linkbase
101.DEF	- XBRL Taxonomy Extension Definition Linkbase
101.LAB	- XBRL Taxonomy Extension Label Linkbase
101.PRE	- XBRL Taxonomy Extension Presentation Linkbase

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)

Date: November 1, 2016

/s/ Stephen K. Breininger

Stephen K. Breininger
Vice President and Controller
(Principal Accounting Officer)

PPL Electric Utilities Corporation

(Registrant)

Date: November 1, 2016

/s/ Marlene C. Beers

Marlene C. Beers
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, 2016

/s/ Kent W. Blake

Kent W. Blake
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Handelsbanken
Bristol Queen Square

The Directors
Western Power Distribution (South West) plc
Avonbank
Feeder Road
Bristol
BS2 0TB

Date: 10th October 2016

Dear Sirs

In accordance with arrangements recently agreed between us, we hereby set out in this letter (the "**Facility Letter**") the terms and conditions upon which we, Svenska Handelsbanken AB (publ) (the " **Bank** "), are prepared to make available an uncommitted money market facility (the " **Facility** ") to you, Western Power Distribution (South West) plc , Company Number 2366894 (the " **Borrower** ")

This Facility Letter is open for acceptance within 30 days of the date hereof or such later date as the Bank shall agree after which it shall expire.

This Facility Letter supersedes all prior agreements, arrangements or correspondence between the Bank and the Borrower in relation to the Facility.

The principal terms on which the Facility is made available are set out in Clause 1.1, subject to the terms and conditions contained in the remainder of this Facility Letter.

1.1 Outline Terms

• **Amount & Type of Facility:**	£50,000,000 (fifty million pounds sterling) money market facility. • Arrangement Fee £15,000 payable on signing this Facility Letter. • Annual Fee £7,500 payable yearly in advance with effect from 1st September 2017 • Breakage Fee £300 payable on the date a Drawing or any part thereof is repaid or prepaid other than on the relevant Maturity Date. • Break Costs (if applicable).

Svenska Handelsbanken AB (publ)
66 Queens Square
Bristol
BS1 4JP

Telephone 0117 302 0080
Fax 0117 302 0077
www.handelsbanken.co.uk/bristolqueensquare
SWIFT HANDGB22

- **Review Date:** On or around 31st August annually.
- **Specified Purpose** General business purposes.

1.2 Definitions and Interpretation

Unless defined elsewhere the definitions which shall apply to the Facility Letter are contained in Schedule 2.

2 The Facility

The Borrower may only use the Facility for the Specified Purpose and furthermore undertakes not to use the Facility for any purpose or in any manner that would result in a breach by it, or any other person, of any provision of the Bribery Act 2010.

3 Conditions Precedent

3.1 The Facility shall be available for use by the Borrower only when the Bank (i) shall have received, to its satisfaction as to their form and substance, the documents and evidence set out in Schedule 1 and (ii) is satisfied that the other conditions detailed in Schedule 1 have been satisfied.

3.2 The Conditions Precedent set out in Schedule 1 are for the sole benefit of the Bank, and the Bank may in its sole and absolute discretion make the Facility, or a part thereof, available notwithstanding that one or more of such conditions have not been fulfilled on terms that such condition or conditions shall be fulfilled within such period or periods thereafter as the Bank shall determine unless the Bank shall otherwise agree to waive such condition or conditions in its sole and absolute discretion.

4 Utilisation, Availability and Termination

4.1 Utilisation of the Facility ("**Facility Utilisation**") will be calculated as the aggregate value of outstanding Drawings.

4.2 Facility Utilisation at any time shall not exceed the Limit and the Bank is not obliged to allow or continue to allow any utilisation in excess of the Limit.

4.3 The Facility is uncommitted and shall remain available to the Borrower until further notice but shall be subject to cancellation at any time by either the Bank or the Borrower giving written notice to the other. In the event of such cancellation no further Drawings shall be made available and the Bank will be entitled to require the Borrower to immediately repay all Drawings in accordance with the provisions of Clause 5.5.

4.4 The Bank shall review the Facility on each Review Date and may contact you to discuss your future requirements. Whenever we review the Facility, we may charge you a renewal fee.

4.5 All sums outstanding under the Facility together with interest thereon, and any fees, costs, charges and expenses payable hereunder shall be repayable upon demand at all times.

5 Drawings

5.1 Borrowings by way of drawings shall be permitted at the Bank's discretion (together the "**Drawings**" each a " **Drawing** ").

5.2 Each Drawing shall be for an amount, a period and at an interest rate, all to be mutually agreed at the time of each such Drawing, such period to expire no later than the next Quarter Day unless otherwise agreed by the Bank.

5.3 Interest on Drawings shall be payable by the Borrower in full in immediately available funds, on the relevant Maturity Date and on any date that a Drawing is renewed for a further period pursuant to Clause 5.4.

5.4 Each Drawing shall be repaid in full by the Borrower on the relevant Maturity Date unless the Bank, in its sole discretion, shall agree to renew any such Drawing for a further period in which case the Maturity Date for such Drawing shall be extended accordingly.

5.5 Notwithstanding any other term of this Facility Letter each Drawing together with interest thereon, and any fees, costs, charges and expenses payable hereunder shall be repayable upon demand and in the event that the Facility is cancelled or demand is made by the Bank, the Bank shall be entitled at the cost of the Borrower to break any interest period that may be applicable to a Drawing and the Borrower shall pay to the Bank the Breakage Fee and all Break Costs arising as a result thereof together with accrued interest. In the event that the Bank shall exercise such right all Drawings outstanding shall thereafter be fixed for such interest periods as shall be determined by the Bank in its sole and absolute discretion.

5.6 If there is a repayment, prepayment or recovery of all or any part of a Drawing other than on the relevant Maturity Date, then the Borrower will pay to the Bank on demand an amount equal to the Break Costs together with the Breakage Fee and the Borrower indemnifies the Bank against any other costs, liabilities or expenses incurred by the Bank in connection with that early repayment, prepayment or recovery.

5.7 Any notice of prepayment under this Facility Letter shall be irrevocable and the provisions of this Clause 5 shall apply to any prepayment.

5.8 If the prepayment sum is received by the Bank after 10 am then the Bank may treat such prepayment as if it had been received on the next Business Day. Any prepayment must be accompanied by any Breakage Fee and all Break Costs arising as a result thereof together with accrued interest.

6 Fees

6.1 In consideration of the Bank making the Facility available hereunder the Borrower shall pay to the Bank, the Bank's Fees which if not previously paid shall be deducted from any Drawing made hereunder. Any fees as set out in Clause 1.1 not due on first utilisation shall be debited to the Borrower's account and be payable in advance at the time or times and in the manner set out in Clause 1.1.

6.2 In the event that the level of administration undertaken by the Bank in connection with the operation and monitoring of the Facility shall in the opinion of the Bank have increased or be likely to increase from that envisaged by the Bank when the Facility was originally agreed then the Bank shall have the right to charge the Borrower an Administration Fee.

7 Increased Costs and Default Interest

7.1 The Borrower shall, within three Business Days of a demand by the Bank, pay the Bank the amount of any Increased Costs incurred by the Bank as a result of (i) the introduction of or any change in (or in the interpretation, administration or application of) any law, regulation or directive (whether or not having the force of law) or (ii) compliance with any law, regulation or directive (whether or not having the force of law) made after the date of this Facility Letter.

7.2 In this Facility Letter "**Increased Costs** " means:

7.2.1 a reduction in the rate of return from the Facility or on the Bank's overall capital;

an additional or increased cost; or

7.2.3 a reduction of any amount due and payable under this Facility Letter,

which is incurred or suffered by the Bank to the extent that it is attributable to the Bank having entered into this Facility Letter or funding or performing its obligations under this Facility Letter.

7.3 The Bank prior to making a claim pursuant to Clause 7.1 above shall notify the Borrower of the event giving rise to the claim and shall, as soon as practicable after a demand by the Borrower, provide a certificate confirming the amount of its Increased Costs.

7.4 If the Borrower shall fail to pay any sum due hereunder or under the judgement of any court in connection herewith on the due date therefor, then as a separate obligation the Borrower shall pay to the Bank interest at the Default Rate on any such sum due to the Bank up to the date on which such sum is repaid and any other amounts outstanding under this Facility Letter have been paid in full. Interest shall be payable at the rate both before and after demand, court decree or judgment on such dates advised by the Bank to the Borrower any such interest which is not paid when due shall be added to the overdue sum and itself bear interest accordingly.

7.5 The Bank's certificate as to the amounts due pursuant to this Clause 7 shall be final and conclusive, save for manifest error.

8 Financial Information

The Borrower shall forthwith provide to the Bank such financial information as the Bank may request from time to time including, but not limited to the Financial Statements of the Borrower within 180 days of the end of each financial year.

9 Payments, Calculations and Tax Indemnity

9.1 All interest shall accrue from day to day and be calculated on the basis of the actual number of days elapsed within a year of 365 days.

9.2 All sums payable by the Borrower to the Bank shall be paid without deduction for or on account of any set-off or counter-claim and free and clear of any deduction or withholding of any nature (including taxation) unless such a deduction or withholding is required by law.

9.3 If any amount is required by law to be deducted or withheld from any sum payable hereunder then the Borrower shall pay such an additional amount as will ensure that, after the making of such deduction or withholding, the Bank shall receive a net sum equal to the sums which the Bank would have received had no such deduction or withholding been required to be made.

9.4 The Borrower shall (within three Business Days of demand by the Bank) pay to the Bank an amount equal to the loss, liability or cost which the Bank determines will be or has been (directly or indirectly) suffered for or on account of Tax by the Bank in respect of the Facility Letter.

9.5 Clause 9.4 above shall not apply:

9.5.1 with respect to any Tax assessed on the Bank under the law of the jurisdiction in which the Bank is incorporated or, if different, the jurisdiction (or jurisdictions) in which the Bank is treated as resident for tax purposes, if that Tax is imposed on or calculated by reference to the net income received or receivable (but not any sum deemed to be received or receivable) by the Bank; or

9.5.2 to the extent a loss, liability or cost is compensated for by an increased payment under Clause 9.3.

9.6 If the Bank makes (or intends to make) a claim under Clause 9.4 above, it shall notify the Borrower as soon as is reasonably practicable of the event which has caused (or will cause) that claim, however, the Bank's entitlement to exercise its rights under Clause 9.4 above is not conditional on such notification being made in accordance with this Clause 9.6.

9.7 For the purposes of Clauses 9.4 and 9.5:

"**Tax**" means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

10 Security

The Facility will be secured by any security which the Bank may in the future obtain.

11 Set-Off

11.1 In addition to any other rights to which it may be entitled the Bank may retain, set off or appropriate any credit balances in name of the Borrower (whether current or not yet due) against the Borrower's obligations to the Bank under this Facility Letter. The Bank may exercise any of these rights without prior notice both before and after demand and in so doing may convert to sterling at the prevailing market rate of exchange any balance which is in a currency other than sterling.

11.2 Nothing expressed or implied in this Facility Letter or any other document in connection herewith shall be regarded as in any way negating or affecting any right which the Bank may have under applicable law to apply any credit balances to which the Borrower is entitled on any account of the Borrower in or towards satisfaction of any sum due from the Borrower hereunder.

12 Severance

If at any time any one or more of the provisions of this Facility Letter is or becomes invalid, illegal or unenforceable for any reason whatsoever, the validity, legality and enforceability of the remaining provisions hereof shall not thereby be affected, reduced or impaired in any way.

3 Remedies, Waivers, Amendments and Consents

13.1 No failure on the part of the Bank to exercise, and no delay on its part in exercising, any right or remedy under this Facility Letter will operate as a waiver thereof, nor will any single or partial exercise of any right or remedy preclude any other or further exercise thereof or the exercise of any other right or remedy. The rights and remedies provided in this Facility Letter are cumulative and not exclusive of any rights or remedies provided by law or otherwise.

13.2 Save to the extent expressly provided to the contrary in this Facility Letter a person who is not a party to this Facility Letter may not enforce any of its terms under the Contracts (Rights of Third Parties) Act 1999.

14 **Assignment and Transferability**

14.1 The Borrower may not assign, transfer or otherwise dispose of all or any part of its rights, benefits or obligations under this Facility Letter.

14.2 Subject to clause 14.3 below, the Bank may, with the prior written consent of the Borrower (such consent not to be unreasonably withheld or delayed) at any time and its own cost assign, novate or transfer all or any part of its rights, benefits and obligations under this Facility Letter or grant participations therein to any one or more banks or financial institutions and the Borrower and any other party to this Facility Letter hereby agree to execute any documents required to enable the Bank so to do (provided that the Borrower and any such other party shall neither be required thereby to pay any greater amount to satisfy its obligations hereunder nor be responsible for any legal or statutory costs or duties arising therefrom) and the Borrower and any other party to this Facility Letter further agrees that the Bank may disclose any information to any such bank or financial institution for said purpose.

14.3 The consent of the Borrower will be deemed to have been given if:

1 the transfer is to an Affiliate of
4 the Bank;
.
3
.
1

14.3.2a breach of the Borrower's obligations has occurred and is continuing; or

14.3.3 within 10 Business Days of receipt by the Borrower of a written application for consent, it has not been expressly refused, provided, in each case, that at the time of the proposed transfer no deduction or withholding would be required by law in respect of any payment to the transferee at such time to the extent that no deduction or withholding would have been required in respect of a payment to the Bank.

15 Costs and Expenses

15.1 The Borrower agrees that the costs and expenses, including legal fees, disbursements registration fees and value added tax thereon, incurred by the Bank in connection with the preparation, negotiation, execution and registration of this Facility Letter, and any other documents required in connection with the Facility shall be for the Borrower's account and the Borrower hereby indemnifies the Bank in respect of payment thereof.

15.2 The Borrower further undertakes to reimburse and indemnify the Bank for any and all costs, interest, charges and expenses incurred by the Bank, as well after as before judgement, in connection with preserving, enforcing or seeking to preserve or enforce its rights in respect of this Facility Letter or any amendment thereto, or in connection with the granting of any approvals or consents hereunder.

16 Notices

16.1 Each notice or other communication to be given under this Facility Letter shall be given in writing in English and, unless otherwise provided, shall be made by hand, fax or letter. For the avoidance of doubt, notices shall not be validly served by e-mail.

Any notice or other communication to be given by one party to another under this Facility Letter shall (unless one party has by no less than 5 Business Days' notice to the other party specified another address) and shall be given:-

16.1.1 in the case of the Borrower to its registered office; and

16.1.2 in the case of the Bank to the address detailed above.

16.2 Any notice or other communication given by any party shall be deemed to have been received:

16.2.1 in the case of a notice given by hand, at the time of day of actual delivery; or

16.2.2 if sent by fax, with a confirmed receipt of transmission from the receiving machine, on the day on which it is transmitted; or

16.2.3 if posted, by 10 am on the second Business Day following the day on which it was despatched by first class mail postage prepaid,

provided that a notice given in accordance with the above but received on a day which is not a Business Day or after normal business hours in the place of receipt shall be deemed to have been received on the next Business Day.

17 Governing Law

This Facility Letter shall be governed by and construed in accordance with the laws of England and Wales.

If you are in agreement with the aforesaid provisions, please sign and return the enclosed copy of this Facility Letter, as your acceptance of the terms and conditions set out herein.

Yours faithfully
For and on behalf of
SVENSKA HANDELSBANKEN AB (publ)

Authorised Signatory

Authorised Signatory

The Borrower hereby confirms and accepts the above mentioned terms and conditions contained in this Facility Letter and the following Schedules.

Signed for and on behalf of the Borrower

Authorised Signatory

Authorised Signatory

....
Date

Schedule 1 – Conditions Precedent

1 A copy of this Facility Letter signed by duly authorised officials accepting on behalf of the Borrower or the terms and conditions set out herein;

2 A Bank Mandate duly completed by or on behalf of the Borrower, together with such other documents as the Bank shall require to complete its account opening formalities and to ensure compliance with money laundering obligations;

3 Such form of mandate or authority as the officers of the Borrower may be empowered to issue to bankers concerning the negotiation of any money market utilisation under this Facility Letter on behalf of the Borrower and to sign and/or endorse any documents required under or in connection with this Facility Letter on behalf of the Borrower;

4 A copy of the Borrower's Certificate of Incorporation;

5 A copy certified as true and accurate by a Director or the Secretary of the Borrower of a resolution authorising the appropriate officials to act on behalf of and to bind the Borrower in the acceptance of the terms and conditions of this Facility Letter and the execution of this Facility Letter any other necessary supporting documents ancillary thereto; and

6 The Bank's Fees then due.

Schedule 2 – Definitions and Interpretation

"**Administration Fee**"means an administration fee of such amount or administration fees of such amounts as shall be determined by the Bank in its absolute discretion from time to time to fully compensate the Bank for the additional costs incurred or likely to be incurred by it in the operation and monitoring of the Facility. Such fee or fees will be payable on the Bank's first demand.

"**Bank's Fees**" means the Bank's fees set out in Clause 1.1.

"**Break Costs**" means the amount (if any) by which:

(a) the interest which the Bank should have received for the period from the date of receipt of all or any part of a Drawing or any unpaid sum to the last day of the current fixed rate period in respect of that Drawing or unpaid sum, had the principal amount or unpaid sum received been paid on the Maturity Date;

exceeds:

(b) the amount which that Bank would be able to obtain by placing an amount equal to the principal amount or unpaid sum received by it on deposit with a leading bank in the relevant interbank market for a period starting on the Business Day following receipt or recovery and ending on the relevant Maturity Date

and the provisions of this definition shall apply to each successive interest period for any unpaid amount or unpaid Drawing.

"**Breakage Fee**"meansthe Bank's breakage administration fee detailed in Clause 1.1.

"**Business Day**" means a day (other than a Saturday or Sunday) when the branch of the Bank at which the Borrower's account is located is open for business.

"**Default Rate**" means the aggregate of (i) the Bank's default interest margin in force from time to time, currently 2% per annum and (ii) the cost to the Bank of funding that sum during that period by whatever means it considers appropriate.

"**Financial Statements**" means audited annual profit and loss account, balance sheet and cash flow statement for each financial year (consolidated for each financial year during which any relevant corporate body has a subsidiary) together with related directors' or members' reports (as appropriate) and auditors' reports and the notes attached thereto.

"**Limit**" means the amount of the Facility set out in Clause 1.1.

"**Maturity Date**" means the agreed date for repayment of each Drawing.

"**Quarter Day**" means the Business Day falling on, or, if such day is not a Business Day the Business Day immediately before, each of 31st March, 30th June, 30th September or 31st December each year or any other quarter day that the Bank may advise the Borrower in replacement therefor from time to time as a consequence of a change in the Bank's internal accounting policies.

"**Sterling**" and the sign "**£**" mean the lawful currency of the United Kingdom.

Interpretation

Any reference in this Facility Letter to:

(a) statutes, statutory provisions and other legislation shall include all amendments, substitutions, modifications and re-enactments for the time being in force and shall include any orders, regulations, instruments or other subordinate legislation made under the relevant legislation.

(b) "**including**" shall not be construed as limiting the generality of the words preceding it;

(c) any clause, paragraph or schedule shall be construed as a reference to the clauses in this Facility Letter, the schedules to this Facility Letter and the paragraphs in such schedules;

(d) the singular shall include the plural and vice versa and words denoting any gender shall include all genders and if any party to this Facility Letter constitutes more than one person all covenants, conditions and obligations shall be deemed to be given by all such parties on a joint and several basis unless this Facility Letter specifically provides otherwise;

(e) this Facility Letter and to any provisions of it or to any other document referred to in this Facility Letter shall be construed as references to it in force for the time being and as amended, varied, supplemented, restated, substituted or novated from time to time;

(f) a person is to be construed to include references to a corporation, firm, company, partnership, joint venture, unincorporated body of persons, individual or any state or any agency of a state, whether or not a separate legal entity;

(g) any person is to be construed to include that person's assignees or transferees or successors in title, whether direct or indirect;

(h) any word or phrase includes all derivations thereof;

(i) a matter being in the opinion of the Bank or at the Bank's discretion shall be in the sole opinion of the Bank taking into consideration the Bank's interests hereunder and in the case of the Bank's discretion it shall be at the Bank's sole unfettered discretion without taking into consideration other party's interests.

Clause headings are for ease of reference only and are not to affect the interpretation of this Facility Letter.

Resolution re Facility Letter

Extract from the Minutes of a Meeting of the Directors

of Western Power Distribution (South West) plc (the 'Company')

"After due consideration of all the circumstances and on being satisfied that it is for the benefit of the Company and in the interests of the Company for the purpose of carrying on its business the Company agreed to enter into the Facility Letter in the form now produced (the "Letter").

It was resolved that the Letter be executed for and on behalf of the Company either by a Director and its Secretary, or by two Directors.

I hereby certify that the foregoing is a true extract from the Minutes of a Meeting of the Directors at which (all appropriate interests having been declared) a quorum entitled to vote was present duly held on the day of 2016 and that a true copy of the Letter has been retained by the Company.

Secretary

PPL CORPORATION AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

(Millions of Dollars)

	Nine Months Ended September 30, 2016	Years Ended December 31, (a) 2015	2014	2013	2012	2011
Earnings, as defined:						
Income from Continuing Operations Before Income Taxes	**$ 1,947**	$ 2,068	$ 2,129	$ 1,728	$ 1,406	$ 922
Adjustment to reflect earnings from equity method investments on a cash basis (b)	**—**	(1)	—	—	34	—
	1,947	2,067	2,129	1,728	1,440	922
Total fixed charges as below	**689**	1,054	1,095	1,096	1,065	1,022
Less:						
Capitalized interest	**3**	11	11	11	6	4
Preferred security distributions of subsidiaries on a pre-tax basis	**—**	—	—	—	5	23
Interest expense and fixed charges related to discontinued operations	**—**	150	186	235	235	231
Total fixed charges included in Income from Continuing Operations Before Income Taxes	**686**	893	898	850	819	764
Total earnings	**$ 2,633**	$ 2,960	$ 3,027	$ 2,578	$ 2,259	$ 1,686
Fixed charges, as defined:						
Interest charges (c)	**$ 681**	$ 1,038	$ 1,073	$ 1,058	$ 1,019	$ 955
Estimated interest component of operating rentals	**8**	16	22	38	41	44
Preferred security distributions of subsidiaries on a pre-tax basis	**—**	—	—	—	5	23
Total fixed charges (d)	**$ 689**	$ 1,054	$ 1,095	$ 1,096	$ 1,065	$ 1,022
Ratio of earnings to fixed charges	**3.8**	2.8	2.8	2.4	2.1	1.7
Ratio of earnings to combined fixed charges and preferred stock dividends (e)	**3.8**	2.8	2.8	2.4	2.1	1.7

(a) Reflects PPL's Supply segment as Discontinued Operations. See Note 8 to the Financial Statements for additional information.

(b) Includes other-than-temporary impairment loss of $25 million in 2012.

(c) Includes interest on long-term and short-term debt, as well as amortization of debt discount, expense and premium - net.

(d) Interest on unrecognized tax benefits is not included in fixed charges.

(e) 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 ELECTRIC UTILITIES CORPORATION AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

(Millions of Dollars)

	Nine Months Ended September 30,	Years Ended December 31,				
	2016	**2015**	**2014**	**2013**	**2012**	**2011**
Earnings, as defined:						
Income Before Income Taxes	**$ 425**	$ 416	$ 423	$ 317	$ 204	$ 257
Total fixed charges as below	**105**	139	131	117	107	105
Total earnings	**$ 530**	$ 555	$ 554	$ 434	$ 311	$ 362
Fixed charges, as defined:						
Interest charges (a)	**$ 102**	$ 135	$ 127	$ 113	$ 104	$ 102
Estimated interest component of operating rentals	**3**	4	4	4	3	3
Total fixed charges (b)	**$ 105**	$ 139	$ 131	$ 117	$ 107	$ 105
Ratio of earnings to fixed charges	**5.0**	4.0	4.2	3.7	2.9	3.4
Preferred stock dividend requirements on a pre-tax basis	**$ —**	$ —	$ —	$ —	$ 6	$ 21
Fixed charges, as above	**105**	139	131	117	107	105
Total fixed charges and preferred stock dividends	**$ 105**	$ 139	$ 131	$ 117	$ 113	$ 126
Ratio of earnings to combined fixed charges and preferred stock dividends	**5.0**	4.0	4.2	3.7	2.8	2.9

(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.

LG&E AND KU ENERGY LLC AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Millions of Dollars)

	Nine Months Ended September 30,	Years Ended December 31,				
	2016	**2015**	**2014**	**2013**	**2012**	**2011**
Earnings, as defined:						
Income from Continuing Operations Before Income Taxes	**$ 539**	$ 603	$ 553	$ 551	$ 331	$ 419
Adjustment to reflect earnings from equity method investments on a cash basis (a)	**—**	(1)	(1)	(1)	33	(1)
	539	602	552	550	364	418
Total fixed charges as below	**165**	189	173	151	157	153
Total earnings	**$ 704**	$ 791	$ 725	$ 701	$ 521	$ 571
Fixed charges, as defined:						
Interest charges (b) (c)	**$ 159**	$ 181	$ 167	$ 145	$ 151	$ 147
Estimated interest component of operating rentals	**6**	8	6	6	6	6
Total fixed charges	**$ 165**	$ 189	$ 173	$ 151	$ 157	$ 153
Ratio of earnings to fixed charges	**4.3**	4.2	4.2	4.6	3.3	3.7

(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 loss on reacquired debt and amortization of debt discount, expense and premium - net.

(c) Includes a credit for amortization of a fair market value adjustment of $7 million in 2013.

Exhibit 12(d)

LOUISVILLE GAS AND ELECTRIC COMPANY

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Millions of Dollars)

	Nine Months Ended September 30,	Years Ended December 31,				
	2016	2015	2014	2013	2012	2011
Earnings, as defined:						
Income Before Income Taxes	$ **257**	$ 299	$ 272	$ 257	$ 192	$ 195
Total fixed charges as below	**56**	61	51	36	44	46
Total earnings	$ **313**	$ 360	$ 323	$ 293	$ 236	$ 241
Fixed charges, as defined:						
Interest charges (a) (b)	$ **53**	$ 57	$ 49	$ 34	$ 42	$ 44
Estimated interest component of operating rentals	**3**	4	2	2	2	2
Total fixed charges	$ **56**	$ 61	$ 51	$ 36	$ 44	$ 46
Ratio of earnings to fixed charges	**5.6**	5.9	6.3	8.1	5.4	5.2

(a) Includes interest on long-term and short-term debt, as well as amortization of loss on reacquired debt and amortization of debt discount, expense and premium - net.

(b) Includes a credit for amortization of a fair market value adjustment of $7 million in 2013.

Exhibit 12(e)

KENTUCKY UTILITIES COMPANY

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Millions of Dollars)

	Nine Months Ended September 30,	Years Ended December 31,				
	2016	**2015**	**2014**	**2013**	**2012**	**2011**
Earnings, as defined:						
Income Before Income Taxes	**$ 335**	$ 374	$ 355	$ 360	$ 215	$ 282
Adjustment to reflect earnings from equity method investments on a cash basis (a)	**—**	(1)	(1)	(1)	33	(1)
	335	373	354	359	248	281
Total fixed charges as below	**74**	86	80	73	72	73
Total earnings	**$ 409**	$ 459	$ 434	$ 432	$ 320	$ 354
Fixed charges, as defined:						
Interest charges (b)	**$ 71**	$ 82	$ 77	$ 70	$ 69	$ 70
Estimated interest component of operating rentals	**3**	4	3	3	3	3
Total fixed charges	**$ 74**	$ 86	$ 80	$ 73	$ 72	$ 73
Ratio of earnings to fixed charges	**5.5**	5.3	5.4	5.9	4.4	4.8

(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 loss on reacquired debt and amortization of debt discount, expense and premium - net.

Exhibit 31(a)

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, 2016

/s/ William H. Spence

William H. Spence

Chairman, President and Chief Executive Officer

(Principal Executive Officer)

PPL Corporation

CERTIFICATION

I, VINCENT SORGI, 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, 2016

/s/ Vincent Sorgi

Vincent Sorgi

Senior Vice President and Chief Financial Officer

(Principal Financial Officer)

PPL Corporation

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, 2016

/s/ Gregory N. Dudkin

Gregory N. Dudkin
President
(Principal Executive Officer)
PPL Electric Utilities Corporation

CERTIFICATION

I, MARLENE C. BEERS, 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, 2016

/s/ Marlene C. Beers

Marlene C. Beers
Controller
(Principal Financial Officer and Principal Accounting Officer)
PPL Electric Utilities Corporation

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, 2016

/s/ Victor A. Staffieri

Victor A. Staffieri

Chairman of the Board, Chief Executive Officer and President

(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, 2016

/s/ Kent W. Blake

Kent W. Blake
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
LG&E and KU Energy LLC

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, 2016

/s/ Victor A. Staffieri

Victor A. Staffieri

Chairman of the Board, Chief Executive Officer and President

(Principal Executive Officer)

Louisville Gas and Electric Company

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, 2016

/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, 2016

/s/ Victor A. Staffieri

Victor A. Staffieri

Chairman of the Board, Chief Executive Officer and President

(Principal Executive Officer)

Kentucky Utilities Company

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, 2016

/s/ Kent W. Blake

Kent W. Blake
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
Kentucky Utilities Company

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, 2016

In connection with the quarterly report on Form 10-Q of PPL Corporation (the "Company") for the quarter ended September 30, 2016, 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 Vincent Sorgi, 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, 2016

/s/ William H. Spence

William H. Spence

Chairman, President and Chief Executive Officer

(Principal Executive Officer)

PPL Corporation

/s/ Vincent Sorgi

Vincent Sorgi

Senior 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 CORPORATION'S FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2016

In connection with the quarterly report on Form 10-Q of PPL Electric Utilities Corporation (the "Company") for the quarter ended September 30, 2016, 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 Marlene C. Beers, 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, 2016

/s/ Gregory N. Dudkin
Gregory N. Dudkin
President
(Principal Executive Officer)
PPL Electric Utilities Corporation

/s/ Marlene C. Beers
Marlene C. Beers
Controller
(Principal Financial Officer and Principal 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.

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, 2016

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, 2016, 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, 2016

/s/ Victor A. Staffieri

Victor A. Staffieri
Chairman of the Board, Chief Executive Officer and President
(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.

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, 2016

In connection with the quarterly report on Form 10-Q of Louisville Gas and Electric Company (the "Company") for the quarter ended September 30, 2016, 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, 2016

/s/ Victor A. Staffieri

Victor A. Staffieri
Chairman of the Board, Chief Executive Officer and President
(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.

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, 2016

In connection with the quarterly report on Form 10-Q of Kentucky Utilities Company (the "Company") for the quarter ended September 30, 2016, 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, 2016

/s/ Victor A. Staffieri
Victor A. Staffieri
Chairman of the Board, Chief Executive Officer and President
(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.