open matters, including providing for certain refunds, approving the formula rate with a true-up provision, and authorizing a 10.25% return on equity. An unresolved matter with one terminating municipality may be the subject of further negotiations or proceedings. KU cannot predict the ultimate outcome of these FERC proceedings regarding its wholesale power agreements with the municipalities, but does not currently anticipate significant remaining refunds beyond amounts already recorded.

(PPL, LKE, LG&E and KU)

Rate Case Proceedings

On November 26, 2014, LG&E and KU filed requests with the KPSC for increases in annual base rates for LG&E's electric and gas operations and KU's electric operations. On April 20, 2015, LG&E and KU, and the other parties to the proceeding, filed a unanimous settlement agreement with the KPSC. The settlement agreement was approved by the KPSC on June 30, 2015. Among other things, the settlement provides for increases in the annual revenue requirements associated with KU base electricity rates of $125 million and LG&E base gas rates of $7 million. The annual revenue requirement associated with base electricity rates at LG&E was not changed. Although the settlement did not establish a specific return on equity with respect to the base rates, an authorized 10% return on equity will be utilized in the ECR and GLT mechanisms. The settlement agreement provides for deferred recovery of costs associated with Green River Units 3 and 4 through their retirement. The new regulatory asset will be amortized over three years. The settlement also provides regulatory asset treatment for the difference between pension expense currently booked in accordance with LG&E and KU's pension accounting policy and pension expense using a 15 year amortization period for actuarial gains and losses. The new rates and all elements of the settlement became effective July 1, 2015.

(LKE and KU)

On June 30, 2015, KU filed an application with the VSCC to increase annual Virginia base electricity revenue by approximately $7.2 million, representing an increase of 10.1%. KU's application is based on an authorized 10.5% return on equity. Subject to regulatory review and approval, new rates would become effective April 1, 2016.

Results of Operations

(PPL)

The discussion for PPL provides a review of results by reportable segment. The "Margins" discussion provides explanations of non-GAAP financial measures (Kentucky Gross Margins and Pennsylvania Gross Delivery Margins) and a reconciliation of non-GAAP financial measures to "Operating Income." The "Statement of Income Analysis" discussion addresses significant changes in principal line items on PPL's Statements of Income, comparing the three and six months ended June 30, 2015 with the same periods in 2014. "Segment Earnings, Margins and Statement of Income Analysis" is presented separately for PPL.

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

(Subsidiary Registrants)

The discussion for each of PPL Electric, LKE, LG&E and KU provides a summary of earnings. The "Margins" discussion includes a reconciliation of non-GAAP financial measures to "Operating Income" and "Statement of Income Analysis" addresses significant changes in principal line items on the Statements of Income comparing the three and six months ended June 30, 2015 with the same periods in 2014. "Earnings, Margins and Statement of Income Analysis" is presented separately for PPL Electric, LKE, LG&E and KU.

(All Registrants)

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

PPL: Segment Earnings, Margins and Statement of Income Analysis

Segment Earnings

U.K. Regulated Segment

The U.K. Regulated segment consists of PPL Global which primarily includes WPD's regulated electricity distribution operations, the results of hedging the translation of WPD's earnings from British pound sterling into U.S. dollars, and certain costs, such as U.S. income taxes, administrative costs, and allocated financing costs. The U.K. Regulated segment represents 70% of PPL's Income from Continuing Operations After Income Taxes for the six months ended June 30, 2015 and 42% of PPL's assets at June 30, 2015.

Net Income for the periods ended June 30 includes the following results.

	Three Months			Six Months		
	2015	2014	$ Change	2015	2014	$ Change
Utility revenues	$ 575	$ 659	$ (84)	$ 1,261	$ 1,296	$ (35)
Energy-related businesses	12	13	(1)	23	24	(1)
Total operating revenues	587	672	(85)	1,284	1,320	(36)
Other operation and maintenance	96	117	(21)	199	225	(26)
Depreciation	59	87	(28)	118	170	(52)
Taxes, other than income	37	40	(3)	73	78	(5)
Energy-related businesses	8	8		15	15	
Total operating expenses	200	252	(52)	405	488	(83)
Other Income (Expense) - net	(100)	(72)	(28)	(12)	(96)	84
Interest Expense	103	115	(12)	203	237	(34)
Income Taxes	(6)	46	(52)	99	106	(7)
Net Income	$ 190	$ 187	$ 3	$ 565	$ 393	$ 172

The changes in the results of the U.K. Regulated segment between these periods were due to the factors set forth below, which reflect certain items that management considers special and effects of movements in foreign currency exchange on separate lines within the table and not in their respective Statement of Income line items. See below for additional detail of the special items.

	Three Months	Six Months
U.K.		
Utility revenues	$ (21)	$ 12
Other operation and maintenance	11	7
Depreciation	22	42
Interest expense	1	7
Other	(1)	(1)
Income taxes	7	1
U.S.		
Interest expense and other	2	11
Income taxes	11	19
Foreign currency exchange, after-tax	(9)	(3)
Special items, after-tax	(20)	77
Total	$ 3	$ 172

U.K.

- Lower utility revenues for the three month period primarily due to $33 million from the April 1, 2015 price decrease primarily resulting from the commencement of RIIO-ED1, partially offset by $12 million of higher volume primarily due to weather.

- Higher utility revenues for the six month period primarily due to $46 million from the April 1, 2014 price increase, partially offset by $37 million from the April 1, 2015 price decrease primarily resulting from the commencement of RIIO-ED1.

- Lower other operation and maintenance for the three month period primarily due to $9 million of lower network maintenance expense.

- Lower depreciation expense for the three and six month periods primarily due to a $22 million and $42 million impact of an extension of the network asset lives. See Note 2 to the Financial Statements for additional information.

U.S.

- Lower income taxes for the three and six month periods primarily due to decreases in taxable dividends.

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

	Income Statement Line Item	Three Months 2015	Three Months 2014	Six Months 2015	Six Months 2014
Foreign currency-related economic hedges, net of tax of $38, $18, $18, $21 (a)	Other Income (Expense)-net	$ (71)	$ (33)	$ (34)	$ (39)
WPD Midlands acquisition-related adjustment, net of tax of $0, $0, ($1), $0	Other operation and maintenance			2	
Change in WPD line loss accrual, net of tax of $0, $0, $0, $13(b)	Utility				(52)
Settlement of certain income tax positions (c)	Income Taxes	18		18	
Total		$ (53)	$ (33)	$ (14)	$ (91)

(a) Represents unrealized gains (losses) on contracts that economically hedge anticipated GBP denominated earnings.
(b) In March 2014, Ofgem issued its final decision on the DPCR4 line loss incentives and penalties mechanism. As a result, WPD increased its existing liability by $65 million, pre-tax, for over-recovery of line losses. See Note 6 to the Financial Statements for additional information.
(c) Relates to the April 2015 settlement of open audits for the years 1998-2011. See Note 5 to the Financial Statements for additional information.

Kentucky Regulated Segment

The Kentucky Regulated segment consists primarily of LKE's regulated electricity generation, transmission and distribution operations of LG&E and KU, as well as LG&E's regulated distribution and sale of natural gas. In addition, certain financing costs are allocated to the Kentucky Regulated segment. The Kentucky Regulated segment represents 19% of PPL's Income from Continuing Operations After Income Taxes for the six months ended June 30, 2015 and 35% of PPL's assets at June 30, 2015.

Net Income for the periods ended June 30 includes the following results.

	Three Months 2015	Three Months 2014	Three Months $ Change	Six Months 2015	Six Months 2014	Six Months $ Change
Utility revenues	$ 714	$ 722	$ (8)	$ 1,613	$ 1,656	$ (43)
Fuel	214	231	(17)	467	508	(41)
Energy purchases	28	36	(8)	120	160	(40)
Other operation and maintenance	214	206	8	423	412	11
Depreciation	94	87	7	189	173	16
Taxes, other than income	15	13	2	29	26	3
Total operating expenses	565	573	(8)	1,228	1,279	(51)
Other Income (Expense) - net	(5)	(2)	(3)	(6)	(4)	(2)
Interest Expense	56	53	3	111	108	3
Income Taxes	41	36	5	112	100	12
Net Income	$ 47	$ 58	$ (11)	$ 156	$ 165	$ (9)

The changes in the results of the Kentucky Regulated segment between these periods were due to the factors set forth below, which reflect amounts classified as Kentucky Gross Margins and certain items that management considers special on separate lines within the table and not in their respective Statement of Income line items. See below for additional detail of the special items.

	Three Months	Six Months
Kentucky Gross Margins	$ 10	$ 23
Other operation and maintenance	(9)	(10)
Depreciation		(3)
Taxes, other than income	(1)	(2)
Other income (expense) - net	2	3
Interest expense	(3)	(3)
Income taxes	3	(4)
Special items	(13)	(13)
Total	$ (11)	$ (9)

- See "Margins - Changes in Non-GAAP Financial Measures" for an explanation of Kentucky Gross Margins.

- Higher other operation and maintenance for the three month period primarily due to $5 million of higher pension expense attributed to the change in mortality tables and lower discount rate in 2015 and $10 million of higher costs directly related to the Cane Run units' retirements consisting of an inventory write-down and separation benefits, partially offset by $4 million of lower storm expenses.

- Higher other operation and maintenance for the six month period primarily due to $9 million of higher pension expense attributed to the change in mortality tables and lower discount rate in 2015 and $11 million of higher costs directly related to the Cane Run units' retirements consisting of an inventory write-down and separation benefits, partially offset by $10 million of lower storm expenses.

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

	Income Statement Line Item	Three Months 2015	Three Months 2014	Six Months 2015	Six Months 2014
EEI adjustments, net of tax of $0, $0, $0, $0 (a)	Other Income (Expense)-net		$ 1		$ 1
LKE acquisition-related adjustment (b)	Other Income (Expense)-net	$ (4)		$ (4)	
Certain valuation allowances (c)	Income Taxes	(8)		(8)	
Total		$ (12)	$ 1	$ (12)	$ 1

(a) Recorded by KU.
(b) Recorded at PPL and allocated to the Kentucky Regulated segment. The amount represents a settlement between E.ON AG (a German corporation and the indirect parent of E.ON US Investments Corp., the former parent of LKE) and PPL for a tax matter.
(c) Recorded at LKE and represents a valuation allowance against tax credits expiring in 2016 and 2017 that are more likely than not to expire before being utilized.

Pennsylvania Regulated Segment

The Pennsylvania Regulated segment includes the regulated electricity transmission and distribution operations of PPL Electric. The Pennsylvania Regulated segment represents 17% of PPL's Income from Continuing Operations After Income Taxes for the six months ended June 30, 2015 and 21% of PPL's assets at June 30, 2015.

Net Income for the periods ended June 30 includes the following results.

	Three Months 2015	Three Months 2014	Three Months $ Change	Six Months 2015	Six Months 2014	Six Months $ Change
Utility revenues	$ 476	$ 449	$ 27	$ 1,106	$ 1,041	$ 65
Energy purchases						
External	138	114	24	365	303	62
Intersegment	5	21	(16)	14	48	(34)
Other operation and maintenance	140	135	5	273	269	4
Depreciation	52	45	7	103	90	13
Taxes, other than income	25	23	2	60	55	5
Total operating expenses	360	338	22	815	765	50
Other Income (Expense) - net	2	1	1	4	3	1
Interest Expense	33	29	4	64	58	6
Income Taxes	36	31	5	95	84	11
Net Income	$ 49	$ 52	$ (3)	$ 136	$ 137	$ (1)

The changes in the components of the Pennsylvania Regulated segment's results between these periods were due to the factors set forth below, which reflect amounts classified as Pennsylvania Gross Delivery Margins and a certain item that management considers special on separate lines within the table and not in their respective Statement of Income line items. See below for additional detail of the special items.

	Three Months	Six Months
Pennsylvania Gross Delivery Margins	$ 13	$ 26
Other operation and maintenance	(8)	(6)
Depreciation	(7)	(13)
Interest expense	(4)	(6)
Other	2	3
Income taxes	(3)	(9)
Special item, after-tax	4	4
Total	$ (3)	$ (1)

- See "Margins - Changes in Non-GAAP Financial Measures" for an explanation of Pennsylvania Gross Delivery Margins.
- Higher other operation and maintenance expense for the three month period primarily due to higher corporate service costs.
- Higher other operation and maintenance expense for the six month period primarily due to $9 million of higher corporate service costs, partially offset by $6 million of lower storm costs.
- Higher depreciation expense for the three and six month periods primarily due to PP&E additions, net related to the ongoing efforts to ensure the reliability of the delivery system and the replacement of aging infrastructure.
- Higher interest expense for the three and six month periods primarily due to the issuance of first mortgage bonds in June 2014.
- Higher income taxes for the three month period primarily due to federal and state tax reserve adjustments.
- Higher income taxes for the six month period primarily due to higher pre-tax income and federal and state tax reserve adjustments.

The following after-tax (loss), which management considers a special item, also impacted the Pennsylvania Regulated segment's results during the periods ended June 30.

	Income Statement Line Item	Three Months 2015	Three Months 2014	Six Months 2015	Six Months 2014
Separation benefits, net of tax of $0, $2, $0, $2 (a)	Other operation and maintenance		$ (4)		$ (4)

(a) In June 2014, PPL Electric's largest IBEW local ratified a new three-year labor agreement. In connection with the new agreement, bargaining unit one-time voluntary retirement benefits were recorded.

Margins

Non-GAAP Financial Measures

Management utilizes the following non-GAAP financial measures as indicators of performance for its businesses.

- "Kentucky Gross Margins" is a single financial performance measure of the electricity generation, transmission and distribution operations of the Kentucky Regulated segment, LKE, LG&E and KU, as well as the Kentucky Regulated segment's, LKE's and LG&E's distribution and sale of natural gas. In calculating this measure, fuel, energy purchases and certain variable costs of production (recorded as "Other operation and maintenance" on the Statements of Income) are deducted from revenues. In addition, certain other expenses, recorded as "Other operation and maintenance", "Depreciation" and "Taxes, other than income" on the Statements of Income, associated with approved cost recovery mechanisms are offset against the recovery of those expenses, which are included in revenues. These mechanisms allow for direct recovery of these expenses and, in some cases, returns on capital investments and performance incentives. As a result, this measure represents the net revenues from electricity and gas operations.
- "Pennsylvania Gross Delivery Margins" is a single financial performance measure of the electricity delivery operations of the Pennsylvania Regulated segment and PPL Electric, which includes transmission and distribution activities. In calculating this measure, utility revenues and expenses associated with approved recovery mechanisms, including energy

provided as a PLR, are offset with minimal impact on earnings. Costs associated with these mechanisms are recorded in "Energy purchases," "Other operation and maintenance," which is primarily Act 129 costs, and "Taxes, other than income," which is primarily gross receipts tax. This performance measure includes PLR energy purchases by PPL Electric from PPL EnergyPlus, which are reflected in "Energy purchases from affiliate" in the reconciliation tables. As a result of the spinoff of PPL Energy Supply and creation of Talen Energy on June 1, 2015, PPL EnergyPlus (renamed Talen Energy Marketing) is no longer an affiliate of PPL Electric. PPL Electric's purchases from Talen Energy Marketing subsequent to May 31, 2015 are reflected in "Energy Purchases" in the reconciliation tables. This measure represents the revenues from the Pennsylvania Regulated segment's and PPL Electric's electricity delivery operations.

These measures are not intended to replace "Operating Income," which is determined in accordance with GAAP, as an indicator of overall operating performance. Other companies may use different measures to analyze and report their results of operations. Management believes these measures provide additional useful criteria to make investment decisions. These performance measures are used, in conjunction with other information, by senior management and PPL's Board of Directors to manage the operations and analyze actual results compared with budget.

Reconciliation of Non-GAAP Financial Measures

The following table contains the components from the Statement of Income that are included in the non-GAAP financial measures and a reconciliation to PPL's "Operating Income" for the periods ended June 30.

	2015 Three Months				2014 Three Months			
	Kentucky Gross Margins	PA Gross Delivery Margins	Other (a)	Operating Income (b)	Kentucky Gross Margins	PA Gross Delivery Margins	Other (a)	Operating Income (b)
Operating Revenues								
Utility	$ 714	$ 476	$ 575 (c)	$ 1,765	$ 722	$ 449	$ 659 (c)	$ 1,830
Energy-related businesses			16	16			19	19
Total Operating Revenues	714	476	591	1,781	722	449	678	1,849
Operating Expenses								
Fuel	214			214	231		1	232
Energy purchases	28	138	4	170	36	114	21	171
Energy purchases from affiliate		5	(5)			21	(21)	
Other operation and maintenance	24	27	403	454	25	23	399	447
Depreciation	9		207	216	2		228	230
Taxes, other than income	1	23	52	76		21	56	77
Energy-related businesses			13	13			14	14
Total Operating Expenses	276	193	674	1,143	294	179	698	1,171
Total	$ 438	$ 283	$ (83)	$ 638	$ 428	$ 270	$ (20)	$ 678

	2015 Six Months				2014 Six Months			
	Kentucky Gross Margins	PA Gross Delivery Margins	Other (a)	Operating Income (b)	Kentucky Gross Margins	PA Gross Delivery Margins	Other (a)	Operating Income (b)
Operating Revenues								
Utility	$ 1,613	$ 1,106	$ 1,260 (c)	$ 3,979	$ 1,656	$ 1,041	$ 1,295 (c)	$ 3,992
Energy-related businesses			32	32			35	35
Total Operating Revenues	1,613	1,106	1,292	4,011	1,656	1,041	1,330	4,027
Operating Expenses								
Fuel	467			467	508			508
Energy purchases	120	365	14	499	160	303	47	510
Energy purchases from affiliate		14	(14)			48	(48)	
Other operation and maintenance	49	53	795	897	48	48	791	887
Depreciation	16		416	432	3		452	455
Taxes, other than income	2	56	104	162	1	50	109	160
Energy-related businesses			26	26			28	28
Total Operating Expenses	654	488	1,341	2,483	720	449	1,379	2,548
Total	$ 959	$ 618	$ (49)	$ 1,528	$ 936	$ 592	$ (49)	$ 1,479

(a) Represents amounts excluded from Margins.
(b) As reported on the Statements of Income.
(c) Primarily represents WPD's utility revenue.

Changes in Non-GAAP Financial Measures

The following table shows the non-GAAP financial measures by PPL's reportable segment and by component, as applicable, for the periods ended June 30 as well as the change between periods. The factors that gave rise to the changes are described following the table.

	Three Months			Six Months		
	2015	2014	$ Change	2015	2014	$ Change
Kentucky Regulated						
Kentucky Gross Margins						
LG&E	$ 206	$ 196	$ 10	$ 436	$ 422	$ 14
KU	232	232		523	514	9
LKE	$ 438	$ 428	$ 10	$ 959	$ 936	$ 23
Pennsylvania Regulated						
Pennsylvania Gross Delivery Margins						
Distribution	$ 193	$ 189	$ 4	$ 435	$ 438	$ (3)
Transmission	90	81	9	183	154	29
Total	$ 283	$ 270	$ 13	$ 618	$ 592	$ 26

Kentucky Gross Margins

Kentucky Gross Margins increased for the three months ended June 30, 2015 compared with 2014 primarily due to returns on additional environmental capital investments of $12 million ($9 million at LG&E and $3 million at KU).

Kentucky Gross Margins increased for the six months ended June 30, 2015 compared with 2014 primarily due to returns on additional environmental capital investments of $30 million ($19 million at LG&E and $11 million at KU), higher demand revenue of $7 million ($2 million at LG&E and $5 million at KU) partially offset by lower sales volume of $10 million ($4 million at LG&E and $6 million at KU). The change in sales volumes were driven by milder winter weather conditions in 2015 compared to 2014.

Pennsylvania Gross Delivery Margins

Distribution

Distribution margins increased for the three months ended June 30, 2015 compared with 2014, primarily due to a $4 million favorable effect of distribution improvement capital investments.

Distribution margins were relatively flat for the six months ended June 30, 2015 compared with 2014, due to a $8 million favorable effect of distribution improvement capital investments and a $7 million impact of favorable weather, primarily offset by a $12 million benefit recorded in the first quarter of 2014 as a result of a change in estimate of a regulatory liability.

Transmission

Transmission margins increased for the three and six month periods ended June 30, 2015 compared with 2014 primarily due to increased capital investment.

Statement of Income Analysis --

Utility Revenues

The increase (decrease) in utility revenues for the periods ended June 30, 2015 compared with 2014 was due to:

	Three Months	Six Months
Domestic:		
PPL Electric (a)	$ 27	$ 65
LKE (b)	(8)	(43)
Total Domestic	19	22

	Three Months	Six Months
U.K.:		
Price (c)	(33)	9
Foreign currency exchange rates	(63)	(110)
Volume	12	1
Line loss accrual adjustments (d)		65
Total U.K.	(84)	(35)
Total	$ (65)	$ (13)

(a) See "Pennsylvania Gross Delivery Margins" for further information.
(b) See "Kentucky Gross Margins" for further information.
(c) The decrease for the three month period was primarily due to a price decrease effective April 1, 2015 resulting from the commencement of RIIO-ED1. The increase for the six month period was due to a price increase effective April 1, 2014, partially offset by a price decrease effective April 1, 2015.
(d) The increase for the six month period was due to unfavorable accrual adjustments in 2014 based on Ofgem's final decision on the DPCR4 line loss incentives and penalties. See Note 6 to the Financial Statements for additional information.

Certain Operating Revenues and Expenses Included in "Margins"

The following Statement of Income line items and their related decrease during the periods ended June 30, 2015 compared with 2014 are included above within "Margins" and are not discussed separately.

	Three Months	Six Months
Fuel	$ (18)	$ (41)
Energy purchases	(1)	(11)

Other Operation and Maintenance

The increase (decrease) in other operation and maintenance for the periods ended June 30, 2015 compared with 2014 was due to:

	Three Months	Six Months
Domestic:		
Cane Run retired units	$ 10	$ 11
Uncollectible accounts	3	6
External transition costs associated with the spinoff of PPL Energy Supply	7	11
Other	7	8
U.K.:		
Network maintenance	(9)	(15)
Foreign currency exchange rates	(10)	(17)
Pension	(4)	(7)
Engineering management		9
WPD Midlands acquisition-related adjustment		(3)
Other	3	7
Total	$ 7	$ 10

Depreciation

Depreciation decreased by $14 million and $23 million for the three and six months ended June 30, 2015 compared with 2014, primarily due to a $22 million and $42 million reduction from an extension of the WPD network asset lives partially offset by additions to PP&E, net primarily at the domestic utilities. See Note 2 to the Financial Statements for additional information on the extension of WPD network asset lives.

Other Income (Expense) - net

Other income (expense) - net decreased by $28 million and increased by $89 million for the three and six months ended June 30, 2015 compared with 2014, primarily due to changes in realized and unrealized losses on foreign currency contracts to economically hedge GBP denominated earnings from WPD.

Interest Expense

The increase (decrease) in interest expense for the periods ended June 30, 2015 compared with 2014 was due to:

	Three Months	Six Months
Long-term debt interest expense		$ 5
Loss on extinguishment of debt (a)		(9)
Net amortization of debt discounts, premiums and issuance costs	$ 11	11
Capitalized interest and debt component of AFUDC	5	7
Foreign currency exchange rates	(10)	(17)
Other	1	3
Total	$ 7	$

(a) In March 2014, PPL Capital Funding remarketed and exchanged junior subordinated notes that were originally issued in April 2011 as a component of PPL's 2011 Equity Units.

Income Taxes

The increase (decrease) in income taxes for the periods ended June 30, 2015 compared with 2014 was due to:

	Three Months	Six Months
Change in pre-tax income at current period tax rates	$ (24)	$ 46
Valuation allowance adjustments (a)	(41)	(38)
Federal and state tax reserve adjustments (b)	(11)	(11)
U.S. income tax on foreign earnings net of foreign tax credit (c)	(10)	(22)
Intercompany interest on U.K. financing entities	(2)	(8)
Reduction in U.K. income tax rates	(2)	(6)
Other	(5)	(6)
Total	$ (95)	$ (45)

(a) As a result of the spinoff announcement, PPL recorded deferred income tax expense during the three and six months ended June 30, 2014 to adjust valuation allowances on deferred tax assets primarily for state net operating loss carryforwards that were previously supported by the earnings of PPL Energy Supply.
(b) During the three and six months ended June 30, 2015, PPL recorded a tax benefit to adjust the settled refund amount approved by Joint Committee on Taxation for the open audit years 1998-2011.
(c) During the three and six months ended June 30, 2015, PPL recorded lower income tax expense due to a decrease in taxable dividends.

See Note 5 to the Financial Statements for additional information.

Income (Loss) from Discontinued Operations (net of income taxes)

Income (Loss) from Discontinued Operations (net of income taxes) for the three and six months ended June 30, 2015 includes the results of operations of PPL Energy Supply, which was spun off from PPL on June 1, 2015 and substantially represents PPL's former Supply segment. See "Discontinued Operations" in Note 8 to the Financial Statements for additional information.

PPL Electric: Earnings, Margins and Statement of Income Analysis

Earnings

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net Income	$ 49	$ 52	$ 136	$ 137
Special item, gains (losses), after-tax		(4)		(4)

Excluding a special item, earnings decreased for the three month period in 2015 compared with 2014 primarily due to higher other operation and maintenance expense and higher depreciation expense, partially offset by higher margins from additional transmission capital investments and returns on distribution improvement capital investments.

Excluding a special item, earnings decreased for the six month period in 2015 compared with 2014 primarily due to higher other operation and maintenance expense, higher depreciation expense, higher interest expense and a benefit recorded in the first quarter of 2014 for a change in the estimate of a regulatory liability, partially offset by higher margins from additional transmission capital investments, returns on distribution improvement capital investments and favorable weather.

The table below quantifies the changes in the components of Net Income between these periods, which reflects amounts classified as Pennsylvania Gross Delivery Margins and an item that management considers special on separate lines within the table and not in their respective Statement of Income line items.

	Three Months	Six Months
Pennsylvania Gross Delivery Margins	$ 13	$ 26
Other operation and maintenance	(8)	(6)
Depreciation	(7)	(13)
Other	2	3
Interest expense	(4)	(6)
Income taxes	(3)	(9)
Special item, after-tax (a)	4	4
Total	$ (3)	$ (1)

(a) See PPL's "Results of Operations - Segment Earnings - Pennsylvania Regulated Segment" for details.

Margins

"Pennsylvania Gross Delivery Margins" is a non-GAAP financial performance measure that management utilizes as an indicator of the performance of its business. See PPL's "Results of Operations - Margins" for information on why management believes this measure is useful and for explanations of the underlying drivers of the changes between periods.

The following tables contain the components from the Statements of Income that are included in this non-GAAP financial measure and a reconciliation to "Operating Income" for the periods ended June 30.

	2015 Three Months			2014 Three Months		
	PA Gross Delivery Margins	Other (a)	Operating Income (b)	PA Gross Delivery Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 476		$ 476	$ 449		$ 449
Operating Expenses						
Energy purchases	138		138	114		114
Energy purchases from affiliate	5		5	21		21
Other operation and maintenance	27	$ 113	140	23	$ 112	135
Depreciation		52	52		45	45
Taxes, other than income	23	2	25	21	2	23
Total Operating Expenses	193	167	360	179	159	338
Total	$ 283	$ (167)	$ 116	$ 270	$ (159)	$ 111

	2015 Six Months			2014 Six Months		
	PA Gross Delivery Margins	Other (a)	Operating Income (b)	PA Gross Delivery Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 1,106		$ 1,106	$ 1,041		$ 1,041
Operating Expenses						
Energy purchases	365		365	303		303
Energy purchases from affiliate	14		14	48		48
Other operation and maintenance	53	$ 220	273	48	$ 221	269
Depreciation		103	103		90	90
Taxes, other than income	56	4	60	50	5	55
Total Operating Expenses	488	327	815	449	316	765
Total	$ 618	$ (327)	$ 291	$ 592	$ (316)	$ 276

(a) Represents amounts excluded from Margins.
(b) As reported on the Statements of Income.

Statement of Income Analysis --

Certain Operating Revenues and Expenses Included in "Margins"

The following Statement of Income line items and their related increase (decrease) during the periods ended June 30, 2015 compared with 2014 are included above within "Margins" and are not discussed separately.

	Three Months	Six Months
Operating revenues	$ 27	$ 65
Energy purchases	24	62
Energy purchases from affiliate	(16)	(34)

Other Operation and Maintenance

The increase (decrease) in other operation and maintenance for the periods ended June 30, 2015 compared with 2014 was due to:

	Three Months	Six Months
Vegetation management		$ (2)
Storm costs	$ 2	(8)
Act 129	(2)	3
Uncollectible accounts	3	6
Corporate service costs	6	9
Bargaining unit one-time voluntary retirement benefits	(6)	(6)
Other	2	2
Total	$ 5	$ 4

Depreciation

Depreciation increased by $7 million and $13 million for the three and six months ended June 30, 2015 compared with 2014, primarily due to PP&E additions, net related to the ongoing efforts to ensure the reliability of the delivery system and the replacement of aging infrastructure.

Interest Expense

Interest expense increased by $4 million and $6 million for the three and six months ended June 30, 2015 compared with 2014, primarily due to the issuance of first mortgage bonds in June 2014.

Income Taxes

The increase in income taxes for the periods ended June 30, 2015 compared with 2014 was due to:

	Three Months	Six Months
Change in pre-tax income at current period tax rates	$ 1	$ 6
Federal and state tax reserve adjustments	3	3
Other	1	2
Total	$ 5	$ 11

See Note 5 to the Financial Statements for additional information.

LKE: Earnings, Margins and Statement of Income Analysis

Earnings

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net Income	$ 60	$ 65	$ 177	$ 180
Special items, gains (losses), after-tax	(8)	1	(8)	1

Excluding special items, earnings increased for the three and six month periods in 2015 compared with 2014 primarily due to higher returns on additional environmental capital investments partially offset by higher other operation and maintenance expense and lower sales volumes. The change in sales volume was primarily attributable to milder winter weather conditions in 2015 compared to 2014.

The table below quantifies the changes in the components of Net Income between these periods, which reflect amounts classified as Margins and certain items that management considers special on separate lines within the table and not in their respective Statement of Income line items.

	Three Months	Six Months
Margins	$ 10	$ 23
Other operation and maintenance	(9)	(10)
Depreciation		(3)
Taxes, other than income	(1)	(2)
Other income (expense)- net	2	3
Interest expense	(2)	(2)
Income taxes	4	(3)
Special items, after-tax (a)	(9)	(9)
Total	$ (5)	$ (3)

(a) See PPL's "Results of Operations - Segment Earnings - Kentucky Regulated Segment" for details of special items.

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 underlying drivers of the changes between periods. Within PPL's discussion, LKE's Margins are referred to as "Kentucky Gross Margins."

The following tables contain the components from the Statements of Income that are included in this non-GAAP financial measure and a reconciliation to "Operating Income" for the periods ended June 30.

	2015 Three Months			2014 Three Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 714		$ 714	$ 722		$ 722
Operating Expenses						
Fuel	214		214	231		231
Energy purchases	28		28	36		36
Other operation and maintenance	24	$ 190	214	25	$ 181	206
Depreciation	9	85	94	2	85	87
Taxes, other than income	1	14	15		13	13
Total Operating Expenses	276	289	565	294	279	573
Total	$ 438	$ (289)	$ 149	$ 428	$ (279)	$ 149

	2015 Six Months			2014 Six Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 1,613		$ 1,613	$ 1,656		$ 1,656
Operating Expenses						
Fuel	467		467	508		508
Energy purchases	120		120	160		160
Other operation and maintenance	49	$ 374	423	48	$ 364	412
Depreciation	16	173	189	3	170	173
Taxes, other than income	2	27	29	1	25	26
Total Operating Expenses	654	574	1,228	720	559	1,279
Total	$ 959	$ (574)	$ 385	$ 936	$ (559)	$ 377

(a) Represents amounts excluded from Margins.
(b) As reported on the Statements of Income.

Statement of Income Analysis --

Certain Operating Revenues and Expenses included in "Margins"

The following Statement of Income line items and their related decrease during the periods ended June 30, 2015 compared with 2014 are included above within "Margins" and are not discussed separately.

	Three Months	Six Months
Operating revenues	$ 8	$ 43
Fuel	17	41
Energy purchases	8	40

Other Operation and Maintenance

The increase in other operation and maintenance expense for the periods ended June 30, 2015 compared with 2014 was due to:

	Three Months	Six Months
Cane Run retired units	$ 10	$ 11
Pension	5	9
Storm costs	(4)	(10)
Other	(3)	1
Total	$ 8	$ 11

Depreciation

Depreciation increased by $7 million and $16 million for the three and six months ended June 30, 2015 compared with 2014 primarily due to additions to PP&E, net.

Income Taxes

Income taxes increased $11 million for the six months ended June 30, 2015 compared with 2014 due to the establishment of a valuation allowance on a deferred tax asset of $8 million and the change in pre-tax income at current period tax rates.

LG&E: Earnings, Margins and Statement of Income Analysis

Earnings

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net Income	$ 35	$ 35	$ 88	$ 87

Earnings were substantially the same for the three and six month periods in 2015 compared with 2014 primarily due to returns on additional environmental capital investments partially offset by higher other operation and maintenance expense and lower sales volume. The change in sales volume was primarily attributable to milder winter weather conditions in 2015 compared to 2014.

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 within the table and not in their respective Statement of Income line items.

	Three Months	Six Months
Margins	$ 10	$ 14
Other operation and maintenance	(11)	(9)
Depreciation	2	1
Taxes, other than income	1	
Other income (expense) - net		1
Interest expense	(1)	(2)
Income taxes	(1)	(4)
Total	$	$ 1

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 underlying drivers of the changes between periods. Within PPL's discussion, LG&E's Margins are included in "Kentucky Gross Margins."

The following tables contain the components from the Statements of Income that are included in this non-GAAP financial measure and a reconciliation to "Operating Income" for the periods ended June 30.

	2015 Three Months			2014 Three Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 331		$ 331	$ 344		$ 344
Operating Expenses						
Fuel	82		82	104		104
Energy purchases, including affiliate	28		28	31		31
Other operation and maintenance	10	$ 93	103	12	$ 82	94
Depreciation	4	36	40	1	38	39
Taxes, other than income	1	6	7		7	7
Total Operating Expenses	125	135	260	148	127	275
Total	$ 206	$ (135)	$ 71	$ 196	$ (127)	$ 69

	2015 Six Months			2014 Six Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 770		$ 770	$ 823		$ 823
Operating Expenses						
Fuel	185		185	221		221
Energy purchases, including affiliate	119		119	155		155
Other operation and maintenance	22	$ 177	199	24	$ 168	192
Depreciation	7	75	82	1	76	77
Taxes, other than income	1	13	14		13	13
Total Operating Expenses	334	265	599	401	257	658
Total	$ 436	$ (265)	$ 171	$ 422	$ (257)	$ 165

(a) Represents amounts excluded from Margins.
(b) As reported on the Statements of Income.

Statement of Income Analysis --

Certain Operating Revenues and Expenses included in "Margins"

The following Statement of Income line items and their related increase (decrease) during the periods ended June 30, 2015 compared with 2014 are included above within "Margins" and are not discussed separately.

	Three Months	Six Months
Retail and wholesale	$ 3	$ (22)
Electric revenue from affiliate	(16)	(31)
Fuel	(22)	(36)
Energy purchases	(6)	(36)
Energy purchases from affiliate	3	

Other Operation and Maintenance

The increase in other operation and maintenance expense for the periods ended June 30, 2015 compared with 2014 was due

	Three Months	Six Months
Cane Run retired units	$ 10	$ 11
Pension	3	5
Storm costs	(1)	(5)
Other	(3)	(4)
Total	$ 9	$ 7

Depreciation

Depreciation increased by $5 million for the six months ended June 30, 2015 compared with 2014 primarily due to additions to PP&E, net.

Income Taxes

Income taxes increased by $4 million for the six months ended June 30, 2015 compared with 2014 primarily due to the change in pre-tax income at current period tax rates.

KU: Earnings, Margins and Statement of Income Analysis

Earnings

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net Income	$ 39	$ 40	$ 117	$ 117
Special items, gains (losses), after-tax		1		1

Excluding a special item, earnings were substantially the same for the three and six month periods in 2015 compared with 2014 primarily due to higher other operation and maintenance expense offset by an increase in returns on additional environmental capital investments.

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

	Three Months	Six Months
Margins	$	$ 9
Other operation and maintenance	(1)	(5)
Depreciation	(3)	(5)
Taxes, other than income	(2)	(2)
Other income (expense)- net	1	
Interest expense	1	1
Income taxes	2	1
Special item, after-tax	1	1
Total	$ (1)	$

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 underlying drivers of the changes between periods. Within PPL's discussion, KU's Margins are included in "Kentucky Gross Margins."

The following tables contain the components from the Statements of Income that are included in this non-GAAP financial measure and a reconciliation to "Operating Income" for the periods ended June 30.

	2015 Three Months			2014 Three Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 396		$ 396	$ 404		$ 404
Operating Expenses						
Fuel	132		132	127		127
Energy purchases, including affiliate	13		13	31		31
Other operation and maintenance	14	$ 95	109	13	$ 94	107
Depreciation	5	49	54	1	46	47
Taxes, other than income		8	8		6	6
Total Operating Expenses	164	152	316	172	146	318
Total	$ 232	$ (152)	$ 80	$ 232	$ (146)	$ 86

	2015 Six Months			2014 Six Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 881		$ 881	$ 902		$ 902
Operating Expenses						
Fuel	282		282	287		287
Energy purchases, including affiliate	39		39	74		74
Other operation and maintenance	27	$ 186	213	24	$ 181	205
Depreciation	9	98	107	2	93	95
Taxes, other than income	1	14	15	1	12	13
Total Operating Expenses	358	298	656	388	286	674
Total	$ 523	$ (298)	$ 225	$ 514	$ (286)	$ 228

(a) Represents amounts excluded from Margins.
(b) As reported on the Statements of Income.

Statement of Income Analysis --

Certain Operating Revenues and Expenses included in "Margins"

The following Statement of Income line items and their related increase (decrease) during the periods ended June 30, 2015 compared with 2014 are included above within "Margins" and are not discussed separately.

	Three Months	Six Months
Retail and wholesale	$ (11)	$ (21)
Electric revenue from affiliate	3	
Fuel	5	(5)
Energy purchases	(2)	(4)
Energy purchases from affiliate	(16)	(31)

Other Operation and Maintenance

The increase in other operation and maintenance expense for the periods ended June 30, 2015 compared with 2014 was due to:

	Three Months	Six Months
Pension	$ 3	$ 6
Cane Run 7 operations	1	1
Timing and scope of generation maintenance	(1)	1
Storm costs	(3)	(5)
Other	2	5
Total	$ 2	$ 8

Depreciation

Depreciation increased by $7 million and $12 million for the three and six months ended June 30, 2015 compared with 2014 primarily due to additions to PP&E, net.

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 expect to continue to have adequate liquidity available through operating cash flows, cash and cash equivalents, credit facilities and commercial paper issuances.

The Registrants had the following at:

	PPL (a)	PPL Electric	LKE	LG&E	KU
June 30, 2015					
Cash and cash equivalents	$ 846	$ 28	$ 13	$ 7	$ 6
Short-term debt	1,100	168	561	259	227
Notes payable with affiliates			59		
December 31, 2014					
Cash and cash equivalents	$ 1,399	$ 214	$ 21	$ 10	$ 11
Short-term investments	120				
Short-term debt	836		575	264	236
Notes payable with affiliates			41		

(a) At June 30, 2015, $226 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 2014 Form 10-K for additional information on undistributed earnings of WPD.

Net cash provided by (used in) operating, investing and financing activities from continuing operations for the six month period ended June 30, and the changes between periods, were as follows.

	PPL	PPL Electric	LKE	LG&E	KU
2015					
Operating activities	$ 970	$ 76	$ 703	$ 389	$ 360
Investing activities	(1,575)	(483)	(626)	(349)	(275)
Financing activities	(71)	221	(85)	(43)	(90)
2014					
Operating activities	$ 1,293	$ 148	$ 517	$ 203	$ 297
Investing activities	(1,700)	(295)	(502)	(249)	(305)
Financing activities	349	271	(27)	43	5
Change - Cash Provided (Used)					
Operating activities	$ (323)	$ (72)	$ 186	$ 186	$ 63
Investing activities	125	(188)	(124)	(100)	30
Financing activities	(420)	(50)	(58)	(86)	(95)

Operating Activities

The components of the change in cash provided by (used in) operating activities from continuing operations for the six months ended June 30, 2015 compared with 2014 were as follows.

	PPL	PPL Electric	LKE	LG&E	KU
Change - Cash Provided (Used)					
Net income	$ 183	$ (1)	$ (3)	$ 1	
Non-cash components	(67)	21	43	74	$ 5
Working capital	(314)	(96)	188	118	104
Defined benefit plan funding	(103)	(14)	(23)	(15)	(16)
Other operating activities	(22)	18	(19)	8	(30)
Total	$ (323)	$ (72)	$ 186	$ 186	$ 63

(PPL)

PPL had a $323 million decrease in cash provided by operating activities from continuing operations in 2015 compared with 2014.

- Income from continuing operations improved by $183 million between the periods. This was offset by $67 million less net non-cash expenses. The net $116 million increase from net income and non-cash components in 2015 compared with 2014 reflects higher margins in the Pennsylvania and Kentucky regulated segments and lower income taxes.

- The $314 million decrease in cash from changes in working capital was primarily due to a decrease in taxes payable, primarily due to higher income tax payments in 2015. The decrease also reflects lower other current liabilities and an increase in prepayments.

- Defined benefit plan funding was $103 million higher in 2015.

(PPL Electric)

PPL Electric had a $72 million decrease in cash provided by operating activities in 2015 compared with 2014.

- The $96 million decline in cash from changes in working capital was partially due to decreases in taxes payable (primarily due to higher income tax payments in 2015) and prepayment of gross receipts tax, partially offset by a decrease in accounts receivable.

- Defined benefit plan funding was $14 million higher in 2015.

(LKE)

LKE had a $186 million increase in cash provided by operating activities in 2015 compared with 2014.

- LKE's non-cash components of net income included a $16 million increase in depreciation expense due to additional assets in service since the second quarter of 2014, and a net $17 million increase in current regulatory assets and regulatory liabilities due to the timing of rate recovery mechanisms.

- The increase in cash from working capital was driven primarily by a decrease in income tax receivable as a result of receiving payment from PPL for the use of excess tax depreciation deductions in 2014, an increase in taxes payable due to timing of payments, and net changes in accounts receivable and unbilled revenue due to colder winter weather in 2014, partially offset by a decrease in accounts payable due to the timing of fuel purchases and payments.

(LG&E)

LG&E had a $186 million increase in cash provided by operating activities in 2015 compared with 2014.

- LG&E's non-cash components of net income included a $5 million increase in depreciation expense due to additional assets in service since the second quarter of 2014, a net $23 million increase in current regulatory assets and regulatory liabilities due to the timing of rate recovery mechanisms, and a $38 million increase in deferred income taxes. The increase in deferred income taxes was primarily due to an increase in accelerated tax depreciation over book depreciation of $54 million, partially offset by an increase of $15 million of net operating loss.

- The increase in cash from working capital was driven primarily by a decrease in income tax receivable as a result of receiving payment from LKE for the use of excess tax depreciation deductions in 2014, an increase in taxes payable due to timing of payments, a decrease in accounts receivable from affiliates due to timing of intercompany settlements associated with capital expenditures, inventory, and energy sales to KU, and net changes in accounts receivable and unbilled revenue due to colder winter weather in 2014, partially offset by a decrease in accounts payable due to the timing of fuel purchases and payments.

(KU)

KU had a $63 million increase in cash provided by operating activities in 2015 compared with 2014.

- KU's non-cash components of net income included a $12 million increase in depreciation expense due to additional assets in service since the second quarter of 2014, partially offset by a net $6 million increase in current regulatory assets and regulatory liabilities due to the timing of rate recovery mechanisms.

- The increase in cash from working capital was driven primarily by a decrease in income tax receivable as a result of receiving payments from LKE for the use of excess tax depreciation deductions in 2014, an increase in taxes payable due to timing of payments, net changes in accounts receivable and unbilled revenue due to colder winter weather in 2014, and an increase in accounts payable due to the timing of fuel purchases and payments, partially offset by a decrease in accounts payable to affiliates due to timing of intercompany settlements associated with capital expenditures, inventory, and energy purchases from LG&E.

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 six months ended June 30, 2015 compared with 2014 was as follows.

	PPL	PPL Electric	LKE	LG&E	KU
(Increase) Decrease	$ (1)	$ (44)	$ (74)	$ (100)	$ 26

For PPL, increases in project expenditures at PPL Electric and LG&E, were offset by lower expenditures at WPD and KU. The increase in expenditures for PPL Electric was primarily due to the Northeast Pocono reliability project, smart grid projects and other various projects, partially offset by the completion of the Susquehanna-Roseland transmission project. The increase in expenditures for LG&E was primarily due to environmental air projects at LG&E's Mill Creek plant, partially offset by lower expenditures for construction of Cane Run Unit 7 which was put into commercial operation in June 2015. The decrease in expenditures for KU was related to lower expenditures for the construction of Cane Run Unit 7, environmental air projects and CCR projects at KU's Ghent and E.W. Brown plants.

Other Significant Changes in Components of Investing Activities

(PPL)

PPL received $135 million during the three and six months ended June 30, 2015 from the sale of short-term investments.

(PPL and PPL Electric)

PPL Electric received $150 million during the three and six months ended June 30, 2014 on notes receivable from affiliates.

Financing Activities

(All Registrants)

The components of the change in cash provided by (used in) financing activities from continuing operations for the six months ended June 30, 2015 compared with 2014 was as follows.

	PPL	PPL Electric	LKE	LG&E	KU
Change - Cash Provided (Used)					
Long-term debt issuances/retirements, net	$ 31	$ (286)			
Stock issuances/redemptions, net	(934)				
Dividends	(30)	(20)		$ 2	$ 5
Capital contributions/distributions, net		65	$ 13	(33)	(66)
Change in short-term debt, net	493	188	(89)	(55)	(34)
Other financing activities	20	3	18		
Total	$ (420)	$ (50)	$ (58)	$ (86)	$ (95)

For the six months ended June 30, 2015, PPL required $420 million less cash from financing activities primarily due to the ability to use cash-on-hand in conjunction with cash from operating activities to support the significant capital expenditure programs of its subsidiaries.

See Note 7 to the Financial Statements in this Form 10-Q for information on 2015 short and long-term debt activity, equity transactions and PPL dividends. See the Registrants' 2014 Form 10-K for information on 2014 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 June 30, 2015, the total committed borrowing capacity and the use of that capacity under these credit facilities was as follows:

External (All Registrants)

	Committed Capacity	Borrowed	Letters of Credit and Commercial Paper Issued	Unused Capacity
PPL Capital Funding Credit Facilities	$ 750		$ 20	$ 730
PPL Electric Credit Facility	300		169	131
LKE Credit Facility	75	$ 75		
LG&E Credit Facility	500		259	241
KU Credit Facilities	598		425	173
Total LKE	1,173	75	684	414
Total U.S. Credit Facilities (a)	$ 2,223	$ 75	$ 873	$ 1,275
Total U.K. Credit Facilities (b)	£ 1,055	£ 242		£ 813

(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 - 13%, PPL Electric - 7%, LKE - 21%, LG&E - 7% and KU - 37%.

(b) The amounts borrowed at June 30, 2015 were USD-denominated borrowings of $200 million and GPB-denominated borrowings which equated to $171 million. At June 30, 2015, the USD equivalent of unused capacity under the U.K. committed credit facilities was $1.2 billion.

The commitments under the U.K. credit facilities are provided by a diverse bank group, with no one bank providing more than 14% 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	$ 59		$ 166
LG&E Money Pool (a)	500		$ 259	241
KU Money Pool (a)	500		227	273

(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 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 June 30, 2015:

	Capacity	Commercial Paper Issuances	Unused Capacity
PPL Electric	$ 300	$ 168	$ 132
LG&E	350	259	91
KU	350	227	123
Total LKE	700	486	214
Total PPL	$ 1,000	$ 654	$ 346

(PPL)

At-the-Market Stock Offering Program

During the three and six months ended June 30, 2015, PPL issued 421,700 shares of common stock under the program at an average price of $33.73 per share, receiving net proceeds of $14 million.

See Note 7 to the Financial Statements for additional information.

Common Stock Dividends

In May 2015, PPL declared its quarterly common stock dividend, payable July 1, 2015, at 37.25 cents per share (equivalent to $1.49 per annum). On August 3, 2015, PPL announced that the company is increasing its common stock dividend to 37.75 cents per share on a quarterly basis (equivalent to $1.51 per annum). The increased dividend will be payable on October 1, 2015 to shareowners of record as of September 10, 2015. Future dividends, declared at the discretion of the Board of Directors, will be dependent upon future earnings, cash flows, financial and legal requirements and other factors.

Rating Agency Actions

(All Registrants)

Moody's, S&P and Fitch 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, S&P and Fitch 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 2015.

In January 2015, Fitch withdrew its ratings for PPL, PPL Capital Funding, PPL Electric, LKE, LG&E, and KU.

(PPL)

In May 2015, Moody's upgraded the following ratings with a stable outlook:
- the long-term issuer rating from Baa3 to Baa2 for PPL;
- the senior unsecured rating from Baa3 to Baa2 for PPL Capital Funding; and
- the junior subordinated rating from Ba1 to Baa3 for PPL Capital Funding.

In May 2015, Fitch affirmed and withdrew its ratings for PPL UK Distribution Holdings Limited (formerly known as PPL WW), WPD (South Wales) and WPD (South West).

In June 2015, S&P upgraded the following ratings with a stable outlook:
- the long-term issuer rating from BBB to A- for PPL;

- the senior unsecured rating from BBB- to BBB+ for PPL Capital Funding; and
- the junior subordinated rating from BB+ to BBB for PPL Capital Funding.

In June 2015, S&P affirmed the short-term ratings for WPD plc, WPD (East Midlands), WPD (West Midlands), WPD (South Wales) and WPD (South West). S&P also upgraded the following ratings with a stable outlook:
- the long-term issuer rating from BBB to A- for WPD plc, WPD (East Midlands), WPD (West Midlands), WPD (South Wales) and WPD (South West);
- the senior unsecured rating from BBB- to BBB+ for WPD plc; and
- the senior unsecured rating from BBB to A- for WPD (East Midlands), WPD (West Midlands), WPD (South Wales) and WPD (South West).

(PPL and PPL Electric)

In May 2015, Moody's affirmed its ratings and revised its outlook to positive for PPL Electric.

In June 2015, S&P affirmed its commercial paper rating and upgraded the following ratings with a stable outlook for PPL Electric:
- the long-term issuer rating from BBB to A-; and
- the senior secured rating from A- to A.

(PPL, LKE, LG&E and KU)

In May 2015, Moody's upgraded the following ratings with a stable outlook for LKE:
- the long-term issuer rating from Baa2 to Baa1; and
- the senior unsecured rating from Baa2 to Baa1.

In June 2015, S&P affirmed its commercial paper ratings for LG&E and KU. S&P also upgraded the following ratings with a stable outlook:
- the long-term issuer ratings from BBB to A- for LKE, LG&E and KU;
- the senior secured ratings from A- to A for LG&E and KU; and
- the senior unsecured rating from BBB- to BBB+ for LKE.

In June 2015, S&P upgraded its ratings from AA+ to AAA for KU's 2000 Series A Solid Waste Disposal Facility Revenue Bonds, KU's 2004 Series A and 2008 Series A Environmental Facilities Revenue Bonds and KU's 2006 Series B Environmental Facilities Revenue Refunding Bonds and removed them from CreditWatch with positive implications.

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 June 30, 2015.

(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' 2014 Form 10-K.

Risk Management

Market Risk

(All Registrants)

See Notes 13 and 14 to the Financial Statements for information about the Registrants' risk management objectives, valuation techniques and accounting designations.

The forward-looking information presented below provides estimates of what may occur in the future, assuming certain adverse market conditions and model assumptions. Actual future results may differ materially from those presented. These disclosures are not precise indicators of expected future losses, but only indicators of possible losses under normal market conditions at a given confidence level.

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.

The following interest rate hedges were outstanding at June 30, 2015.

	Exposure Hedged	Fair Value, Net - Asset (Liability) (a)	Effect of a 10% Adverse Movement in Rates (b)	Maturities Ranging Through
PPL				
Cash flow hedges				
Interest rate swaps (c)	$ 1,300	$ (59)	$ (52)	2045
Cross-currency swaps (d)	1,262	63	(159)	2028
Economic hedges				
Interest rate swaps (e)	179	(45)	(3)	2033
LKE				
Cash flow hedges				
Interest rate swaps (c)	1,000	(46)	(44)	2045
Economic hedges				
Interest rate swaps (e)	179	(45)	(3)	2033
LG&E				
Cash flow hedges				
Interest rate swaps (c)	500	(23)	(22)	2045
Economic hedges				
Interest rate swaps (e)	179	(45)	(3)	2033
KU				
Cash flow hedges				
Interest rate swaps (c)	500	(23)	(22)	2045

(a) Includes accrued interest, if applicable.
(b) Effects of adverse movements decrease assets or increase liabilities, as applicable, which could result in an asset becoming a liability. Sensitivities represent a 10% adverse movement in interest rates, except for cross-currency swaps which also includes foreign currency exchange rates.
(c) Changes in the fair value of such cash flow hedges are recorded in equity or as regulatory assets or regulatory liabilities, if recoverable through regulated rates, and reclassified into earnings in the same period during which the item being hedged affects earnings.
(d) 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.
(e) 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 June 30, 2015 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 June 30, 2015 is shown below.

	10% Adverse Movement in Rates
PPL	$ 630
PPL Electric	131
LKE	135
LG&E	43
KU	81

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 June 30, 2015.

	Exposure Hedged	Fair Value, Net - Asset (Liability)	Effect of a 10% Adverse Movement in Foreign Currency Exchange Rates (a)	Maturities Ranging Through
Net investment hedges (b)	£ 134	$ 12	$ (21)	2016
Economic hedges (c)	1,571	61	(230)	2017

(a) Effects of adverse movements decrease assets or increase liabilities, as applicable, which could result in an asset becoming a liability.
(b) To protect the value of a portion of its net investment in WPD, PPL executes forward contracts to sell GBP.
(c) To economically hedge the translation of expected earnings denominated in GBP to U.S. dollars.

Commodity Price Risk (Non-trading)

(PPL, LKE, LG&E and KU)

LG&E's and KU's retail electric and natural gas rates and municipal wholesale electric rates are set by regulatory commissions and the fuel costs incurred are directly recoverable from customers. As a result, LG&E and KU are subject to commodity price risk for only a small portion of their business operations. LG&E and KU sell excess economic generation to maximize the value of the physical assets at times when the assets are not required to serve LG&E's or KU's customers. See Note 14 to the Financial Statements for additional information.

(PPL and PPL Electric)

PPL Electric is exposed to market price and volumetric risks from its obligation as a PLR. The PUC has approved a cost recovery mechanism that allows PPL Electric to pass through to customers the cost associated with fulfilling its PLR obligation. This cost recovery mechanism substantially eliminates PPL Electric's exposure to market price risk. PPL Electric also mitigates its exposure to volumetric risk by entering into full-requirement energy supply contracts for the majority of its PLR obligations. These supply contracts transfer the volumetric risk associated with the PLR obligation to the energy suppliers.

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' 2014 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 $149 million for the six months ended June 30, 2015, which primarily reflected a $376 million decrease to PP&E and goodwill offset by a decrease of $227 million to net liabilities. Changes in this exchange rate resulted in a foreign currency translation gain of $140 million for the six months ended June 30, 2014, which primarily reflected a $349 million increase to PP&E and goodwill offset by an increase of $209 million to net liabilities. The impact of foreign currency translation is recorded in AOCI.

Related Party Transactions *(All Registrants)*

The Registrants are not aware of any material ownership interests or operating responsibility by senior management in outside partnerships, including leasing transactions with variable interest entities, or other entities doing business with the Registrants. See Note 11 to the Financial Statements for additional information on related party transactions for PPL Electric, LKE, LG&E and KU.

Acquisitions, Development and Divestitures

(All Registrants)

The Registrants from time to time evaluate opportunities for potential acquisitions, divestitures and development projects. Development projects are reexamined based on market conditions and other factors to determine whether to proceed with the projects, sell, cancel or expand them, execute tolling agreements or pursue other options. See Note 8 to the Financial Statements for information on the more significant activities.

(PPL)

See Note 8 to the Financial Statements for information on the spinoff of PPL Energy Supply.

Environmental Matters

(All Registrants)

Extensive federal, state and local environmental laws and regulations are applicable to PPL'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.

The following is a discussion of the more significant environmental matters. See Note 10 to the Financial Statements and "Item 1. Business - Environmental Matters" in the Registrants' 2014 Form 10-K for additional information on environmental matters.

Climate Change

Physical effects associated with climate change could include the impact of changes in weather patterns, such as storm frequency and intensity, and the resultant potential damage, as applicable, to the Registrants' generation assets, electricity transmission and delivery systems, as well as impacts on the Registrants' customers. In addition, changed weather patterns could potentially reduce annual rainfall in areas where PPL, LKE, LG&E and KU have hydroelectric generating facilities or where river water is used to cool their fossil powered generators, as applicable. The Registrants cannot currently predict whether their businesses will experience these potential risks or estimate the cost of their related consequences.

In June 2013, President Obama released his Climate Action Plan which reiterates the goal of reducing GHG emissions in the U.S. through such actions as regulating power plant emissions, promoting increased use of renewables and clean energy technology, and establishing more restrictive energy efficiency standards. Additionally, the Climate Action Plan calls for the U.S. to prepare for the impacts of climate change. Requirements related to this plan could affect the Registrants and others in the industry as modifications may be needed to electricity delivery systems to improve the ability to withstand major storms in order to meet those requirements. As further described below, the EPA has proposed rules pursuant to this directive for both new power plants and existing power plants, which it expects to finalize in the third quarter of 2015. The EPA has also announced that it will develop a federal implementation plan which 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 when the sources are already regulated under Section 112 is under challenge in the D.C. Circuit Court. Oral arguments were heard on April 16, 2015.

The EPA's proposal for new power plants was issued in January 2014. The proposed limits for coal-fired plants can only be achieved through carbon capture and sequestration, a technology that is not presently commercially viable and, therefore, effectively preclude the construction of new coal-fired plants. The proposed standards for new gas-fired plants may also not be continuously achievable. The preclusion of new coal-fired plants and the compliance difficulties posed for new gas-fired plants could have a significant industry-wide impact.

The EPA's proposal for existing power plants was issued in June 2014. The existing plant proposal contains stringent, state-specific rate-based reduction goals to be achieved in two phases (2020-2029 and 2030 and beyond). The EPA believes it has offered some flexibility to the states as to how state compliance plans can be crafted, including the option to demonstrate compliance on a mass basis and through multi-state collaborations. The EPA is also proposing potential state plan extensions based on the type of plan filed (single or multi-state). LG&E and KU have analyzed the proposal and identified potential impacts and solutions in comments filed in December 2014. PPL also submitted Supplemental Comments to FERC through EEI, advocating for reliability coordination and relief in response to technical conferences hosted by FERC on the reliability implications of implementing this rule. LG&E and KU are also working closely with state regulators in the development of Kentucky's state implementation plan. The regulation of carbon dioxide emissions from existing plants could have a significant industry-wide impact depending on the structure and stringency of the final rule and state implementation plans.

Waters of the United States (WOTUS)

On May 27, 2015, the EPA released a final rule on the definition of WOTUS. Although the rule was meant to clarify which streams and other bodies of water fall under the jurisdiction of EPA and the Army Corps of Engineers under the Clean Water Act, significant ambiguity remains. The Registrants do not currently expect the rule to have a significant impact on their operations. Until such time as ongoing litigation is complete, however, the Registrants are unable to predict the impact of the rule which could be substantial and include significant project delays and added costs, as permits and other regulatory requirements may be imposed for many activities presently not covered by permitting requirements (including vegetation management for transmission lines and activities affecting storm water conveyances and wetlands). However, these costs are subject to rate recovery.

(PPL, LKE, LG&E and KU)

Coal Combustion Residuals (CCRs)

On April 17, 2015, the EPA published its final rule regulating CCRs. CCRs include fly ash, bottom ash and sulfur dioxide scrubber wastes. The rule will become effective on October 14, 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 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. This self-implementing rule requires posting of compliance documentation on a publicly accessible website and is enforceable through citizen suits. LG&E's and KU's plants using surface impoundments for management and disposal of CCRs will be most impacted by this rule. The rule's requirements for covered CCR impoundments and landfills include commencement or completion of closure activities generally between three and ten years from certain triggering events. PPL, LKE, LG&E and KU also anticipate incurring capital or operation and maintenance costs prior to that time to address other provisions of the rule, such as groundwater monitoring and disposal facility modifications or closings, or to implement various compliance strategies.

In connection with the final CCR rule, LG&E and KU recorded increases to existing AROs during the second quarter of 2015. See Note 16 for additional information. Further increases to AROs or changes to current capital plans or to 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.

Effluent Limitation Guidelines (ELGs)

In June 2013, the EPA published proposed regulations to revise discharge limitations for steam electric generation wastewater permits. The proposed limitations are based on the EPA review of available treatment technologies and their capacity for reducing pollutants and include new requirements for fly ash and bottom ash transport water and metal cleaning waste waters, as well as new limits for scrubber wastewater and landfill leachate. The EPA's proposed ELGs contain requirements that would affect the inspection and operation of CCR facilities, if finalized as proposed. The proposal contains alternative approaches, some of which could impose significant costs on LG&E's and KU's coal-fired plants. The final regulation is expected to be issued by the fourth quarter of 2015. At the present time, PPL, LKE, LG&E and KU are unable to estimate a range of reasonably possible costs, but the costs could be significant. Pending finalization of the ELGs, certain states (including Kentucky) and environmental groups are proposing more stringent technology-based limits in permit renewals. Depending on the final limits imposed, the costs of compliance could be significant and costs could be imposed ahead of federal timelines. Costs to comply with ELGs or technology-based limits are subject to rate recovery.

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 on June 29, 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 Court remanded the matter to the D.C. Circuit Court. EPA's MATS rule remains in effect pending action by the D.C. Circuit Court. It is uncertain whether the D.C. Circuit Court will vacate the MATS rule, remand the rule to the EPA, or require further proceedings or actions.

LG&E and KU have installed significant controls in connection with the MATS rule and in conjunction with compliance with other environmental requirements, including fabric-filter baghouses, upgraded FGDs or chemical additive systems for which appropriate KPSC authorization and/or ECR treatment has been received. PPL, LKE, LG&E and KU cannot predict the outcome of this matter or the potential impact, if any, on plant operations, rate treatment or future capital or operating needs.

National Ambient Air Quality Standards (NAAQS)

In 2008, the EPA revised the NAAQS for ozone and proposed to further strengthen the standard in November 2014.The EPA is required under court order to finalize the standard by October 1, 2015. 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 states' 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 some of the measures required for compliance with Clean Air Act regulations governing attainment of ozone or particulates standards, such as upgraded or new sulfur dioxide scrubbers at certain plants and the previously announced retirement of coal-fired generating units, at LG&E's Cane Run plant and KU's Green River and Tyrone plants, will help to achieve compliance with the new sulfur dioxide standard. If additional reductions were to be required, the costs could be significant. Such costs are subject to rate recovery.

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' 2014 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
Asset Impairments (Excluding Investments)	X		X	X	X
AROs	X		X	X	X
Price Risk Management	X		X	X	X
Regulatory Assets and Liabilities	X	X	X	X	X
Revenue Recognition - unbilled revenue		X	X	X	X

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Reference is made to "Risk Management" in "Item 2. 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 June 30, 2015, 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' second fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Registrants' internal control over financial reporting.

PPL Corporation

Following the announcement of the transaction to spin off PPL Energy Supply, LLC to form Talen Energy, management determined the appropriate staffing for Talen Energy and for PPL and its subsidiaries. During the six months ended June 30, 2015, staffing changes, including the consolidation of certain positions and transition of responsibilities, resulted in changes in certain individuals responsible for executing internal controls. However, changes to system applications, business processes and the associated internal controls were not significant. Management has taken steps to minimize the risk from the changes in individuals executing internal controls.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

- "Item 3. Legal Proceedings" in each Registrant's 2014 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' 2014 Form 10-K, except that as a result of the June 1, 2015 spinoff by PPL of PPL Energy Supply, the risk factors disclosed under the heading "Risks Related to Supply Segment" at pages 26 through 31 of the Registrants' 2014 Form 10-K are no longer applicable.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchase of Equity Securities during the Second Quarter of 2015:

	(a)	(b)	(c)	(d)
Period	Total Number of Shares (or Units) Purchased (1)	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans of Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
April 1 to April 30, 2015	18,576	$33.66		
May 1 to May 31, 2015				
June 1 to June 30, 2015	18,569	$34.77		
Total	37,145	$34.21		

(1) Represents shares of common stock withheld by PPL at the request of its executive officers to pay income taxes upon the vesting of the officers' restricted stock awards, as permitted under the terms of PPL's Incentive Compensation Plan and Incentive Compensation Plan for Key Employees.

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 heretofore been filed with the Commission and pursuant to Rule 12(b)-32 are incorporated herein by reference. Exhibits indicated by a [_] are filed or listed pursuant to Item 601(b)(10)(iii) of Regulation S-K.

3(a) - Amended and Restated Articles of Incorporation of PPL Corporation, effective as of May 21, 2015 (Exhibit 3(i) to PPL Corporation Form 8-K Report (File No. 1-11459) dated May 27, 2015)

3(b) - Bylaws of PPL Corporation, effective as of May 21, 2015 (Exhibit 3(ii) to PPL Corporation Form 8-K Report (File No. 1-11459) dated May 27, 2015)

*4(a) - Amendment No. 11 to the PPL Employee Stock Ownership Plan, dated May 11, 2015

[_]10(a) - Form of Retention Agreement, dated May 6, 2015, among PPL Corporation, PPL Services Corporation and Robert J. Grey (Exhibit 99.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated May 7, 2015)

[_]10(b) - Form of Grant Letter dated May 29, 2015 (Exhibit 10.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated June 1, 2015)

*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 June 30, 2015, 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

Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, for the quarterly period ended June 30, 2015, furnished by 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: August 3, 2015

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

PPL Electric Utilities Corporation
(Registrant)

Date: August 3, 2015

/s/ Dennis A. Urban, Jr.
Dennis A. Urban, Jr.
Controller
(Principal Financial Officer and Principal Accounting Officer)

LG&E and KU Energy LLC
(Registrant)

Louisville Gas and Electric Company
(Registrant)

Kentucky Utilities Company
(Registrant)

Date: August 3, 2015

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

PPL CORPORATION AND SUBSIDIARIES

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

(Millions of Dollars)

	6 Months Ended June 30, 2015(a)	Years Ended December 31, (a) 2014	2013	2012	2011	2010
Earnings, as defined:						
Income from Continuing Operations Before Income Taxes	$ 1,090	$ 2,129	$ 1,728	$ 1,406	$ 922	$ 321
Adjustment to reflect earnings from equity method investments on a cash basis (b)	(2)			34		
	1,088	2,129	1,728	1,440	922	321
Total fixed charges as below	590	1,095	1,096	1,065	1,022	698
Less:						
Capitalized interest	8	11	11	6	4	
Preferred security distributions of subsidiaries on a pre-tax basis				5	23	21
Interest expense and fixed charges related to discontinued operations	150	186	235	235	231	255
Total fixed charges included in Income from Continuing Operations Before Income Taxes	432	898	850	819	764	422
Total earnings	$ 1,520	$ 3,027	$ 2,578	$ 2,259	$ 1,686	$ 743
Fixed charges, as defined:						
Interest charges (c)	$ 586	$ 1,073	$ 1,058	$ 1,019	$ 955	$ 637
Estimated interest component of operating rentals	4	22	38	41	44	39
Preferred security distributions of subsidiaries on a pre-tax basis				5	23	21
Fixed charges of majority-owned share of 50% or less-owned persons						1
Total fixed charges (d)	$ 590	$ 1,095	$ 1,096	$ 1,065	$ 1,022	$ 698
Ratio of earnings to fixed charges	2.6	2.8	2.4	2.1	1.7	1.1
Ratio of earnings to combined fixed charges and preferred stock dividends (e)	2.6	2.8	2.4	2.1	1.7	1.1

(a) All periods reflect 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.

PPL ELECTRIC UTILITIES CORPORATION AND SUBSIDIARIES

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

(Millions of Dollars)

	6 Months Ended June 30, 2015	Years Ended December 31, 2014	2013	2012	2011	2010
Earnings, as defined:						
Income Before Income Taxes	$ **231**	$ 423	$ 317	$ 204	$ 257	$ 192
Total fixed charges as below	**69**	131	117	107	105	102
Total earnings	$ **300**	$ 554	$ 434	$ 311	$ 362	$ 294
Fixed charges, as defined:						
Interest charges (a)	$ **67**	$ 127	$ 113	$ 104	$ 102	$ 101
Estimated interest component of operating rentals	**2**	4	4	3	3	1
Total fixed charges (b)	$ **69**	$ 131	$ 117	$ 107	$ 105	$ 102
Ratio of earnings to fixed charges	**4.3**	4.2	3.7	2.9	3.4	2.9
Preferred stock dividend requirements on a pre-tax basis				$ 6	$ 21	$ 23
Fixed charges, as above	$ **69**	$ 131	$ 117	107	105	102
Total fixed charges and preferred stock dividends	$ **69**	$ 131	$ 117	$ 113	$ 126	$ 125
Ratio of earnings to combined fixed charges and preferred stock dividends	**4.3**	4.2	3.7	2.8	2.9	2.4

(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)

	Successor (a)						Predecessor (b)
	6 Months Ended Jun. 30, 2015	Year Ended Dec. 31, 2014	Year Ended Dec. 31, 2013	Year Ended Dec. 31, 2012	Year Ended Dec. 31, 2011	2 Months Ended Dec. 31, 2010	10 Months Ended Oct. 31, 2010
Earnings, as defined:							
Income from Continuing Operations Before Income Taxes	$ 298	$ 553	$ 551	$ 331	$ 419	$ 70	$ 300
Adjustment to reflect earnings from equity method investments on a cash basis (c)	(2)	(1)	(1)	33	(1)		(4)
Mark to market impact of derivative instruments						2	(20)
	296	552	550	364	418	72	276
Total fixed charges as below	89	173	151	157	153	25	158
Total earnings	$ 385	$ 725	$ 701	$ 521	$ 571	$ 97	$ 434
Fixed charges, as defined:							
Interest charges (d) (e)	$ 85	$ 167	$ 145	$ 151	$ 147	$ 24	$ 153
Estimated interest component of operating rentals	4	6	6	6	6	1	5
Total fixed charges	$ 89	$ 173	$ 151	$ 157	$ 153	$ 25	$ 158
Ratio of earnings to fixed charges	4.3	4.2	4.6	3.3	3.7	3.9	2.7

(a) Post-acquisition activity covering the time period after October 31, 2010.
(b) Pre-acquisition activity covering the time period prior to November 1, 2010.
(c) Includes other-than-temporary impairment loss of $25 million in 2012.
(d) Includes interest on long-term and short-term debt, as well as amortization of loss on reacquired debt and amortization of debt discount, expense and premium - net.
(e) 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)

	Successor (a)						Predecessor (b)
	6 Months Ended Jun. 30, 2015	Year Ended Dec. 31, 2014	Year Ended Dec. 31, 2013	Year Ended Dec. 31, 2012	Year Ended Dec. 31, 2011	2 Months Ended Dec. 31, 2010	10 Months Ended Oct. 31, 2010
Earnings, as defined:							
Income Before Income Taxes	$ 143	$ 272	$ 257	$ 192	$ 195	$ 29	$ 167
Mark to market impact of derivative instruments						1	(20)
	143	272	257	192	195	30	147
Total fixed charges as below	28	51	36	44	46	8	40
Total earnings	$ 171	$ 323	$ 293	$ 236	$ 241	$ 38	$ 187
Fixed charges, as defined:							
Interest charges (c) (d)	$ 26	$ 49	$ 34	$ 42	$ 44	$ 8	$ 38
Estimated interest component of operating rentals	2	2	2	2	2		2
Total fixed charges	$ 28	$ 51	$ 36	$ 44	$ 46	$ 8	$ 40
Ratio of earnings fixed charges	6.1	6.3	8.1	5.4	5.2	4.8	4.7

(a) Post-acquisition activity covering the time period after October 31, 2010.
(b) Pre-acquisition activity covering the time period prior to November 1, 2010.
(c) Includes interest on long-term and short-term debt, as well as amortization of loss on reacquired debt and amortization of debt discount, expense and premium - net.
(d) Includes a credit for amortization of a fair market value adjustment of $7 million in 2013.

KENTUCKY UTILITIES COMPANY

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Millions of Dollars)

	Successor (a)						Predecessor (b)
	6 Months Ended Jun. 30, 2015	Year Ended Dec. 31, 2014	Year Ended Dec. 31, 2013	Year Ended Dec. 31, 2012	Year Ended Dec. 31, 2011	2 Months Ended Dec. 31, 2010	10 Months Ended Oct. 31, 2010
Earnings, as defined:							
Income Before Income Taxes	$ 188	$ 355	$ 360	$ 215	$ 282	$ 55	$ 218
Adjustment to reflect earnings from equity method investments on a cash basis (c)	(2)	(1)	(1)	33	(1)		(4)
	186	354	359	248	281	55	214
Total fixed charges as below	40	80	73	72	73	11	71
Total earnings	$ 226	$ 434	$ 432	$ 320	$ 354	$ 66	$ 285
Fixed charges, as defined:							
Interest charges (d)	$ 38	$ 77	$ 70	$ 69	$ 70	$ 10	$ 69
Estimated interest component of operating rentals	2	3	3	3	3	1	2
Total fixed charges	$ 40	$ 80	$ 73	$ 72	$ 73	$ 11	$ 71
Ratio of earnings to fixed charges	5.7	5.4	5.9	4.4	4.8	6.0	4.0

(a) Post-acquisition activity covering the time period after October 31, 2010.
(b) Pre-acquisition activity covering the time period prior to November 1, 2010.
(c) Includes other-than-temporary impairment loss of $25 million in 2012.
(d) Includes interest on long-term and short-term debt, as well as amortization of loss on reacquired debt and amortization of debt discount, expense and premium - net.

CERTIFICATION

I, WILLIAM H. SPENCE, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PPL Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2015

/s/ William H. Spence
William H. Spence
Chairman, President and Chief Executive Officer
(Principal Executive Officer)
PPL Corporation

Exhibit 31(b)

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: August 3, 2015

/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: August 3, 2015

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

CERTIFICATION

I, DENNIS A. URBAN, JR., certify that:

1. I have reviewed this quarterly report on Form 10-Q of PPL Electric Utilities Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2015

/s/ Dennis A. Urban, Jr.
Dennis A. Urban, Jr.
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: August 3, 2015

/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

Exhibit 31(f)

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: August 3, 2015

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

Exhibit 31(g)

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: August 3, 2015

/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: August 3, 2015

/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: August 3, 2015

/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: August 3, 2015

/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 JUNE 30, 2015

In connection with the quarterly report on Form 10-Q of PPL Corporation (the "Company") for the quarter ended June 30, 2015, 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: August 3, 2015

/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.

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL ELECTRIC UTILITIES CORPORATION'S FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2015

In connection with the quarterly report on Form 10-Q of PPL Electric Utilities Corporation (the "Company") for the quarter ended June 30, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Gregory N. Dudkin, the Principal Executive Officer of the Company, and Dennis A. Urban, Jr., the Principal Financial Officer and Principal Accounting Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 3, 2015

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

/s/ Dennis A. Urban, Jr.
Dennis A. Urban, Jr.
Controller
(Principal Financial 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.

Exhibit 32(c)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR LG&E AND KU ENERGY LLC'S FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2015

In connection with the quarterly report on Form 10-Q of LG&E and KU Energy LLC (the "Company") for the quarter ended June 30, 2015, 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: August 3, 2015

/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.

Exhibit 32(d)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR LOUISVILLE GAS AND ELECTRIC COMPANY'S FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2015

In connection with the quarterly report on Form 10-Q of Louisville Gas and Electric Company (the "Company") for the quarter ended June 30, 2015, 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: August 3, 2015

/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 KENTUCKY UTILITIES COMPANY'S FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2015

In connection with the quarterly report on Form 10-Q of Kentucky Utilities Company (the "Company") for the quarter ended June 30, 2015, 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: August 3, 2015

/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.

SEC Form 10-Q

September 30, 2015

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

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the quarterly period ended September 30, 2015

OR

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

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

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

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

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

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

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

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

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

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

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

PPL Corporation	Common stock, $0.01 par value, 672,845,584 shares outstanding at October 23, 2015.
PPL Electric Utilities Corporation	Common stock, no par value, 66,368,056 shares outstanding and all held by PPL Corporation at October 23, 2015.
LG&E and KU Energy LLC	PPL Corporation directly holds all of the membership interests in LG&E and KU Energy LLC.
Louisville Gas and Electric Company	Common stock, no par value, 21,294,223 shares outstanding and all held by LG&E and KU Energy LLC at October 23, 2015.
Kentucky Utilities Company	Common stock, no par value, 37,817,878 shares outstanding and all held by LG&E and KU Energy LLC at October 23, 2015.

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

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

FORM 10-Q
FOR THE QUARTER ENDED September 30, 2015

Table of Contents

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

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

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GLOSSARY OF TERMS AND ABBREVIATIONS

PPL Corporation and its subsidiaries

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

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

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

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

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

PPL Capital Funding - PPL Capital Funding, Inc., a financing subsidiary of PPL that provides financing for the operations of PPL and certain subsidiaries. Debt issued by PPL Capital Funding is guaranteed as to payment by PPL.

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

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

PPL EU Services - PPL EU Services Corporation, a subsidiary of PPL that, beginning in 2015, provides support services and corporate functions such as financial, supply chain, human resources and information technology services primarily to PPL Electric and its affiliates.

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

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

PPL WPD Limited - an indirect U.K. subsidiary of PPL Global. PPL WPD Limited holds a liability for a closed defined benefit pension plan and a receivable with WPD plc.

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

Subsidiary Registrant(s) - Registrants that are direct or indirect wholly owned subsidiaries of PPL: PPL Electric, LKE, LG&E and KU.

WPD - refers to WPD plc and its subsidiaries together with a sister company PPL WPD Limited.

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

WPD plc - Western Power Distribution plc, formerly known as Western Power Distribution Limited, an indirect U.K. subsidiary of PPL Global. Its principal indirectly owned subsidiaries are WPD (East Midlands), WPD (South Wales), WPD (South West) and WPD (West Midlands).

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

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

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

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

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

Other terms and abbreviations

£ - British pound sterling.

2014 Form 10-K - Annual Report to the SEC on Form 10-K for the year ended December 31, 2014.

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

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

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

AOCI - accumulated other comprehensive income or loss.

ARO - asset retirement obligation.

ATM Program - At-the-Market stock offering program.

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

BSER - Best System of Emission Reduction. The degree of emission reduction that EPA determines has been adequately demonstrated when taking into account the cost of achieving such reduction and any non-air quality health and environmental impact and energy requirements.

Cane Run Unit 7 - a natural gas combined-cycle unit in Kentucky, jointly owned by LG&E and KU, which provides electric generating capacity of 642 MW (141 MW and 501 MW to LG&E and KU).

CCR(s) - Coal Combustion Residual(s). CCRs include fly ash, bottom ash and sulfur dioxide scrubber wastes.

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

Clean Water Act - federal legislation enacted to address certain environmental issues relating to water quality including effluent discharges, cooling water intake, and dredge and fill activities.

COBRA - Consolidated Omnibus Budget Reconciliation Act, which provides individuals the option to temporarily continue employer group health insurance coverage after termination of employment.

CPCN - Certificate of Public Convenience and Necessity. Authority granted by the KPSC pursuant to Kentucky Revised Statute 278.020 to provide utility service to or for the public or the construction of certain plant, equipment, property or facility for furnishing of utility service to the public.

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

DNO - Distribution Network Operator in the U.K.

DOJ - U.S. Department of Justice.

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

DPCR5 - Distribution Price Control Review 5, the U.K. five-year rate review period applicable to WPD that commenced April 1, 2010.

DRIP - PPL Amended and Restated Dividend Reinvestment and Direct Stock Purchase Plan.

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

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

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

EEI - Edison Electric Institute, the association that represents U.S. investor-owned electric companies.

ELG(s) - Effluent Limitation Guidelines, regulations promulgated by the EPA.

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

EPS - earnings per share.

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

E.W. Brown - a generating station in Kentucky with capacity of 1,594 MW.

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

FGD - flue-gas desulfurization, a pollution control process for the removal of sulfur dioxide from exhaust gas.

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

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

GBP - British pound sterling.

GHG - greenhouse gas(es).

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

Holdco - Talen Energy Holdings, Inc., a Delaware corporation, which was formed for the purposes of the June 1, 2015 spinoff of PPL Energy Supply, LLC.

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

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

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

LIBOR - London Interbank Offered Rate.

MATS - Mercury and Air Toxics Standards, regulations promulgated by the EPA.

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

MW - megawatt, one thousand kilowatts.

NAAQS - National Ambient Air Quality Standards periodically adopted pursuant to the Clean Air Act.

NERC - North American Electric Reliability Corporation.

NGCC - Natural gas-fired combined-cycle generating plant.

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

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

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

NSR - The new source review provisions of the Clean Air Act that impose stringent emission control requirements on new and modified sources of air emissions that result in emission increases beyond thresholds allowed by the Clean Air Act.

OCI - other comprehensive income or loss.

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

OVEC - Ohio Valley Electric Corporation, located in Piketon, Ohio, an entity in which LKE indirectly owns an 8.13% interest (consists of LG&E's 5.63% and KU's 2.50% interests), which is accounted for as a cost-method investment. OVEC owns and operates two coal-fired power plants, the Kyger Creek plant in Ohio and the Clifty Creek plant in Indiana, with combined summer rating capacities of 2,120 MW.

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

PP&E - property, plant and equipment.

PPL EnergyPlus - prior to the June 1, 2015 spinoff of PPL Energy Supply, PPL EnergyPlus, LLC, a subsidiary of PPL Energy Supply that marketed and traded wholesale and retail electricity and gas, and supplied energy and energy services in competitive markets.

PPL Energy Supply - prior to the June 1, 2015 spinoff, PPL Energy Supply, LLC, a subsidiary of PPL Energy Funding and the parent company of PPL EnergyPlus and other subsidiaries.

PPL Montana - prior to the June 1, 2015 spinoff of PPL Energy Supply, PPL Montana, LLC, an indirect subsidiary of PPL Energy Supply, LLC that generated electricity for wholesale sales in Montana and the Pacific Northwest.

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

RAV - regulatory asset value. This term, used within the U.K. regulatory environment, is also commonly known as RAB or regulatory asset base. RAV is based on historical investment costs at time of privatization, plus subsequent allowed additions less annual regulatory depreciation, and represents the value on which DNOs earn a return in accordance with the regulatory cost of capital. RAV is indexed to Retail Price Index (RPI) in order to allow for the effects of inflation. Since the beginning of DPCR5 in April 2010, RAV additions have been based on a percentage of annual total expenditures, which have continued from April 2015 under RIIO-ED1. RAV is intended to represent expenditures that have a long-term benefit to WPD (similar to capital projects for the U.S. regulated businesses that are generally included in rate base).

RCRA - Resource Conservation and Recovery Act of 1976.

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

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

RIIO-ED1 - RIIO represents "Revenues = Incentive + Innovation + Outputs." RIIO-ED1 refers to the initial eight-year rate review period applicable to WPD which commenced April 1, 2015.

Riverstone - Riverstone Holdings LLC, a Delaware limited liability company and ultimate parent company of the entities that own the competitive power generation business contributed to Talen Energy other than the competitive power generation business contributed by virtue of the spinoff of a newly formed parent of PPL Energy Supply.

RJS Power - RJS Generation Holdings LLC, a Delaware limited liability company controlled by Riverstone, that owns the competitive power generation business contributed by its owners to Talen Energy other than the competitive power generation business contributed by virtue of the spinoff of a newly formed parent of PPL Energy Supply.

RMC - Risk Management Committee.

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

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

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

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

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

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

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

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

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

Talen Energy - Talen Energy Corporation, the Delaware corporation formed to be the publicly traded company and owner of the competitive generation assets of PPL Energy Supply and certain affiliates of Riverstone.

Talen Energy Marketing - PPL EnergyPlus' new name subsequent to the spinoff of PPL Energy Supply.

Total shareowner return - the change in market value of a share of the Company's common stock plus the value of all dividends paid on a share of the common stock during the applicable performance period, divided by the price of the common stock as of the beginning of the performance period. The price used for purposes of this calculation is the average share price for the 20 trading days at the beginning and end of the applicable period.

Treasury Stock Method - A method applied to calculate diluted EPS that assumes any proceeds that could be obtained upon exercise of options and warrants (and their equivalents) would be used to purchase common stock at the average market price during the relevant period.

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

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

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

FORWARD-LOOKING INFORMATION

Statements contained in this Form 10-Q concerning expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are other than statements of historical fact are "forward-looking statements" within the meaning of the federal securities laws. Although the Registrants believe that the expectations and assumptions reflected in these statements are reasonable, there can be no assurance that these expectations will prove to be correct. Forward-looking statements are subject to many risks and uncertainties, and actual results may differ materially from the results discussed in forward-looking statements. In addition to the specific factors discussed in each Registrant's 2014 Form 10-K and in "Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Form 10-Q, the following are among the important factors that could cause actual results to differ materially from the forward-looking statements.

- fuel supply;
- continuing ability to recover fuel costs and environmental expenditures in a timely manner at LG&E and KU, and natural gas supply costs at LG&E;
- weather conditions affecting customer energy use;
- availability of existing generation facilities;
- the duration of and cost associated with unscheduled outages at our generating facilities;
- transmission and distribution system conditions and operating costs;
- expansion of alternative and distributed sources of electricity generation and storage;
- collective labor bargaining negotiations;
- the outcome of litigation against the Registrants and their subsidiaries;
- potential effects of threatened or actual terrorism, war or other hostilities, cyber-based intrusions or natural disasters;
- the commitments and liabilities of the Registrants and their subsidiaries;
- the effectiveness of our risk management programs, including foreign currency and interest rate hedging;
- our ability to attract and retain qualified employees;
- volatility in demand for electricity and prices for energy and transmission services;
- competition in retail and wholesale power and natural gas markets;
- market prices of commodity inputs for ongoing capital expenditures;
- capital market conditions, including the availability of capital or credit, changes in interest rates and certain economic indices, and decisions regarding capital structure;
- stock price performance of PPL;
- volatility in the fair value of debt and equity securities and its impact on the value of assets in defined benefit plans, and the potential cash funding requirements if fair value declines;
- interest rates and their effect on pension and retiree medical liabilities and interest payable on certain debt securities;
- volatility in or the impact of other changes in financial markets and economic conditions;
- new accounting requirements or new interpretations or applications of existing requirements;
- changes in securities and credit ratings;
- changes in foreign currency exchange rates for British pound sterling;
- current and future environmental conditions, regulations and other requirements and the related costs of compliance, including environmental capital expenditures, emission allowance costs and other expenses;
- changes in political, regulatory or economic conditions in states, regions or countries where the Registrants or their subsidiaries conduct business;
- receipt of necessary governmental permits, approvals and rate relief;
- new state, federal or foreign legislation or regulatory developments;
- the outcome of any rate cases or other cost recovery or revenue filings by PPL Electric, LG&E, KU or WPD;
- the impact of any state, federal or foreign investigations applicable to the Registrants and their subsidiaries and the energy industry;
- the effect of any business or industry restructuring;
- development of new projects, markets and technologies;
- performance of new ventures; and
- business dispositions or acquisitions and our ability to realize expected benefits from such business transactions.

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

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

PART I. FINANCIAL INFORMATION
ITEM 1. Financial Statements

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
PPL Corporation and Subsidiaries

(Unaudited)
(Millions of Dollars, except share data)

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Operating Revenues	$ **1,878**	$ 1,879	$ **5,889**	$ 5,906
Operating Expenses				
Operation				
Fuel	**228**	240	**695**	748
Energy purchases	**177**	173	**676**	683
Other operation and maintenance	**482**	467	**1,405**	1,382
Depreciation	**226**	233	**658**	688
Taxes, other than income	**79**	78	**241**	238
Total Operating Expenses	**1,192**	1,191	**3,675**	3,739
Operating Income	**686**	688	**2,214**	2,167
Other Income (Expense) - net	**75**	136	**61**	33
Interest Expense	**221**	213	**645**	637
Income from Continuing Operations Before Income Taxes	**540**	611	**1,630**	1,563
Income Taxes	**144**	201	**432**	534
Income from Continuing Operations After Income Taxes	**396**	410	**1,198**	1,029
Income (Loss) from Discontinued Operations (net of income taxes) (Note 8)	**(3)**	87	**(915)**	13
Net Income	$ **393**	$ 497	$ **283**	$ 1,042
Earnings Per Share of Common Stock:				
Income from Continuing Operations After Income Taxes Available to PPL Common Shareowners:				
Basic	$ **0.59**	$ 0.61	$ **1.78**	$ 1.58
Diluted	$ **0.59**	$ 0.61	$ **1.78**	$ 1.55
Net Income Available to PPL Common Shareowners:				
Basic	$ **0.58**	$ 0.74	$ **0.42**	$ 1.60
Diluted	$ **0.58**	$ 0.74	$ **0.42**	$ 1.57
Dividends Declared Per Share of Common Stock	$ **0.3775**	$ 0.3725	$ **1.1225**	$ 1.1175
Weighted-Average Shares of Common Stock Outstanding (in thousands)				
Basic	**670,763**	664,432	**668,731**	649,561
Diluted	**673,702**	666,402	**671,254**	665,501

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
PPL Corporation and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Net income	**$ 393**	$ 497	**$ 283**	$ 1,042
Other comprehensive income (loss):				
Amounts arising during the period - gains (losses), net of tax (expense) benefit:				
Foreign currency translation adjustments, net of tax of ($3), ($9), ($2), ($3).	**52**	(48)	**(97)**	80
Available-for-sale securities, net of tax of $0, $1, ($9), ($20)		(1)	**7**	18
Qualifying derivatives, net of tax of $11, $2, $4, $31	**(19)**	(5)	**8**	(52)
Defined benefit plans:				
Prior service costs, net of tax of $0, $0, $4, $0			**(6)**	
Net actuarial gain (loss), net of tax of $0, ($1), ($36), $1		(1)	**52**	(3)
Reclassifications from AOCI - (gains) losses, net of tax expense (benefit):				
Available-for-sale securities, net of tax of $0, $4, $2, $6		(3)	**(2)**	(5)
Qualifying derivatives, net of tax of ($3), $3, ($23), $4	**10**	(12)	**20**	2
Equity investees' other comprehensive (income) loss, net of tax of $0, $0, $1, $0			**(1)**	
Defined benefit plans:				
Prior service costs, net of tax of $0, ($1), $0, ($3)		1		3
Net actuarial loss, net of tax of ($10), ($9), ($35), ($26)	**35**	29	**111**	84
Total other comprehensive income (loss)	**78**	(40)	**92**	127
Comprehensive income	**$ 471**	$ 457	**$ 375**	$ 1,169

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
PPL Corporation and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Nine Months Ended September 30, 2015	2014
Cash Flows from Operating Activities		
Net income	$ 283	$ 1,042
(Income) loss from discontinued operations (net of income taxes)	915	(13)
Income from continuing operations (net of income taxes)	1,198	1,029
Adjustments to reconcile Income from continuing operations (net of taxes) to net cash provided by operating activities - continuing operations		
Depreciation	658	688
Amortization	46	51
Defined benefit plans - expense	44	37
Deferred income taxes and investment tax credits	359	416
Unrealized (gains) losses on derivatives, and other hedging activities	(17)	(99)
Adjustment to WPD line loss accrual		65
Stock-based compensation expense	26	24
Other	9	(1)
Change in current assets and current liabilities		
Accounts receivable	(5)	(59)
Accounts payable	(180)	(53)
Unbilled revenues	91	122
Fuel, materials and supplies	60	7
Taxes payable	(142)	138
Regulatory assets and liabilities, net	46	7
Other	(48)	28
Other operating activities		
Defined benefit plans - funding	(396)	(290)
Settlement of interest rate swaps	(88)	
Other assets	(42)	10
Other liabilities	69	43
Net cash provided by operating activities - continuing operations	1,688	2,163
Net cash provided by operating activities - discontinued operations	343	465
Net cash provided by operating activities	2,031	2,628
Cash Flows from Investing Activities		
Investing activities from continuing operations:		
Expenditures for property, plant and equipment	(2,560)	(2,602)
Expenditures for intangible assets	(32)	(36)
Purchase of other investments	(15)	
Proceeds from the sale of other investments	136	
Net (increase) decrease in restricted cash and cash equivalents	5	12
Other investing activities	3	(4)
Net cash provided by (used in) investing activities - continuing operations	(2,463)	(2,630)
Net cash provided by (used in) investing activities - discontinued operations	(149)	(344)
Net cash provided by (used in) investing activities	(2,612)	(2,974)
Cash Flows from Financing Activities		
Financing activities from continuing operations:		
Issuance of long-term debt	1,137	296
Retirement of long-term debt		(237)
Issuance of common stock	145	1,037
Payment of common stock dividends	(750)	(718)
Net increase (decrease) in short-term debt	(271)	(192)
Other financing activities	(30)	(49)
Net cash provided by (used in) financing activities - continuing operations	231	137
Net cash provided by (used in) financing activities - discontinued operations	(546)	(166)
Net cash distributions to parent from discontinued operations	132	448
Net cash provided by (used in) financing activities	(183)	419
Effect of Exchange Rates on Cash and Cash Equivalents	(6)	13
Net (Increase) Decrease in Cash and Cash Equivalents included in Discontinued Operations	352	45
Net Increase (Decrease) in Cash and Cash Equivalents	(418)	131
Cash and Cash Equivalents at Beginning of Period	1,399	863
Cash and Cash Equivalents at End of Period	$ 981	$ 994

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

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

	September 30, 2015	December 31, 2014
Assets		
Current Assets		
Cash and cash equivalents	$ **981**	$ 1,399
Short-term investments		120
Accounts receivable (less reserve: 2015, $46; 2014, $44)		
Customer	**713**	737
Other	**64**	71
Unbilled revenues	**421**	517
Fuel, materials and supplies	**321**	381
Prepayments	**86**	75
Deferred income taxes	**223**	125
Other current assets	**181**	134
Current assets of discontinued operations		2,600
Total Current Assets	**2,990**	6,159
Property, Plant and Equipment		
Regulated utility plant	**33,752**	30,568
Less: accumulated depreciation - regulated utility plant	**5,632**	5,361
Regulated utility plant, net	**28,120**	25,207
Non-regulated property, plant and equipment	**534**	592
Less: accumulated depreciation - non-regulated property, plant and equipment	**170**	162
Non-regulated property, plant and equipment, net	**364**	430
Construction work in progress	**1,478**	2,532
Property, Plant and Equipment, net	**29,962**	28,169
Other Noncurrent Assets		
Regulatory assets	**1,627**	1,562
Goodwill	**3,613**	3,667
Other intangibles	**672**	668
Other noncurrent assets	**382**	322
Noncurrent assets of discontinued operations		8,317
Total Other Noncurrent Assets	**6,294**	14,536
Total Assets	$ **39,246**	$ 48,864

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

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

	September 30, 2015	December 31, 2014
Liabilities and Equity		
Current Liabilities		
Short-term debt	$ **557**	$ 836
Long-term debt due within one year	**1,460**	1,000
Accounts payable	**808**	995
Taxes	**118**	263
Interest	**300**	298
Dividends	**254**	249
Customer deposits	**312**	304
Regulatory liabilities	**151**	91
Other current liabilities	**508**	632
Current liabilities of discontinued operations		2,775
Total Current Liabilities	**4,468**	7,443
Long-term Debt	**17,745**	17,173
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**3,736**	3,227
Investment tax credits	**129**	132
Accrued pension obligations	**963**	1,457
Asset retirement obligations	**539**	324
Regulatory liabilities	**962**	992
Other deferred credits and noncurrent liabilities	**482**	525
Noncurrent liabilities of discontinued operations		3,963
Total Deferred Credits and Other Noncurrent Liabilities	**6,811**	10,620
Commitments and Contingent Liabilities (Notes 6 and 10)		
Equity		
Common stock - $0.01 par value (a)	**7**	7
Additional paid-in capital	**9,630**	9,433
Earnings reinvested	**2,791**	6,462
Accumulated other comprehensive loss	**(2,206)**	(2,274)
Total Equity	**10,222**	13,628
Total Liabilities and Equity	$ **39,246**	$ 48,864

(a) 780,000 shares authorized; 671,792 and 665,849 shares issued and outstanding at September 30, 2015 and December 31, 2014.

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

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

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Accumulated other comprehensive loss	Total
June 30, 2015	669,514	$ 7	$ 9,564	$ 2,654	$ (2,284)	$ 9,941
Common stock issued	2,278		72			72
Stock-based compensation			(6)			(6)
Net income				393		393
Dividends and dividend equivalents				(256)		(256)
Other comprehensive income (loss)					78	78
September 30, 2015	671,792	$ 7	$ 9,630	$ 2,791	$ (2,206)	$ 10,222
December 31, 2014	665,849	$ 7	$ 9,433	$ 6,462	$ (2,274)	$ 13,628
Common stock issued	5,943		183			183
Stock-based compensation			14			14
Net income				283		283
Dividends and dividend equivalents				(754)		(754)
Distribution of PPL Energy Supply (Note 8)				(3,200)	(24)	(3,224)
Other comprehensive income (loss)					92	92
September 30, 2015	671,792	$ 7	$ 9,630	$ 2,791	$ (2,206)	$ 10,222
June 30, 2014	664,018	$ 7	$ 9,358	$ 5,768	$ (1,398)	$ 13,735
Common stock issued	635		21			21
Stock-based compensation			9			9
Net income				497		497
Dividends and dividend equivalents				(248)		(248)
Other comprehensive income (loss)					(40)	(40)
September 30, 2014	664,653	$ 7	$ 9,388	$ 6,017	$ (1,438)	$ 13,974
December 31, 2013	630,321	$ 6	$ 8,316	$ 5,709	$ (1,565)	$ 12,466
Common stock issued	34,332	1	1,048			1,049
Stock-based compensation			24			24
Net income				1,042		1,042
Dividends and dividend equivalents				(734)		(734)
Other comprehensive income (loss)					127	127
September 30, 2014	664,653	$ 7	$ 9,388	$ 6,017	$ (1,438)	$ 13,974

(a) Shares in thousands. Each share entitles the holder to one vote on any question presented at any shareowners' meeting.

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

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CONDENSED CONSOLIDATED STATEMENTS OF INCOME
PPL Electric Utilities Corporation and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Operating Revenues	**$ 519**	$ 477	**$ 1,625**	$ 1,518
Operating Expenses				
Operation				
Energy purchases	**154**	128	**519**	431
Energy purchases from affiliate		20	**14**	68
Other operation and maintenance	**162**	133	**435**	402
Depreciation	**55**	47	**158**	137
Taxes, other than income	**27**	25	**87**	80
Total Operating Expenses	**398**	353	**1,213**	1,118
Operating Income	**121**	124	**412**	400
Other Income (Expense) - net	**1**	3	**5**	6
Interest Expense	**32**	33	**96**	91
Income Before Income Taxes	**90**	94	**321**	315
Income Taxes	**35**	37	**130**	121
Net Income (a)	**$ 55**	$ 57	**$ 191**	$ 194

(a) Net income approximates comprehensive income.

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

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

	Nine Months Ended September 30,	
	2015	2014
Cash Flows from Operating Activities		
Net income	$ 191	$ 194
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	158	137
Amortization	19	13
Defined benefit plans - expense	13	10
Deferred income taxes and investment tax credits	127	65
Other	(9)	(20)
Change in current assets and current liabilities		
Accounts receivable	18	(45)
Accounts payable	(140)	(25)
Unbilled revenues	28	40
Prepayments	(17)	(17)
Regulatory assets and liabilities	46	19
Taxes payable	(50)	45
Other	13	2
Other operating activities		
Defined benefit plans - funding	(33)	(20)
Other assets	(6)	8
Other liabilities	15	6
Net cash provided by operating activities	373	412
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	(758)	(700)
Expenditures for intangible assets	(9)	(25)
Net (increase) decrease in notes receivable from affiliates		150
Other investing activities	3	13
Net cash provided by (used in) investing activities	(764)	(562)
Cash Flows from Financing Activities		
Issuance of long-term debt		296
Retirement of long-term debt		(10)
Contributions from parent	275	95
Payment of common stock dividends to parent	(140)	(121)
Net increase (decrease) in short-term debt	68	(20)
Other financing activities		(4)
Net cash provided by (used in) financing activities	203	236
Net Increase (Decrease) in Cash and Cash Equivalents	(188)	86
Cash and Cash Equivalents at Beginning of Period	214	25
Cash and Cash Equivalents at End of Period	$ 26	$ 111

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

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

	September 30, 2015	December 31, 2014
Assets		
Current Assets		
Cash and cash equivalents	$ **26**	$ 214
Accounts receivable (less reserve: 2015, $21; 2014, $17)		
Customer	**312**	312
Other	**10**	44
Unbilled revenues	**85**	113
Materials and supplies	**34**	43
Prepayments	**27**	10
Deferred income taxes	**103**	58
Regulatory assets	**10**	12
Other current assets	**10**	13
Total Current Assets	**617**	819
Property, Plant and Equipment		
Regulated utility plant	**8,565**	7,589
Less: accumulated depreciation - regulated utility plant	**2,613**	2,517
Regulated utility plant, net	**5,952**	5,072
Construction work in progress	**512**	738
Property, Plant and Equipment, net	**6,464**	5,810
Other Noncurrent Assets		
Regulatory assets	**942**	897
Intangibles	**243**	235
Other noncurrent assets	**39**	24
Total Other Noncurrent Assets	**1,224**	1,156
Total Assets	$ **8,305**	$ 7,785

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

CONDENSED CONSOLIDATED BALANCE SHEETS
PPL Electric Utilities Corporation and Subsidiaries

(Unaudited)
(Millions of Dollars, shares in thousands)

	September 30, 2015	December 31, 2014
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 68**	
Long term debt due within one year	**100**	$ 100
Accounts payable	**315**	325
Accounts payable to affiliates	**36**	70
Taxes	**35**	85
Interest	**26**	34
Regulatory liabilities	**120**	76
Other current liabilities	**114**	103
Total Current Liabilities	**814**	793
Long-term Debt	**2,503**	2,502
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**1,655**	1,483
Accrued pension obligations	**149**	212
Regulatory liabilities	**25**	18
Other deferred credits and noncurrent liabilities	**69**	60
Total Deferred Credits and Other Noncurrent Liabilities	**1,898**	1,773
Commitments and Contingent Liabilities (Notes 6 and 10)		
Equity		
Common stock - no par value (a)	**364**	364
Additional paid-in capital	**1,925**	1,603
Earnings reinvested	**801**	750
Total Equity	**3,090**	2,717
Total Liabilities and Equity	**$ 8,305**	$ 7,785

(a) 170,000 shares authorized; 66,368 shares issued and outstanding at September 30, 2015 and December 31, 2014.

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

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

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Total
June 30, 2015	66,368	$ 364	$ 1,810	$ 779	$ 2,953
Net income				55	55
Capital contributions from PPL			115		115
Dividends declared on common stock				(33)	(33)
September 30, 2015	66,368	$ 364	$ 1,925	$ 801	$ 3,090
December 31, 2014	66,368	$ 364	$ 1,603	$ 750	$ 2,717
Net income				191	191
Capital contributions from PPL (b)			322		322
Dividends declared on common stock				(140)	(140)
September 30, 2015	66,368	$ 364	$ 1,925	$ 801	$ 3,090
June 30, 2014	66,368	$ 364	$ 1,435	$ 695	$ 2,494
Net income				57	57
Dividends declared on common stock				(34)	(34)
September 30, 2014	66,368	$ 364	$ 1,435	$ 718	$ 2,517
December 31, 2013	66,368	$ 364	$ 1,340	$ 645	$ 2,349
Net income				194	194
Capital contributions from PPL			95		95
Dividends declared on common stock				(121)	(121)
September 30, 2014	66,368	$ 364	$ 1,435	$ 718	$ 2,517

(a) Shares in thousands. All common shares of PPL Electric stock are owned by PPL.
(b) Includes non-cash contributions of $47 million.

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

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
LG&E and KU Energy LLC and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Operating Revenues	**$ 801**	$ 753	**$ 2,414**	$ 2,409
Operating Expenses				
Operation				
Fuel	**228**	240	**695**	748
Energy purchases	**23**	24	**143**	184
Other operation and maintenance	**202**	197	**625**	609
Depreciation	**97**	89	**286**	262
Taxes, other than income	**14**	13	**43**	39
Total Operating Expenses	**564**	563	**1,792**	1,842
Operating Income	**237**	190	**622**	567
Other Income (Expense) - net	**(1)**	(2)	**(3)**	(6)
Interest Expense	**43**	42	**127**	125
Interest Expense with Affiliate			**1**	
Income Before Income Taxes	**193**	146	**491**	436
Income Taxes	**73**	55	**194**	165
Net Income	**$ 120**	$ 91	**$ 297**	$ 271

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
LG&E and KU Energy LLC and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income	$ **120**	$ 91	$ **297**	$ 271
Other comprehensive income (loss):				
Amounts arising during the period - gains (losses), net of tax (expense) benefit:				
Defined benefit plans:				
Net actuarial loss, net of tax of $0, $0, $5, $1			**(8)**	(2)
Reclassifications from AOCI - (gains) losses, net of tax expense (benefit):				
Equity investees' other comprehensive (income) loss, net of tax of $0, $0, $1, $0			**(1)**	(1)
Defined benefit plans:				
Prior service costs, net of tax of $0, $0, $0, $0			**1**	
Net actuarial loss, net of tax of $0, $0, ($1), $0	**1**		**2**	
Total other comprehensive income (loss)	**1**		**(6)**	(3)
Comprehensive income	$ **121**	$ 91	$ **291**	$ 268

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
LG&E and KU Energy LLC and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Nine Months Ended September 30, 2015	2014
Cash Flows from Operating Activities		
Net income	$ 297	$ 271
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	286	262
Amortization	18	18
Defined benefit plans - expense	29	18
Deferred income taxes and investment tax credits	199	251
Other	29	11
Change in current assets and current liabilities		
Accounts receivable	(1)	(3)
Accounts payable	(34)	7
Accounts payable to affiliates	(7)	(2)
Unbilled revenues	19	49
Fuel, materials and supplies	43	4
Income tax receivable	132	(28)
Taxes payable		5
Accrued interest	37	36
Other	(2)	(10)
Other operating activities		
Defined benefit plans - funding	(66)	(43)
Settlement of interest rate swaps	(88)	
Other assets	(4)	
Other liabilities	8	5
Net cash provided by operating activities	895	851
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	(928)	(843)
Net (increase) decrease in notes receivable from affiliates		70
Other investing activities	7	
Net cash provided by (used in) investing activities	(921)	(773)
Cash Flows from Financing Activities		
Net increase (decrease) in notes payable with affiliates	21	22
Issuance of long-term debt	1,050	
Net increase (decrease) in short-term debt	(500)	103
Debt issuance and credit facility costs	(9)	(3)
Distributions to member	(157)	(327)
Contributions from member	55	139
Net cash provided by (used in) financing activities	460	(66)
Net Increase (Decrease) in Cash and Cash Equivalents	434	12
Cash and Cash Equivalents at Beginning of Period	21	35
Cash and Cash Equivalents at End of Period	$ 455	$ 47

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

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

	September 30, 2015	December 31, 2014
Assets		
Current Assets		
Cash and cash equivalents	$ **455**	$ 21
Accounts receivable (less reserve: 2015, $23; 2014, $25)		
Customer	**228**	231
Other	**14**	18
Unbilled revenues	**148**	167
Fuel, materials and supplies	**260**	311
Prepayments	**23**	28
Income taxes receivable	**4**	136
Deferred income taxes	**68**	16
Regulatory assets	**27**	25
Other current assets	**5**	3
Total Current Assets	**1,232**	956
Property, Plant and Equipment		
Regulated utility plant	**11,481**	10,014
Less: accumulated depreciation - regulated utility plant	**1,094**	1,069
Regulated utility plant, net	**10,387**	8,945
Construction work in progress	**839**	1,559
Property, Plant and Equipment, net	**11,226**	10,504
Other Noncurrent Assets		
Regulatory assets	**685**	665
Goodwill	**996**	996
Other intangibles	**136**	174
Other noncurrent assets	**102**	101
Total Other Noncurrent Assets	**1,919**	1,936
Total Assets	$ **14,377**	$ 13,396

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

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

	September 30, 2015	December 31, 2014
Liabilities and Equity		
Current Liabilities		
Short-term debt	$ **75**	$ 575
Long-term debt due within one year	**900**	900
Notes payable with affiliates	**62**	41
Accounts payable	**284**	399
Accounts payable to affiliates	**1**	2
Customer deposits	**51**	52
Taxes	**36**	36
Price risk management liabilities	**5**	5
Price risk management liabilities with affiliates		66
Regulatory liabilities	**31**	15
Interest	**60**	23
Other current liabilities	**142**	131
Total Current Liabilities	**1,647**	2,245
Long-term Debt	**4,717**	3,667
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**1,489**	1,241
Investment tax credits	**128**	131
Accrued pension obligations	**275**	305
Asset retirement obligations	**488**	274
Regulatory liabilities	**937**	974
Price risk management liabilities	**45**	43
Other deferred credits and noncurrent liabilities	**214**	268
Total Deferred Credits and Other Noncurrent Liabilities	**3,576**	3,236
Commitments and Contingent Liabilities (Notes 6 and 10)		
Member's equity	**4,437**	4,248
Total Liabilities and Equity	$ **14,377**	$ 13,396

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

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

		Member's Equity
June 30, 2015	$	4,329
Net income		120
Contributions from member		35
Distributions to member		(48)
Other comprehensive income (loss)		1
September 30, 2015	$	4,437
December 31, 2014	$	4,248
Net income		297
Contributions from member		55
Distributions to member		(157)
Other comprehensive income (loss)		(6)
September 30, 2015	$	4,437
June 30, 2014	$	4,225
Net income		91
Contributions from member		20
Distributions to member		(106)
September 30, 2014	$	4,230
December 31, 2013	$	4,150
Net income		271
Contributions from member		139
Distributions to member		(327)
Other comprehensive income (loss)		(3)
September 30, 2014	$	4,230

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

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CONDENSED STATEMENTS OF INCOME
Louisville Gas and Electric Company

(Unaudited)
(Millions of Dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	**2014**	**2015**	**2014**
Operating Revenues				
Retail and wholesale	**$ 349**	$ 334	**$ 1,089**	$ 1,096
Electric revenue from affiliate	**2**	13	**32**	74
Total Operating Revenues	**351**	347	**1,121**	1,170
Operating Expenses				
Operation				
Fuel	**82**	99	**267**	320
Energy purchases	**18**	20	**129**	167
Energy purchases from affiliate	**9**	3	**17**	11
Other operation and maintenance	**87**	94	**286**	286
Depreciation	**40**	39	**122**	116
Taxes, other than income	**7**	6	**21**	19
Total Operating Expenses	**243**	261	**842**	919
Operating Income	**108**	86	**279**	251
Other Income (Expense) - net	**(1)**		**(3)**	(3)
Interest Expense	**13**	13	**39**	37
Income Before Income Taxes	**94**	73	**237**	211
Income Taxes	**36**	27	**91**	78
Net Income (a)	**$ 58**	$ 46	**$ 146**	$ 133

(a) Net income equals comprehensive income.

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

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

	Nine Months Ended September 30, 2015	2014
Cash Flows from Operating Activities		
Net income	$ **146**	$ 133
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**122**	116
Amortization	**9**	9
Defined benefit plans - expense	**10**	7
Deferred income taxes and investment tax credits	**93**	31
Other	**25**	(2)
Change in current assets and current liabilities		
Accounts receivable	**10**	4
Accounts receivable from affiliates	**4**	(10)
Accounts payable	**(14)**	8
Accounts payable to affiliates	**(1)**	(4)
Unbilled revenues	**13**	27
Fuel, materials and supplies	**21**	5
Income tax receivable	**74**	(2)
Taxes payable	**(1)**	10
Accrued interest	**9**	9
Other	**9**	1
Other operating activities		
Defined benefit plans - funding	**(25)**	(12)
Settlement of interest rate swaps	**(44)**	
Other assets	**10**	1
Other liabilities	**(1)**	(4)
Net cash provided by operating activities	**469**	327
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	**(519)**	(422)
Net cash provided by (used in) investing activities	**(519)**	(422)
Cash Flows from Financing Activities		
Issuance of long-term debt	**550**	
Net increase (decrease) in short-term debt	**(264)**	123
Debt issuance and credit facility costs	**(5)**	(1)
Payment of common stock dividends to parent	**(81)**	(83)
Contributions from parent	**20**	73
Net cash provided by (used in) financing activities	**220**	112
Net Increase (Decrease) in Cash and Cash Equivalents	**170**	17
Cash and Cash Equivalents at Beginning of Period	**10**	8
Cash and Cash Equivalents at End of Period	$ **180**	$ 25

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

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

	September 30, 2015	December 31, 2014
Assets		
Current Assets		
Cash and cash equivalents	$ **180**	$ 10
Accounts receivable (less reserve: 2015, $1; 2014, $2)		
Customer	**97**	107
Other	**9**	11
Unbilled revenues	**63**	76
Accounts receivable from affiliates	**19**	23
Fuel, materials and supplies	**133**	162
Prepayments	**6**	8
Income taxes receivable		74
Deferred income taxes	**23**	
Regulatory assets	**11**	21
Other current assets	**2**	1
Total Current Assets	**543**	493
Property, Plant and Equipment		
Regulated utility plant	**4,651**	4,031
Less: accumulated depreciation - regulated utility plant	**384**	456
Regulated utility plant, net	**4,267**	3,575
Construction work in progress	**414**	676
Property, Plant and Equipment, net	**4,681**	4,251
Other Noncurrent Assets		
Regulatory assets	**396**	397
Goodwill	**389**	389
Other intangibles	**79**	97
Other noncurrent assets	**28**	35
Total Other Noncurrent Assets	**892**	918
Total Assets	$ **6,116**	$ 5,662

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

CONDENSED BALANCE SHEETS
Louisville Gas and Electric Company

(Unaudited)

(Millions of Dollars, shares in thousands)

	September 30, 2015	December 31, 2014
Liabilities and Equity		
Current Liabilities		
Short-term debt		$ 264
Long-term debt due within one year	$ 250	250
Accounts payable	191	240
Accounts payable to affiliates	20	20
Customer deposits	25	25
Taxes	18	19
Price risk management liabilities	5	5
Price risk management liabilities with affiliates		33
Regulatory liabilities	15	10
Interest	15	6
Other current liabilities	50	42
Total Current Liabilities	589	914
Long-term Debt	1,653	1,103
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	818	700
Investment tax credits	35	36
Accrued pension obligations	34	57
Asset retirement obligations	147	66
Regulatory liabilities	439	458
Price risk management liabilities	45	43
Other deferred credits and noncurrent liabilities	97	111
Total Deferred Credits and Other Noncurrent Liabilities	1,615	1,471
Commitments and Contingent Liabilities (Notes 6 and 10)		
Stockholder's Equity		
Common stock - no par value (a)	424	424
Additional paid-in capital	1,541	1,521
Earnings reinvested	294	229
Total Equity	2,259	2,174
Total Liabilities and Equity	$ 6,116	$ 5,662

(a) 75,000 shares authorized; 21,294 shares issued and outstanding at September 30, 2015 and December 31, 2014.

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

CONDENSED STATEMENTS OF EQUITY
Louisville Gas and Electric Company

(Unaudited)

(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Total
June 30, 2015	21,294	$ 424	$ 1,541	$ 259	$ 2,224
Net income				58	58
Cash dividends declared on common stock				(23)	(23)
September 30, 2015	21,294	$ 424	$ 1,541	$ 294	$ 2,259
December 31, 2014	21,294	$ 424	$ 1,521	$ 229	$ 2,174
Net income				146	146
Capital contributions from LKE			20		20
Cash dividends declared on common stock				(81)	(81)
September 30, 2015	21,294	$ 424	$ 1,541	$ 294	$ 2,259
June 30, 2014	21,294	$ 424	$ 1,417	$ 199	$ 2,040
Net income				46	46
Capital contributions from LKE			20		20
Cash dividends declared on common stock				(23)	(23)
September 30, 2014	21,294	$ 424	$ 1,437	$ 222	$ 2,083
December 31, 2013	21,294	$ 424	$ 1,364	$ 172	$ 1,960
Net income				133	133
Capital contributions from LKE			73		73
Cash dividends declared on common stock				(83)	(83)
September 30, 2014	21,294	$ 424	$ 1,437	$ 222	$ 2,083

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

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Operating Revenues				
Retail and wholesale	$ 452	$ 419	$ 1,325	$ 1,313
Electric revenue from affiliate	9	3	17	11
Total Operating Revenues	461	422	1,342	1,324
Operating Expenses				
Operation				
Fuel	146	141	428	428
Energy purchases	5	4	14	17
Energy purchases from affiliate	2	13	32	74
Other operation and maintenance	108	97	321	302
Depreciation	57	50	164	145
Taxes, other than income	7	7	22	20
Total Operating Expenses	325	312	981	986
Operating Income	136	110	361	338
Other Income (Expense) - net		(1)	1	(1)
Interest Expense	20	19	58	58
Income Before Income Taxes	116	90	304	279
Income Taxes	44	34	115	106
Net Income (a)	$ 72	$ 56	$ 189	$ 173

(a) Net income approximates comprehensive income.

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

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

	Nine Months Ended September 30,	
	2015	2014
Cash Flows from Operating Activities		
Net income	$ 189	$ 173
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	164	145
Amortization	8	8
Defined benefit plans - expense	9	4
Deferred income taxes and investment tax credits	132	129
Other	4	11
Change in current assets and current liabilities		
Accounts receivable	(11)	(8)
Accounts payable	(18)	6
Accounts payable to affiliates	(7)	4
Unbilled revenues	6	22
Fuel, materials and supplies	22	(1)
Income tax receivable	60	(3)
Taxes payable	9	(12)
Accrued interest	19	18
Other	(3)	(8)
Other operating activities		
Defined benefit plans - funding	(20)	(4)
Settlement of interest rate swaps	(44)	
Other assets	(9)	(2)
Other liabilities		4
Net cash provided by operating activities	510	486
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	(407)	(418)
Other investing activities	7	
Net cash provided by (used in) investing activities	(400)	(418)
Cash Flows from Financing Activities		
Issuance of long-term debt	500	
Net increase (decrease) in short-term debt	(236)	(20)
Debt issuance and credit facility costs	(4)	(1)
Payment of common stock dividends to parent	(106)	(112)
Contributions from parent		66
Net cash provided by (used in) financing activities	154	(67)
Net Increase (Decrease) in Cash and Cash Equivalents	264	1
Cash and Cash Equivalents at Beginning of Period	11	21
Cash and Cash Equivalents at End of Period	$ 275	$ 22

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

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

	September 30, 2015	December 31, 2014
Assets		
Current Assets		
Cash and cash equivalents	$ 275	$ 11
Accounts receivable (less reserve: 2015, $2; 2014, $2)		
Customer	131	124
Other	5	6
Unbilled revenues	85	91
Fuel, materials and supplies	127	149
Prepayments	7	10
Income taxes receivable		60
Deferred income taxes	30	2
Regulatory assets	16	4
Other current assets	3	2
Total Current Assets	679	459
Property, Plant and Equipment		
Regulated utility plant	6,828	5,977
Less: accumulated depreciation - regulated utility plant	710	611
Regulated utility plant, net	6,118	5,366
Construction work in progress	421	880
Property, Plant and Equipment, net	6,539	6,246
Other Noncurrent Assets		
Regulatory assets	289	268
Goodwill	607	607
Other intangibles	57	77
Other noncurrent assets	61	58
Total Other Noncurrent Assets	1,014	1,010
Total Assets	$ 8,232	$ 7,715

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

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

		September 30, 2015		December 31, 2014
Liabilities and Equity				
Current Liabilities				
Short-term debt			$	236
Long-term debt due within one year	$	**250**		250
Accounts payable		**77**		141
Accounts payable to affiliates		**41**		47
Customer deposits		**26**		27
Taxes		**23**		14
Price risk management liabilities with affiliates				33
Regulatory liabilities		**16**		5
Interest		**30**		11
Other current liabilities		**53**		41
Total Current Liabilities		**516**		805
Long-term Debt		**2,341**		1,841
Deferred Credits and Other Noncurrent Liabilities				
Deferred income taxes		**1,048**		884
Investment tax credits		**93**		95
Accrued pension obligations		**44**		59
Asset retirement obligations		**341**		208
Regulatory liabilities		**498**		516
Other deferred credits and noncurrent liabilities		**63**		101
Total Deferred Credits and Other Noncurrent Liabilities		**2,087**		1,863
Commitments and Contingent Liabilities (Notes 6 and 10)				
Stockholder's Equity				
Common stock - no par value (a)		**308**		308
Additional paid-in capital		**2,596**		2,596
Accumulated other comprehensive income (loss)		**(1)**		
Earnings reinvested		**385**		302
Total Equity		**3,288**		3,206
Total Liabilities and Equity	$	**8,232**	$	7,715

(a) 80,000 shares authorized; 37,818 shares issued and outstanding at September 30, 2015 and December 31, 2014.

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

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

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Accumulated other comprehensive income (loss)	Total
June 30, 2015	37,818	$ 308	$ 2,596	$ 338	$ (1)	$ 3,241
Net income				72		72
Cash dividends declared on common stock				(25)		(25)
September 30, 2015	37,818	$ 308	$ 2,596	$ 385	$ (1)	$ 3,288
December 31, 2014	37,818	$ 308	$ 2,596	$ 302		$ 3,206
Net income				189		189
Cash dividends declared on common stock				(106)		(106)
Other comprehensive income (loss)					$ (1)	(1)
September 30, 2015	37,818	$ 308	$ 2,596	$ 385	$ (1)	$ 3,288
June 30, 2014	37,818	$ 308	$ 2,571	$ 261		$ 3,140
Net income				56		56
Cash dividends declared on common stock				(26)		(26)
September 30, 2014	37,818	$ 308	$ 2,571	$ 291		$ 3,170
December 31, 2013	37,818	$ 308	$ 2,505	$ 230	$ 1	$ 3,044
Net income				173		173
Capital contributions from LKE			66			66
Cash dividends declared on common stock				(112)		(112)
Other comprehensive income (loss)					(1)	(1)
September 30, 2014	37,818	$ 308	$ 2,571	$ 291	$	$ 3,170

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

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

Combined Notes to Condensed Financial Statements (Unaudited)

1. Interim Financial Statements

(All Registrants)

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

The accompanying unaudited condensed financial statements have been prepared in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X and, therefore, do not include all of the information and footnote disclosures required by GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation in accordance with GAAP are reflected in the condensed financial statements. All adjustments are of a normal recurring nature, except as otherwise disclosed. Each Registrant's Balance Sheet at December 31, 2014 is derived from that Registrant's 2014 audited Balance Sheet. The financial statements and notes thereto should be read in conjunction with the financial statements and notes contained in each Registrant's 2014 Form 10-K. The results of operations for the three and nine months ended September 30, 2015 are not necessarily indicative of the results to be expected for the full year ending December 31, 2015 or other future periods, because results for interim periods can be disproportionately influenced by various factors, developments and seasonal variations.

The classification of certain prior period amounts has been changed to conform to the presentation in the September 30, 2015 financial statements.

(PPL)

"Income (Loss) from Discontinued Operations (net of income taxes)" on the Statements of Income includes the activities of PPL Energy Supply, substantially representing PPL's former Supply segment, which was spun off and distributed to PPL shareowners on June 1, 2015. PPL Energy Supply's assets and liabilities have been reclassified on the Balance Sheet at December 31, 2014 to assets and liabilities of discontinued operations. The assets and liabilities were distributed and removed from PPL's Balance Sheets in the second quarter of 2015. In addition, the Statements of Cash Flows separately report the cash flows of the discontinued operations. See Note 8 for additional information.

2. Summary of Significant Accounting Policies

(All Registrants)

The following accounting policy disclosures represent updates to Note 1 to each indicated Registrant's 2014 Form 10-K and should be read in conjunction with those disclosures.

Accounts Receivable *(PPL and PPL Electric)*

In accordance with a PUC-approved purchase of accounts receivable program, PPL Electric purchases certain accounts receivable from alternative electricity suppliers at a discount, which reflects a provision for uncollectible accounts. The alternative electricity suppliers have no continuing involvement or interest in the purchased accounts receivable. The purchased accounts receivable are initially recorded at fair value using a market approach based on the purchase price paid and are classified as Level 2 in the fair value hierarchy. During the three and nine months ended September 30, 2015, PPL Electric purchased $361 million and $968 million of accounts receivable from unaffiliated third parties. During the three and nine months ended September 30, 2014, PPL Electric purchased $260 million and $874 million of accounts receivable from unaffiliated third parties and $77 million and $261 million from PPL EnergyPlus. PPL Electric's purchases from PPL EnergyPlus for the nine months ended September 30, 2015 were $146 million and include purchases through May 31, 2015, which is the period during which PPL Electric and PPL EnergyPlus were affiliated entities. As a result of the June 1, 2015 spinoff of PPL Energy Supply and creation of Talen Energy, PPL EnergyPlus (renamed Talen Energy Marketing) is no longer an affiliate of PPL Electric. PPL Electric's purchases from Talen Energy Marketing subsequent to May 31, 2015 are included as purchases from an unaffiliated third party.

Depreciation *(PPL)*

Effective January 1, 2015, after completing a review of the useful lives of its distribution network assets, WPD extended the weighted average useful lives of these assets to 69 years from 55 years. For the three and nine months ended September 30, 2015, this change in useful lives resulted in lower depreciation of $22 million ($17 million after-tax or $0.03 per share) and $64 million ($50 million after-tax or $0.08 per share).

New Accounting Guidance Adopted *(All Registrants)*

Reporting of Discontinued Operations

Effective January 1, 2015, the Registrants prospectively adopted accounting guidance that changes the criteria for determining what should be classified as a discontinued operation and the related presentation and disclosure requirements. A discontinued operation may include a component of an entity or a group of components of an entity, or a business activity. A disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on the entity's operations and financial results when any of the following occurs: (1) The components of an entity or group of components of an entity meets the criteria to be classified as held for sale, (2) The component of an entity or group of components of an entity is disposed of by sale, or (3) The component of an entity or group of components of an entity is disposed of other than by sale (for example, by abandonment or in a distribution to owners in a spinoff).

As a result of the spinoff on June 1, 2015, PPL Energy Supply has been reported as a discontinued operation under the new discontinued operations guidance. See Note 8 for additional information.

3. Segment and Related Information

(PPL)

See Note 2 in PPL's 2014 Form 10-K for a discussion of reportable segments and related information.

On June 1, 2015, PPL completed the spinoff of PPL Energy Supply, which substantially represented PPL's Supply segment. As a result of this transaction, PPL no longer has a Supply segment. See Note 8 for additional information.

Financial data for the segments and reconciliation to PPL's consolidated results for the periods ended September 30 are:

	Three Months		Nine Months	
	2015	2014	2015	2014
Income Statement Data				
Revenues from external customers				
U.K. Regulated	$ 552	$ 644	$ 1,836	$ 1,964
Kentucky Regulated	801	753	2,414	2,409
Pennsylvania Regulated	519	477	1,625	1,516
Corporate and Other	6	5	14	17
Total	$ 1,878	$ 1,879	$ 5,889	$ 5,906
Net Income				
U.K. Regulated (a)	$ 249	$ 295	$ 814	$ 688
Kentucky Regulated	111	82	267	247
Pennsylvania Regulated	55	57	191	194
Corporate and Other (b)	(19)	(24)	(74)	(100)
Discontinued Operations (c)	(3)	87	(915)	13
Total	$ 393	$ 497	$ 283	$ 1,042

	September 30, 2015	December 31, 2014
Balance Sheet Data		
Assets		
U.K. Regulated	$ 16,382	$ 16,005
Kentucky Regulated	14,043	13,062
Pennsylvania Regulated	8,305	7,785
Corporate and Other (d)	516	1,095
Discontinued Operations (c)		10,917
Total assets	$ 39,246	$ 48,864

(a) Includes unrealized gains and losses from economic activity. See Note 14 for additional information.
(b) 2015 includes transition costs related to the formation of the Talen Energy organization and to reconfigure the remaining PPL Services functions. See Note 8 for additional information.
(c) See Note 8 for additional information.
(d) Primarily consists of unallocated items, including cash, PP&E and the elimination of inter-segment transactions.

4. Earnings Per Share

(PPL)

Basic EPS is computed by dividing income available to PPL common shareowners by the weighted-average number of common shares outstanding during the applicable period. Diluted EPS is computed by dividing income available to PPL common shareowners by the weighted-average number of common shares outstanding, increased by incremental shares that would be outstanding if potentially dilutive non-participating securities were converted to common shares as calculated using the Treasury Stock Method or the If-Converted Method, as applicable. Incremental non-participating securities that have a dilutive impact are detailed in the table below.

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

	Three Months 2015	Three Months 2014	Nine Months 2015	Nine Months 2014
Income (Numerator)				
Income from continuing operations after income taxes	$ 396	$ 410	$ 1,198	$ 1,029
Less amounts allocated to participating securities	2	2	5	5
Income from continuing operations after income taxes available to PPL common shareowners - Basic	394	408	1,193	1,024
Plus interest charges (net of tax) related to Equity Units (a)				9
Income from continuing operations after income taxes available to PPL common shareowners - Diluted	$ 394	$ 408	$ 1,193	$ 1,033
Income (loss) from discontinued operations (net of income taxes) available to PPL common shareowners - Basic and Diluted	$ (3)	$ 87	$ (915)	$ 13
Net income	$ 393	$ 497	$ 283	$ 1,042
Less amounts allocated to participating securities	2	2	1	5
Net income available to PPL common shareowners - Basic	391	495	282	1,037
Plus interest charges (net of tax) related to Equity Units (a)				9
Net income available to PPL common shareowners - Diluted	$ 391	$ 495	$ 282	$ 1,046
Shares of Common Stock (Denominator)				
Weighted-average shares - Basic EPS	670,763	664,432	668,731	649,561
Add incremental non-participating securities:				
Share-based payment awards	2,939	1,970	2,523	1,860
Equity Units (a)				14,080
Weighted-average shares - Diluted EPS	673,702	666,402	671,254	665,501
Basic EPS				
Available to PPL common shareowners:				
Income from continuing operations after income taxes	$ 0.59	$ 0.61	$ 1.78	$ 1.58
Income (loss) from discontinued operations (net of income taxes)	(0.01)	0.13	(1.36)	0.02
Net Income Available to PPL common shareowners	$ 0.58	$ 0.74	$ 0.42	$ 1.60
Diluted EPS				
Available to PPL common shareowners:				
Income from continuing operations after income taxes	$ 0.59	$ 0.61	$ 1.78	$ 1.55
Income (loss) from discontinued operations (net of income taxes)	(0.01)	0.13	(1.36)	0.02
Net Income Available to PPL common shareowners	$ 0.58	$ 0.74	$ 0.42	$ 1.57

(a) In 2014, the If-Converted Method was applied to the Equity Units prior to the March 2014 settlement.

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	
	2015	2014	2015	2014
Stock-based compensation plans (a)	1,368	210	3,805	2,228
DRIP	475	425	1,318	425

(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	
	2015	2014	2015	2014
Stock options	1,484	527	1,218	1,901
Performance units			49	
Restricted stock units				41

5. Income Taxes

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

(PPL)

	Three Months		Nine Months	
	2015	2014	2015	2014
Federal income tax on Income from Continuing Operations Before Income Taxes at statutory tax rate - 35%	$ 189	$ 214	$ 571	$ 547
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	15	13	44	28
Valuation allowance adjustments (a)		3	8	49
Impact of lower U.K. income tax rates	(40)	(48)	(138)	(124)
U.S. income tax on foreign earnings - net of foreign tax credit (b)		26	(1)	47
Federal and state tax reserve adjustments (c)	(9)		(21)	
Foreign income tax return adjustments			(4)	
Amortization of investment tax credit	(1)	1	(3)	(3)
Depreciation not normalized	(1)	(3)	(4)	(7)
Intercompany interest on U.K. financing entities	(4)		(15)	(4)
Other	(5)	(5)	(5)	1
Total increase (decrease)	(45)	(13)	(139)	(13)
Total income taxes	$ 144	$ 201	$ 432	$ 534

(a) As a result of the spinoff announcement, PPL recorded deferred income tax expense during the three and nine months ended September 30, 2014 to adjust valuation allowances on deferred tax assets primarily for state net operating loss carryforwards that were previously supported by the future earnings of PPL Energy Supply. See Note 8 for additional information on the spinoff.
(b) During the three and nine months ended September 30, 2015, PPL recorded lower income tax expense due to a decrease in taxable dividends.
(c) 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 of Taxation for the open audit years 1998-2011.

(PPL Electric)

	Three Months 2015	Three Months 2014	Nine Months 2015	Nine Months 2014
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 32	$ 33	$ 112	$ 110
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	7	5	21	17
Depreciation not normalized	(1)	(2)	(3)	(5)
Other	(3)	1		(1)
Total increase (decrease)	3	4	18	11
Total income taxes	$ 35	$ 37	$ 130	$ 121

(LKE)

	Three Months 2015	Three Months 2014	Nine Months 2015	Nine Months 2014
Federal income tax on Income from Continuing Operations Before Income Taxes at statutory tax rate - 35%	$ 68	$ 51	$ 172	$ 153
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	7	6	18	16
Amortization of investment tax credit	(1)	(1)	(2)	(3)
Valuation allowance adjustment (a)			8	
Other	(1)	(1)	(2)	(1)
Total increase (decrease)	5	4	22	12
Total income taxes	$ 73	$ 55	$ 194	$ 165

(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 2015	Three Months 2014	Nine Months 2015	Nine Months 2014
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 33	$ 26	$ 83	$ 74
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	4	3	9	8
Other	(1)	(2)	(1)	(4)
Total increase (decrease)	3	1	8	4
Total income taxes	$ 36	$ 27	$ 91	$ 78

(KU)

	Three Months 2015	Three Months 2014	Nine Months 2015	Nine Months 2014
Federal income tax on Income Before Income Taxes at statutory tax rate - 35%	$ 41	$ 32	$ 106	$ 98
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	4	3	11	10
Other	(1)	(1)	(2)	(2)
Total increase (decrease)	3	2	9	8
Total income taxes	$ 44	$ 34	$ 115	$ 106

Unrecognized Tax Benefits *(PPL)*

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

	Three Months 2015	Three Months 2014	Nine Months 2015	Nine Months 2014
PPL				
Beginning of period	$ 5	$ 21	$ 20	$ 22
Additions based on tax positions of prior years				1
Reductions based on tax positions of prior years				(2)
Settlements			(15)	
End of period	$ 5	$ 21	$ 5	$ 21

Other *(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 is reflected in continuing operations.

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, 2015	December 31, 2014	September 30, 2015	December 31, 2014
Current Regulatory Assets:				
Environmental cost recovery	$ 19	$ 5		
Gas supply clause	1	15		
Transmission service charge	7	6	$ 7	$ 6
Other	10	11	3	6
Total current regulatory assets (a)	$ 37	$ 37	$ 10	$ 12
Noncurrent Regulatory Assets:				
Defined benefit plans (b)	$ 734	$ 720	$ 411	$ 372
Taxes recoverable through future rates	323	316	323	316
Storm costs	101	124	34	46
Unamortized loss on debt	70	77	44	49
Interest rate swaps (c)	146	122		
Accumulated cost of removal of utility plant	130	114	130	114
AROs	109	79		
Other	14	10		
Total noncurrent regulatory assets	$ 1,627	$ 1,562	$ 942	$ 897
Current Regulatory Liabilities:				
Generation supply charge	$ 41	$ 28	$ 41	$ 28
Demand side management	12	2		
Gas supply clause	9	6		
Transmission formula rate	61	42	61	42
Storm damage expense	13	3	13	3
Other	15	10	5	3
Total current regulatory liabilities	$ 151	$ 91	$ 120	$ 76
Noncurrent Regulatory Liabilities:				
Accumulated cost of removal of utility plant	$ 695	$ 693		
Coal contracts (d)	28	59		
Power purchase agreement - OVEC (d)	86	92		
Net deferred tax assets	23	26		
Act 129 compliance rider	25	18	$ 25	$ 18
Defined benefit plans	22	16		
Interest rate swaps	82	84		
Other	1	4		
Total noncurrent regulatory liabilities	$ 962	$ 992	$ 25	$ 18

	LKE		LG&E		KU	
	September 30, 2015	December 31, 2014	September 30, 2015	December 31, 2014	September 30, 2015	December 31, 2014
Current Regulatory Assets:						
Environmental cost recovery	$ 19	$ 5	$ 10	$ 4	$ 9	$ 1
Gas supply clause	1	15	1	15		
Fuel adjustment clause		4		2		2
Other	7	1			7	1
Total current regulatory assets	$ 27	$ 25	$ 11	$ 21	$ 16	$ 4
Noncurrent Regulatory Assets:						
Defined benefit plans (b)	$ 323	$ 348	$ 200	$ 215	$ 123	$ 133
Storm costs	67	78	37	43	30	35
Unamortized loss on debt	26	28	17	18	9	10
Interest rate swaps (c)	146	122	102	89	44	33
AROs	109	79	38	28	71	51
Plant retirement costs (e)	6				6	
Other	8	10	2	4	6	6
Total noncurrent regulatory assets	$ 685	$ 665	$ 396	$ 397	$ 289	$ 268
Current Regulatory Liabilities:						
Demand side management	$ 12	$ 2	$ 6	$ 1	$ 6	$ 1
Gas supply clause	9	6	9	6		
Fuel adjustment clause	8				8	
Gas line tracker		3		3		
Other	2	4			2	4
Total current regulatory liabilities	$ 31	$ 15	$ 15	$ 10	$ 16	$ 5
Noncurrent Regulatory Liabilities:						
Accumulated cost of removal of utility plant	$ 695	$ 693	$ 304	$ 302	$ 391	$ 391
Coal contracts (d)	28	59	12	25	16	34
Power purchase agreement - OVEC (d)	86	92	59	63	27	29
Net deferred tax assets	23	26	23	24		2
Defined benefit plans	22	16			22	16
Interest rate swaps	82	84	41	42	41	42
Other	1	4		2	1	2
Total noncurrent regulatory liabilities	$ 937	$ 974	$ 439	$ 458	$ 498	$ 516

(a) For PPL, these amounts are included in "Other current assets" on the Balance Sheets.
(b) Included in 2015 is $4 million for PPL and LKE, $3 million for LG&E and $1 million for KU related to the deferred recovery of the difference between the pension cost calculated in accordance with LG&E and KU's pension accounting policy and pension cost using a 15 year amortization period for actuarial gains and losses as provided in the June 30, 2015 rate case settlement. See Note 9 and "Kentucky Activities - Rate Case Proceedings" below for additional information.
(c) Amounts include net settlements related to forward-starting interest rate swaps that were terminated in September 2015 and are included in "Cash Flows from Operating Activities" on the Statements of Cash Flows. See Note 14 for additional information.
(d) These liabilities were recorded as offsets to certain intangible assets that were recorded at fair value upon the acquisition of LKE by PPL.
(e) The June 30, 2015 rate case settlement provided for deferred recovery of costs associated with Green River's coal-fired generating unit retirements. These costs include inventory write-downs and separation benefits and will be amortized over three years.

Regulatory Matters

U.K. Activities *(PPL)*

RIIO-ED1

On April 1, 2015, the RIIO-ED1 eight-year price control period commenced for WPD's four DNOs. See "Item 1. Business - Segment Information - U. K. Regulated Segment" of PPL's 2014 Form 10-K for additional information on RIIO-ED1.

Ofgem Review of Line Loss Calculation

In March 2014, Ofgem issued its final decision on the DPCR4 line loss incentives and penalties mechanism. As a result, during the first quarter of 2014 WPD increased its liability by $65 million for over-recovery of line losses with a reduction to "Operating Revenues" on the Statement of Income. WPD began refunding the liability to customers on April 1, 2015 and will continue through March 31, 2019. The liability at September 30, 2015 was $75 million.

Kentucky Activities *(PPL, LKE, LG&E and KU)*

Rate Case Proceedings

On June 30, 2015, the KPSC approved a rate case settlement agreement providing for increases in the annual revenue requirements associated with KU base electricity rates of $125 million and LG&E base gas rates of $7 million. The annual revenue requirement associated with base electricity rates at LG&E was not changed. Although the settlement did not establish a specific return on equity with respect to the base rates, an authorized 10% return on equity will be utilized in the ECR and GLT mechanisms. The settlement agreement provides for deferred recovery of costs associated with Green River Units 3 and 4 through their retirement. The new regulatory asset will be amortized over three years. The settlement also provides regulatory asset treatment for the difference between pension expense calculated in accordance with LG&E and KU's pension accounting policy and pension expense using a 15 year amortization period for actuarial gains and losses. The new rates and all elements of the settlement became effective July 1, 2015.

KPSC Landfill Proceedings

On May 22, 2015, LG&E and KU filed an application with the KPSC for a declaratory order that the existing CPCN and ECR approvals regarding the initial phases of construction and rate recovery of the landfill for management of CCRs at the Trimble County Station remain in effect. The current design of the proposed landfill provides for construction in substantially the same location as originally proposed with approximately the same storage capacity and expected useful life. On May 20, 2015, the owner of an underground limestone mine filed a complaint with the KPSC requesting it to revoke the CPCN for the Trimble County landfill and limit recovery of costs for the Ghent Station landfill on the grounds that, as a result of cost increases, the proposed landfill no longer constitutes the least cost alternative for CCR management. The KPSC has initiated its own investigation, consolidated the proceedings, and ordered an accelerated procedural schedule. The KPSC conducted a hearing on the matter in September 2015 and LG&E and KU are awaiting a ruling. Although the companies continue to believe that the landfills at the Trimble County and Ghent stations are the least cost options and the CPCN and prior KPSC determinations provide the necessary regulatory authority to proceed with construction of the landfill and obtain cost recovery, LG&E and KU are currently unable to predict the outcome or impact of the pending proceedings.

Pennsylvania Activities *(PPL and PPL Electric)*

Act 11 authorizes the PUC to approve two specific ratemaking mechanisms: the use of a fully projected future test year in base rate proceedings and, subject to certain conditions, the use of a Distribution System Improvement Charge (DSIC). Such alternative ratemaking procedures and mechanisms provide opportunity for accelerated cost-recovery and, therefore, are important to PPL Electric as it is in a period of significant capital investment to maintain and enhance the reliability of its delivery system, including the replacement of aging distribution assets.

Rate Case Proceeding

On March 31, 2015, PPL Electric filed a request with the PUC for an increase in its annual distribution revenue requirement of approximately $167.5 million. The application was based on a fully projected future test year of January 1, 2016 through December 31, 2016. On September 3, 2015, PPL Electric filed with the PUC Administrative Law Judge a petition for approval of a settlement agreement under which PPL Electric would be permitted to increase its annual distribution rates by $124 million, effective January 1, 2016. On October 5, 2015, the Administrative Law Judge issued a recommended decision approving the settlement agreement. The PUC is expected to issue its final order in December 2015. PPL Electric cannot predict the outcome of this proceeding.

Distribution System Improvement Charge (DSIC)

On March 31, 2015, PPL Electric filed a petition requesting a waiver of the DSIC cap of 5% of billed revenues and approval to increase the maximum allowable DSIC from 5% to 7.5% for service rendered after January 1, 2016. PPL Electric filed the petition concurrently with its 2015 rate case and the Administrative Law Judge granted PPL Electric's request to consolidate these two proceedings. Under the terms of the settlement agreement discussed above, PPL Electric agreed to withdraw the petition without prejudice to re-file it at a later date.

Storm Damage Expense Rider (SDER)

In its December 28, 2012 final rate case order, the PUC directed PPL Electric to file a proposed SDER. The SDER is a reconcilable automatic adjustment clause under which PPL Electric annually will compare actual storm costs to storm costs allowed in base rates and refund or recoup any differences from customers. In March 2013, PPL Electric filed its proposed SDER with the PUC and, as part of that filing, requested recovery of the 2012 qualifying storm costs related to Hurricane Sandy. PPL Electric proposed that the SDER become effective January 1, 2013 at a zero rate with qualifying storm costs incurred in 2013 and the 2012 Hurricane Sandy costs included in rates effective January 1, 2014. In April 2014, the PUC issued a final order approving the SDER with a January 1, 2015 effective date and initially including actual storm costs compared to collections for December 2013 through November 2014. As a result, PPL Electric reduced its regulatory liability by $12 million in March 2014. Also, as part of the April 2014 order, PPL Electric was authorized to recover Hurricane Sandy storm damage costs through the SDER of $29 million over a three-year period beginning January 1, 2015.

On June 20, 2014, the Office of Consumer Advocate (OCA) filed a petition with the Commonwealth Court of Pennsylvania requesting that the Court reverse and remand the April 2014 order permitting PPL Electric to establish the SDER. This matter remains pending before the Commonwealth Court. On January 15, 2015, the PUC issued a final order closing an investigation related to a separate OCA complaint concerning PPL Electric's October 2014 preliminary SDER calculation and modified the effective date of the SDER to February 1, 2015.

Smart Meter Rider (SMR)

Act 129 requires installation of smart meters for new construction, upon the request of consumers and at their cost, or on a depreciation schedule not exceeding 15 years. Under Act 129, EDCs are able to recover the costs of providing smart metering technology. All of PPL Electric's metered customers currently have advanced meters installed at their service locations capable of many of the functions required under Act 129. PPL Electric conducted pilot projects and technical evaluations of its current advanced metering technology and concluded that the current technology does not meet all of the requirements of Act 129. PPL Electric recovered the cost of its pilot programs and evaluations through a cost recovery mechanism, the Smart Meter Rider. In August 2013, PPL Electric filed with the PUC an annual report describing the actions it was taking under its Smart Meter Plan during 2013 and its planned actions for 2014. PPL Electric also submitted revised SMR charges that became effective January 1, 2014. In June 2014, PPL Electric filed its final Smart Meter Plan with the PUC. In that plan, PPL Electric proposes by the end of 2019 to replace all of its current meters with new meters that meet the Act 129 requirements. The total cost of the project is estimated to be approximately $450 million, of which approximately $328 million is expected to be capital. PPL Electric proposes to recover these costs through the SMR which the PUC previously approved for recovery of such costs. On April 30, 2015, the Administrative Law Judge assigned by the PUC to review PPL Electric's Smart Meter Plan issued a recommended decision approving the plan with minor modifications. On September 3, 2015, the PUC entered a final order approving the Smart Meter Plan with minor modifications.

Federal Matters *(PPL, LKE and KU)*

FERC Wholesale Formula Rates

In September 2013, KU filed an application with the FERC to adjust the formula rate under which KU provides wholesale requirements power sales to 12 municipal customers. Among other changes, the application requests an amended formula whereby KU would charge cost-based rates with a subsequent true-up to actual costs, replacing the current formula which does not include a true-up. KU's application proposed an authorized return on equity of 10.7%. Certain elements, including the new formula rate, became effective April 23, 2014, subject to refund. In April 2014, nine municipalities submitted notices of termination, under the original notice period provisions, to cease taking power under the wholesale requirements contracts. Such terminations are to be effective in 2019, except in the case of one municipality with a 2017 effective date. In addition, a tenth municipality has become a transmission-only customer as of June 2015. In July 2014, KU agreed on settlement terms with the two municipal customers that did not provide termination notices and filed the settlement proposal with the FERC for its approval. In August 2014, the FERC issued an order on the interim settlement agreement allowing the proposed rates to become effective pending a final order. If approved, the settlement agreement will resolve the rate case with respect to these two municipalities, including approval of the formula rate with a true-up provision and authorizing a return on equity of 10% or the return on equity awarded to other parties in this case, whichever is lower. In August 2015, KU filed a partial settlement agreement with the nine terminating municipalities, which, if approved by FERC, would resolve all but one open matter with one municipality, including providing for certain refunds, approving the formula rate with a true-up provision, and authorizing a 10.25% return on equity. A single remaining unresolved issue with one terminating municipality is in FERC litigation proceedings. KU cannot predict the ultimate outcome of these FERC proceedings regarding its wholesale power agreements with the municipalities, but does not currently anticipate significant remaining refunds beyond amounts already recorded.

7. Financing Activities

Credit Arrangements and Short-term Debt

(All Registrants)

The Registrants maintain credit facilities to enhance liquidity, provide credit support and provide a backstop to commercial paper programs. For reporting purposes, on a consolidated basis, the credit facilities and commercial paper programs of PPL 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, 2015					December 31, 2014	
	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	Dec. 2016	£ 210	£ 127		£ 83	£ 103	
WPD (South West)							
Syndicated Credit Facility	July 2020	245			245		
WPD (East Midlands)							
Syndicated Credit Facility	July 2020	300	139		161	64	
WPD (West Midlands)							
Syndicated Credit Facility	July 2020	300			300		
Uncommitted Credit Facilities		65		£ 4	61		£ 5
Total U.K. Credit Facilities (a)		£ 1,120	£ 266	£ 4	£ 850	£ 167	£ 5
U.S.							
PPL Capital Funding							
Syndicated Credit Facility	July 2019	$ 300			$ 300		
Syndicated Credit Facility	Nov. 2018	300			300		
Bilateral Credit Facility	Mar. 2016	150		$ 20	130		$ 21
Total PPL Capital Funding Credit Facilities		$ 750		$ 20	$ 730		$ 21
PPL Electric							
Syndicated Credit Facility	July 2019	$ 300		$ 69	$ 231		$ 1
LKE							
Syndicated Credit Facility (b)	Oct. 2018	$ 75	$ 75		$	$ 75	
LG&E							
Syndicated Credit Facility	July 2019	$ 500			$ 500		$ 264
KU							
Syndicated Credit Facility	July 2019	$ 400			$ 400		$ 236
Letter of Credit Facility	Oct. 2017	198		$ 198			198
Total KU Credit Facilities		$ 598		$ 198	$ 400		$ 434

(a) WPD plc's amounts borrowed at September 30, 2015 and December 31, 2014 were USD-denominated borrowings of $200 million and $161 million, which bore interest at 1.80% and 1.86%. WPD (East Midlands) amounts borrowed at September 30, 2015 and December 31, 2014 were GBP-denominated borrowings which equated to $214 million and $100 million, which bore interest at 0.91% and 1.00%. At September 30, 2015, the unused capacity under the U.K. credit facilities was $1.3 billion.

(b) LKE's interest rates on outstanding borrowings at September 30, 2015 and December 31, 2014 were 1.45% and 1.67%.

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, 2015							December 31, 2014		
	Weighted - Average Interest Rate		Capacity		Commercial Paper Issuances		Unused Capacity	Weighted - Average Interest Rate		Commercial Paper Issuances
PPL Electric	0.41%	$	300	$	68	$	232			
LG&E			350				350	0.42%	$	264
KU			350				350	0.49%		236
Total		$	1,000	$	68	$	932		$	500

In October 2015, PPL Capital Funding established a commercial paper program for up to $600 million to provide an additional financing source to fund its short-term liquidity needs from time to time. Commercial paper issuances will be supported by PPL Capital Funding's Syndicated Credit Facilities. PPL guarantees PPL Capital Funding's payment obligations on the commercial paper notes.

(LKE)

See Note 11 for discussion of intercompany borrowings.

Long-term Debt

(PPL, LKE and LG&E)

In September 2015, LG&E issued $300 million of 3.30% First Mortgage Bonds due 2025 and $250 million of 4.375% First Mortgage Bonds due 2045. LG&E received proceeds of $298 million and $248 million, net of discounts and underwriting fees, which were used to repay short-term debt and additionally will be used for the repayment of First Mortgage Bonds maturing in November 2015, and for general corporate purposes.

(PPL, LKE and KU)

In September 2015, KU issued $250 million of 3.30% First Mortgage Bonds due 2025 and $250 million of 4.375% First Mortgage Bonds due 2045. KU received proceeds of $248 million for each issuance, net of discounts and underwriting fees, which were used to repay short-term debt and additionally will be used for the repayment of First Mortgage Bonds maturing in November 2015, and for general corporate purposes.

(PPL and PPL Electric)

In October 2015, PPL Electric issued $350 million of 4.150% First Mortgage Bonds due 2045. PPL Electric received proceeds of $345 million, net of a discount and underwriting fees, which will be used to repay short-term debt and for general corporate purposes.

(PPL)

ATM Program

In February 2015, PPL 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, 2015, PPL issued the following:

		Three Months		Nine Months
Number of shares		435,800		857,500
Average share price	$	32.95	$	33.33
Net proceeds		14		28

Distributions

In August 2015, PPL declared its increased quarterly common stock dividend, payable October 1, 2015, at 37.75 cents per share (equivalent to $1.51 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. See Note 8 for information regarding the June 1, 2015 distribution to PPL's shareowners of a newly formed entity, Holdco, which at closing owned all of the membership interests of PPL Energy Supply and all of the common stock of Talen Energy.

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 2014 Form 10-K for additional information.

(PPL)

Discontinued Operations

Spinoff of PPL Energy Supply

In June 2014, PPL and PPL Energy Supply executed definitive agreements with affiliates of Riverstone to spin off PPL Energy Supply and immediately combine it with Riverstone's competitive power generation businesses to form a new, stand-alone, publicly traded company named Talen Energy. The transaction was subject to customary closing conditions, including receipt of regulatory approvals from the NRC, FERC, DOJ and PUC, all of which were received by mid-April 2015. On April 29, 2015, PPL's Board of Directors declared the June 1, 2015 distribution to PPL's shareowners of record on May 20, 2015 of a newly formed entity, Holdco, which at closing owned all of the membership interests of PPL Energy Supply and all of the common stock of Talen Energy.

Immediately following the spinoff on June 1, 2015, Holdco merged with a special purpose subsidiary of Talen Energy, with Holdco continuing as the surviving company to the merger and as a wholly owned subsidiary of Talen Energy and the sole owner of PPL Energy Supply. Substantially contemporaneous with the spinoff and merger, RJS Power was contributed by its owners to become a subsidiary of Talen Energy. PPL shareowners received approximately 0.1249 shares of Talen Energy common stock for each share of PPL common stock they owned on May 20, 2015. Following completion of these transactions, 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, control of, or affiliation with Talen Energy and Talen Energy Supply (formerly PPL Energy Supply).

Loss on Spinoff

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 market value of Talen Energy 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 limit 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 has 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 publically 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 last 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 recent Talen Energy business planning process 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 reflected in discontinued operations and is nondeductible for tax purposes. This amount served to reduce the basis of the net assets accounted for as a dividend at the June 1, 2015 spinoff date.

Costs of Spinoff

Following the announcement of the transaction to form Talen Energy, efforts were initiated to identify the appropriate staffing for Talen Energy and for PPL and its subsidiaries following completion of the spinoff. Organizational plans were substantially completed in 2014. The new organizational plans identified the need to resize and restructure the organizations and as a result, in 2014, estimated charges for employee separation benefits were recorded. See Note 8 in the 2014 Form 10-K for additional information. The separation benefits include cash severance compensation, lump sum COBRA reimbursement payments and outplacement services. Most separations and payment of separation benefits are expected to be completed by the end of 2015. At September 30, 2015 and December 31, 2014, the recorded liabilities related to the separation benefits were $11 million and $21 million, which are included in "Other current liabilities" on the Balance Sheets.

Additional employee-related costs incurred primarily include accelerated stock-based compensation and prorated 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.

As the vesting for all PPL Energy Supply employees was accelerated and all remaining unrecognized compensation expense accelerated concurrently with the spinoff, PPL does not expect to recognize significant future compensation costs for equity awards held by former PPL Energy Supply employees. PPL's future stock-based compensation expense will not be significantly impacted by equity award adjustments that occurred as a result of the spinoff. Stock-based compensation expense recognized in future periods will correspond to the unrecognized compensation expense as of the date of the spinoff, which reflects the unamortized balance of the original grant date fair value of the equity awards held by PPL employees.

PPL 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 during the nine months ended September 30, 2015, related to the formation of the Talen Energy organization and to reconfigure the remaining PPL service functions. These costs are primarily recorded in "Other operation and maintenance" on the Statement of Income. No significant additional third-party costs are expected to be incurred. PPL recorded $5 million and $21 million of third-party costs related to this transaction during the three and nine months ended September 30, 2014.

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 reflected in discontinued operations.

As a result of the spinoff announcement in June 2014, PPL recorded $3 million and $49 million of deferred income tax expense during the three and nine months ended September 30, 2014, to adjust valuation allowances on deferred tax assets primarily for state net operating loss carryforwards that were previously supported by the future earnings of PPL Energy Supply.

Continuing Involvement

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 from the spinoff date. The TSA sets forth the terms and conditions for PPL and Talen Energy to provide certain transition services to one another. PPL will provide Talen Energy certain information technology, financial and accounting, human resource and other specified services. For the three and nine months ended September 30, 2015, the amounts 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 transaction. PPL Electric's supply contracts with Talen Energy Marketing extend through December 2015. The energy purchases 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.

Subsequent to the spinoff, PPL Electric's energy purchases from Talen Energy Marketing were not significant and are no longer considered affiliate transactions.

Summarized Results of Discontinued Operations

The operations of the Supply segment 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 Statements of Income for the periods ended September 30:

	Three Months		Nine Months	
	2015	2014	2015	2014
Operating revenues		$ 1,623	$ 1,427	$ 1,741
Operating expenses		1,429	1,328	1,593
Other Income (Expense) - net		8	(22)	6
Interest Expense (a)		47	150	145
Income (loss) before income taxes		155	(73)	9
Income tax expense (benefit)	$ 3	68	(37)	(4)
Loss on spinoff			(879)	
Income (Loss) from Discontinued Operations (net of income taxes)	$ (3)	$ 87	$ (915)	$ 13

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

Summarized Assets and Liabilities of Discontinued Operations

The assets and liabilities of PPL's Supply segment for all periods prior to the spinoff are included in "Current assets of discontinued operations", "Noncurrent assets of discontinued operations", "Current liabilities of discontinued operations" and "Noncurrent liabilities of discontinued operations" on PPL's Balance Sheet. Net assets, after recognition of the loss on spinoff, of $3.2 billion were distributed to PPL shareowners on June 1, 2015, as a result of the completion of the spinoff of PPL Energy Supply. The following major classes of assets and liabilities were distributed and removed from PPL's Balance Sheet on June 1, 2015. Additionally, the following major classes of assets and liabilities were reclassified to discontinued operations as of December 31, 2014:

	Distribution on June 1, 2015	Discontinued Operations at December 31, 2014
Cash and cash equivalents (a)	$ 371	$ 352
Restricted cash and cash equivalents	156	176
Accounts receivable and unbilled revenues	325	504
Fuels, materials and supplies	415	455
Price risk management assets	784	1,079
Other current assets	65	34
Total Current Assets	2,116	2,600
Investments	999	980
PP&E, net	6,384	6,428
Goodwill	338	338
Other intangibles	260	257
Price risk management assets	244	239
Other noncurrent assets	78	75
Total Noncurrent Assets	8,303	8,317
Total assets	$ 10,419	$ 10,917
Short-term debt and long-term debt due within one year	$ 885	$ 1,165
Accounts payable	252	361
Price risk management liabilities	763	1,024
Other current liabilities	229	225
Total Current Liabilities	2,129	2,775
Long-term debt (excluding current portion)	1,932	1,683
Deferred income taxes	1,259	1,223
Price risk management liabilities	206	193
Accrued pension obligations	244	299
Asset retirement obligations	443	415
Other deferred credits and noncurrent liabilities	103	150
Total Noncurrent Liabilities	4,187	3,963
Total liabilities	$ 6,316	$ 6,738
Adjustment for loss on spinoff	879	
Net assets distributed	$ 3,224	

(a) The distribution of PPL Energy Supply's cash and cash equivalents at June 1, 2015 is included in "Net cash provided by (used in) financing activities - discontinued operations" on the Statement of Cash Flows for the nine months ended September 30, 2015.

Montana Hydro Sale

In November 2014, PPL Montana completed the sale to NorthWestern of 633 MW of hydroelectric generating facilities located in Montana for approximately $900 million in cash. The proceeds from the sale remained with PPL and did not transfer to Talen Energy as a result of the spinoff of PPL Energy Supply. The sale included 11 hydroelectric power facilities and related assets, included in the Supply segment.

As the Montana hydroelectric power facilities were previously reported as a component of PPL Energy Supply and the Supply Segment, the components of discontinued operations for these facilities contained in the Statements of Income are included in the disclosure above.

Development

Future Capacity Needs *(PPL, LKE, LG&E and KU)*

The Cane Run Unit 7 NGCC was put into commercial operation on June 19, 2015. As a result and to meet more stringent EPA regulations, LG&E retired one coal-fired generating unit at the Cane Run plant in March 2015 and retired the remaining two coal-fired generating units at the plant in June 2015. Additionally, KU retired the remaining two coal-fired generating units at the Green River plant on September 30, 2015. LG&E and KU incurred costs of $11 million and $6 million, respectively, directly related to these retirements including inventory write-downs and separation benefits. However, there were no gains or losses on the retirement of these units. See Note 6 for more information related to the regulatory recovery of the costs associated with the retirement of the Green River units.

In October 2013, LG&E and KU announced plans for a 10 MW solar generation facility to be operational in 2016 at a cost of approximately $36 million. In December 2014, a final order was issued by the KPSC approving the request to construct the solar generating facility at E.W. Brown.

9. Defined Benefits

(PPL)

PPL performed a remeasurement of the assets and the obligations for the PPL Retirement Plan and PPL Postretirement Benefit plans as of May 31, 2015 to allow for separation of those plans for PPL and Talen Energy as required in accordance with the spinoff transaction agreements. The net pension obligations for all active PPL Energy Supply employees and for individuals who terminated employment from PPL Energy Supply on or after July 1, 2000 were distributed and removed from PPL's Balance Sheet. The net other postretirement benefit obligations for all active PPL Energy Supply employees were distributed and removed from PPL's Balance Sheet. In addition, the net nonqualified pension plan obligations for all PPL Energy Supply active and inactive employees were retained by PPL. As a result, PPL distributed and removed from its Balance Sheet $244 million of net accrued pension obligations and $7 million of other postretirement benefit obligations. See Note 8 for additional information on the spinoff of PPL Energy Supply.

(PPL, LKE and LG&E)

Certain net periodic defined benefit costs are applied to accounts that are further distributed between capital and expense, including certain costs allocated to applicable subsidiaries for plans sponsored by PPL Services and LKE. Additionally, as a result of the LG&E and KU rate case settlement that became effective July 1, 2015, the difference between pension cost calculated in accordance with LG&E and KU's pension accounting policy and pension cost calculated using a 15 year amortization period for actuarial gains and losses is recorded as a regulatory asset. See Note 6 for further information. 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.	
	2015	2014 (c)	2015	2014	2015 (b)	2014 (c)	2015	2014
PPL								
Service cost	$ 20	$ 24	$ 21	$ 18	$ 76	$ 73	$ 60	$ 54
Interest cost	42	56	80	90	152	168	236	268
Expected return on plan assets	(56)	(72)	(133)	(133)	(201)	(216)	(393)	(395)
Amortization of:								
Prior service cost	1	5			5	15		
Actuarial (gain) loss	18	8	39	34	65	22	118	100
Net periodic defined benefit costs (credits) prior to termination benefits	25	21	7	9	97	62	21	27
Termination benefits (a)		(7)				13		
Net periodic defined benefit costs (credits)	$ 25	$ 14	$ 7	$ 9	$ 97	$ 75	$ 21	$ 27

	Pension Benefits			
	Three Months		Nine Months	
	2015	2014	2015	2014
LKE				
Service cost	$ 7	$ 5	$ 20	$ 16
Interest cost	17	17	51	50
Expected return on plan assets	(22)	(21)	(66)	(62)
Amortization of:				
Prior service cost	1	1	5	3
Actuarial (gain) loss	9	4	26	10
Net periodic defined benefit costs (credits)	$ 12	$ 6	$ 36	$ 17
LG&E				
Service cost			$ 1	$ 1
Interest cost	$ 3	$ 4	10	11
Expected return on plan assets	(5)	(4)	(15)	(14)
Amortization of:				
Prior service cost	1	1	2	2
Actuarial (gain) loss	3	1	9	4
Net periodic defined benefit costs (credits)	$ 2	$ 2	$ 7	$ 4

(a) The three and nine months ended September 30, 2014 include termination benefits of ($2) million and $2 million for PPL Electric. The remaining ($5) million and $11 million relate to PPL Energy Supply and are reflected in discontinued operations.
(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.
(c) For the three and nine months ended September 30, 2014, the total net periodic defined benefit cost includes $1 million and $29 million reflected in discontinued operations related to costs allocated from PPL's plans to PPL Energy Supply.

	Other Postretirement Benefits			
	Three Months		Nine Months	
	2015	2014	2015	2014
PPL				
Service cost	$ 2	$ 3	$ 9	$ 9
Interest cost	6	7	20	23
Expected return on plan assets	(6)	(6)	(20)	(19)
Net periodic defined benefit costs (credits)	$ 2	$ 4	$ 9	$ 13
LKE				
Service cost	$ 1	$ 1	$ 4	$ 3
Interest cost	2	2	7	7
Expected return on plan assets	(1)	(1)	(4)	(4)
Amortization of:				
Prior service cost	1	1	2	2
Net periodic defined benefit costs (credits)	$ 3	$ 3	$ 9	$ 8

(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 based on its participation in those plans, which management believes are reasonable. 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 based on their participation in those plans, which management believes are reasonable. For the periods ended September 30, PPL Services allocated the following net periodic defined benefit costs to PPL Electric, and LKE allocated the following net periodic defined benefit costs to LG&E and KU.

	Three Months		Nine Months	
	2015	2014	2015	2014
PPL Electric (a)	$ 8	$ 3	$ 24	$ 18
LG&E	3	2	10	6
KU	4	2	13	6

(a) The three and nine months ended September 30, 2014 include ($2) million and $2 million of termination benefits for PPL Electric related to a one-time voluntary retirement window offered to certain bargaining unit employees.

10. Commitments and Contingencies

(PPL)

All commitments, contingencies and guarantees associated with PPL Energy Supply and its subsidiaries were retained by Talen Energy Supply and its subsidiaries at the spinoff date without recourse to PPL.

Legal Matters

(All Registrants)

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

WKE Indemnification *(PPL and LKE)*

See footnote (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.

(PPL, LKE, LG&E and KU)

Cane Run Environmental Claims

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 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 and such issues as may appropriately be presented by the parties and determined by the court. Oral argument before the Sixth Circuit was held in August 2015, but a ruling has not yet been issued by the Court. PPL, LKE and LG&E cannot predict the outcome of this 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

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 alleges that various discharges at the Mill Creek plant constitute violations of the plant's water discharge permit. The Sierra Club seeks civil penalties, injunctive relief, costs and attorney's fees. In August 2015, the Court denied cross-motions for summary judgment filed by both parties and directed the parties to proceed with discovery. PPL, LKE and LG&E cannot predict the outcome of this matter or the potential impact on the operations of the Mill Creek plant but believe the plant is operating in compliance with the permits.

E.W. Brown Environmental Claims

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 claimant alleges discharges at the E.W. Brown plant in violation of applicable rules and the plant's water discharge permit. The claimant asserts that, unless the alleged discharges are promptly brought into compliance, it intends to seek civil penalties, injunctive relief and attorney's fees. PPL, LKE and KU cannot predict the outcome of this matter or the potential impact on the operations of the E. W. Brown plant.

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 power system. The FERC oversees this process and independently enforces the Reliability Standards.

The Reliability Standards have the force and effect of law and apply to certain users of the bulk power electricity system, including electric utility companies, generators and marketers. Under the Federal Power Act, the FERC may assess civil penalties of up to $1 million per day, per violation, for certain violations.

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

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

In October 2012, the FERC initiated its consideration of proposed changes to Reliability Standards to address the impacts of geomagnetic disturbances on the reliable operation of the bulk-power system, which might, among other things, lead to a requirement to install equipment that blocks geomagnetically induced currents on implicated transformers. In May 2013, FERC issued Order No. 779, requiring NERC to submit two types of Reliability Standards for FERC's approval. The first type would require certain owners and operators of the nation's electricity infrastructure, such as the Registrants, to develop and implement operational procedures to mitigate the effects of geomagnetic disturbances on the bulk-power system. This NERC-proposed standard was approved by FERC in June 2014. These requirements do not impose significant costs on the Registrants. The second type is to require owners and operators of the bulk-power system to assess certain geomagnetic disturbance events and develop and implement plans to protect the bulk-power system from those events. FERC issued a notice of proposed rulemaking on this second type of Reliability Standard on May 14, 2015. The Registrants do not presently anticipate significant costs to comply with the requirements if finalized as proposed.

Environmental Matters - Domestic

(All Registrants)

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

LG&E and KU are entitled to recover, through the ECR mechanism, certain costs of complying with the Clean Air Act, as amended, and those federal, state or local environmental requirements applicable to coal combustion wastes and by-products from facilities that generate electricity from coal in accordance with approved compliance plans. Costs not covered by the ECR mechanism for LG&E and KU and all such costs for PPL Electric are subject to rate recovery before the companies' respective state regulatory authorities, or the FERC, if applicable. Because PPL Electric does not own any generating plants, its exposure to related environmental compliance costs is reduced. 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.

(PPL, LKE, LG&E and KU)

Air

The Clean Air Act, which regulates air pollutants from mobile and stationary sources, 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 SO_2.

Federal environmental regulations of these criteria pollutants require states to adopt implementation plans, known as SIPs, 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 SIP 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 SIPs implementing them, 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 currently 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 states' 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 and Tyrone plants, 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 on June 29, 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 Court remanded the matter to the D.C. Circuit Court. EPA's MATS rule remains in effect pending action by the D.C. Circuit Court. It is uncertain whether the D.C. Circuit Court will vacate the MATS rule, remand the rule to the EPA, or require further proceedings or actions.

LG&E and KU have installed significant controls in connection with the MATS rule and in conjunction with compliance with other environmental requirements, including fabric-filter baghouses, upgraded FGDs or chemical additive systems for which appropriate KPSC authorization and/or ECR treatment has been received. PPL, LKE, LG&E and KU cannot predict the outcome of this matter or the potential impact, if any, on plant operations, rate treatment or future capital or operating needs.

New Source Review (NSR)

The EPA has continued its NSR enforcement efforts targeting coal-fired generating plants. The EPA has asserted that modification of these plants has increased their emissions and, consequently, that they are subject to stringent NSR requirements under the Clean Air Act. PPL, LKE, LG&E and KU received various EPA information requests in 2007 and 2009, but have received no further communications from the EPA related to those requests since providing their responses. States and environmental groups also have commenced litigation alleging violations of the NSR regulations by coal-fired generating plants across the nation. PPL, LKE, LG&E and KU cannot predict the outcome of these matters, and cannot estimate the impact, if any.

If LG&E or KU is found to have triggered the applicability of NSR regulations by increasing pollutants beyond allowable thresholds through a plant modification, the company could, among other things, be required to meet substantially more stringent permit limits. The costs to meet such limits, including installation of technology at certain units, could be significant.

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 plant operations, including increased capital costs, if any.

Climate Change

(All Registrants)

Authority to Regulate Carbon Dioxide Emissions

The EPA issued rules in 2014 regulating carbon dioxide emissions from stationary sources under the NSR and Title V operating permit provisions of the Clean Air Act. The EPA's rules were challenged in court and, in June 2014, the U.S. Supreme Court ruled that the EPA has authority to regulate carbon dioxide emissions under the Clean Air Act but only for stationary sources that would otherwise have been subject to these provisions due to significant increases in emissions of other pollutants. As a result, any new sources or major modifications to an existing GHG source causing a net significant increase in carbon dioxide emissions must comply with permit limits for carbon dioxide, but only if it would otherwise be subject to limits on new or modified sources due to significant increases in other pollutants.

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

As further described below, in August 2015, the EPA finalized rules imposing greenhouse gas emission standards for both new and existing power plants. The EPA has also issued a proposed federal implementation plan which 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.

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 available, 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.

(PPL, LKE, LG&E and KU)

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 Rule 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 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 Kentucky fails to develop an approvable implementation plan by September 2016 (with the possibility of an extension until 2018), the EPA will 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 in an effort to provide input into the state or federal implementation plan that will govern reductions in Kentucky. 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 needs. PPL, LKE, LG&E and KU believe that the costs, which could be significant, would be subject to cost recovery.

In April 2014, the Kentucky General Assembly passed legislation which limits 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.

A number of lawsuits have been filed asserting common law claims including nuisance, trespass and negligence against various companies with GHG emitting plants and, although the decided cases to date have not sustained claims brought on the basis of these theories of liability, the law remains unsettled on these claims. In June 2011, the U.S. Supreme Court in the case of AEP v. Connecticut ruled that federal common law claims against five utility companies for allegedly causing a public nuisance as a result of their emissions of GHGs were displaced by the Clean Air Act and regulatory actions of the EPA. In addition, in Comer v. Murphy Oil (Comer case), the U.S. Court of Appeals for the Fifth Circuit (Fifth Circuit) upheld a district court ruling that plaintiffs did not have standing to pursue state common law claims against companies that emit GHGs. The plaintiffs in the Comer case later filed a substantially similar complaint against a larger group of companies which was subsequently dismissed by the U.S. District Court for the Southern District of Mississippi. The lower court's ruling was affirmed by the Fifth Circuit in May 2013. Additional litigation in federal and state courts over such issues is continuing. PPL, LKE, LG&E and KU cannot predict the outcome of these matters.

Water/Waste

Coal Combustion Residuals (CCRs)

On April 17, 2015, the EPA published its final rule regulating CCRs. CCRs include fly ash, bottom ash and sulfur dioxide scrubber wastes. The rule became effective on October 19, 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 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. This self-implementing rule requires posting of compliance documentation on a publicly accessible website and is enforceable through citizen suits. LG&E's and KU's plants using surface impoundments for management and disposal of CCRs will be most impacted by this rule. The rule's requirements for covered CCR impoundments and landfills include commencement or completion of closure activities generally between three and ten years from certain triggering events. PPL, LKE, LG&E and KU also anticipate incurring capital or operation and maintenance costs prior to that time to address other provisions of the rule, such as groundwater monitoring and disposal facility modifications or closings, or to implement various compliance strategies.

In connection with the final CCR rule, LG&E and KU recorded increases to existing AROs during the three and nine months ending September 30, 2015. See Note 16 for additional information. Further increases to AROs or changes to current capital plans or to 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.

Trimble County Landfill

In May 2011, LG&E submitted an application for a special waste landfill permit to handle CCRs generated at the Trimble County plant. In May 2013, the Kentucky Division of Waste Management denied the permit application on the grounds that the proposed facility would violate the Kentucky Cave Protection Act. In January 2014, LG&E submitted to the Kentucky Division of Waste Management a landfill permit application for an alternate site adjacent to the plant. LG&E has also applied for other necessary regulatory approvals including a dredge and fill permit from the U.S. Army Corps of Engineers. LG&E and KU have responded to comments on the permit application submitted by EPA and other parties. PPL, LKE, LG&E and KU are unable to determine the potential impact of this matter until all permits are issued and any resulting legal challenges are concluded. See Note 6 for additional information on Kentucky Public Service Commission proceedings relating to the Trimble County Landfill.

Clean Water Act

Regulations under the federal Clean Water Act dictate permitting and mitigation requirements for many of LG&E's and KU's construction projects. 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 which are subject to rate recovery.

Effluent Limitations Guidelines (ELGs)

On September 30, 2015, the EPA released its final effluent limitations guidelines for wastewater discharge permits for new and existing steam electric 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 is not currently known how Kentucky intends to integrate the ELGs into its ongoing permit renewal process. LG&E and KU continue to assess the requirements of this complex rule to determine available compliance strategies. 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.

(PPL, LKE and LG&E)

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. Mill Creek Unit 1 is the only unit expected to be impacted. PPL, LKE, and LG&E 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 currently in effect anywhere in the United

States. The ultimate outcome of the court's review of the rule remains uncertain. The Registrants had not expected the rule to have a significant impact on their operations, but were unable to predict the impact of the rule in light of the ongoing litigation, particularly in Pennsylvania where the rule could have resulted in significant project delays and added costs, as permits and other regulatory requirements could have been imposed for many activities not otherwise covered by permitting requirements (including vegetation management for transmission lines and activities affecting storm water conveyances and wetlands).

Other Issues

The EPA is reassessing its polychlorinated biphenyls (PCB) regulations under the Toxic Substance Control Act, which currently allow certain PCB articles to remain in use. In April 2010, the EPA issued an Advanced Notice of Proposed Rulemaking for changes to these regulations. This rulemaking could lead to a phase-out of all or some PCB-containing equipment. The EPA has postponed the release of the revised regulations to March 2016. The Registrants cannot predict at this time the outcome of these proposed EPA regulations and what impact, if any, they would have on their facilities, but the costs could be significant.

(PPL, LKE, LG&E and KU)

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. LG&E and the KEEC have moved for discretionary review by the Kentucky Supreme Court. PPL, LKE, LG&E and KU are unable to predict the outcome of this matter or the potential impact, if any, on plant operations or future capital or operating needs.

<u>Superfund and Other Remediation</u> *(All Registrants)*

PPL Electric is potentially responsible for costs at several sites listed by the EPA under the federal Superfund program, including the Columbia Gas Plant site, the Metal Bank site and the 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 currently 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, for which PPL Electric, LG&E and KU lack information on current site conditions and are therefore unable to predict what, if any, potential liability they may have.

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

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

From time to time, PPL's subsidiaries 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 currently under review, or at sites not currently identified, may result in significant additional costs for PPL, PPL Electric, LKE, LG&E and KU.

Environmental Matters - WPD *(PPL)*

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

Other

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, 2015. "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, 2015 and December 31, 2014, was $24 million and $26 million for PPL and $19 million for LKE for both periods. 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, 2015	Expiration Date
PPL		
Indemnifications related to the WPD Midlands acquisition	(a)	
WPD indemnifications for entities in liquidation and sales of assets	$ 11 (b)	2018
WPD guarantee of pension and other obligations of unconsolidated entities	116 (c)	
PPL Electric		
Guarantee of inventory value	36 (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. Finally, 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, 2015, 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. LKE does not believe appropriate contractual, legal or commercial grounds exist for the claim made and anticipates the indemnitee to dispute the demand. 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. 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; 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 indemnification circumstances, but does not currently 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 currently included within a demand charge designed and currently expected to cover these costs over the term of the contract. 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 2014 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 obligations under certain of these contractual arrangements.

11. Related Party Transactions

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

PPL Electric holds competitive solicitations for PLR generation supply. PPL EnergyPlus was awarded a portion of the PLR generation supply through these competitive solicitations. The purchases from PPL EnergyPlus are included in PPL Electric's Statements of Income as "Energy purchases from affiliate" through May 31, 2015, the period through which PPL Electric and PPL EnergyPlus were affiliated entities. As a result of the June 1, 2015 spinoff of PPL Energy Supply and creation of Talen Energy, PPL EnergyPlus (renamed Talen Energy Marketing) is no longer an affiliate of PPL Electric. PPL Electric's purchases from Talen Energy Marketing subsequent to May 31, 2015 are included as purchases from an unaffiliated third party.

Under the standard Default Service Supply Master Agreement for the solicitation process, PPL Electric requires all suppliers to post collateral once credit exposures exceed defined credit limits. Wholesale suppliers are required to post collateral with PPL Electric when: (a) the market price of electricity to be delivered by the wholesale suppliers exceeds the contract price for the forecasted quantity of electricity to be delivered; and (b) this market price exposure exceeds a contractual credit limit. In no instance is PPL Electric required to post collateral to suppliers under these supply contracts.

PPL Electric's customers may choose an alternative supplier for their generation supply. See Note 2 for additional information regarding PPL Electric's purchases of accounts receivable from alternative suppliers, including Talen Energy Marketing. See Note 8 for additional information regarding the spinoff of PPL Energy Supply.

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

PPL Services and LKS provide their respective PPL and LKE subsidiaries with administrative, management and support services. In 2015, PPL EU Services was formed to provide the majority of financial, supply chain, human resources and facilities management services primarily to PPL Electric. PPL Services will continue to provide certain corporate functions. 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 expensed the following amounts for the periods ended September 30, and believe these amounts are reasonable, including amounts applied to accounts that are further distributed between capital and expense.

	Three Months		Nine Months	
	2015	2014	2015	2014
PPL Electric from PPL Services	$ 35	$ 34	$ 90	$ 113
LKE from PPL Services	4	3	12	11
PPL Electric from PPL EU Services	12		44	
LG&E from LKS	36	36	107	103
KU from LKS	43	43	127	120

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.

Intercompany 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, 2015 and December 31, 2014, $62 million and $41 million were outstanding and were reflected in "Notes payable with affiliates" on the consolidated 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, 2015 and December 31, 2014 were 1.70% and 1.65%. Interest on the revolving line of credit was not significant for the three and nine months ended September 30, 2015 and 2014.

Intercompany Derivatives *(LKE, LG&E and KU)*

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

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, 2015 and 2014 consisted primarily of gains on foreign currency exchange contracts to economically hedge the earnings translation risk of WPD's earnings denominated in British pound sterling. 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, 2015 and 2014, there were no transfers between Level 1 and Level 2. See Note 1 in each Registrant's 2014 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, excluding assets and liabilities of discontinued operations at December 31, 2014, were:

	September 30, 2015				December 31, 2014			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
PPL								
Assets								
Cash and cash equivalents	$ 981	$ 981			$ 1,399	$ 1,399		
Short-term investments					120	120		
Restricted cash and cash equivalents (a)	36	36			31	31		
Price risk management assets (b):								
Interest rate swaps	1		$ 1					
Foreign currency contracts	169		169		130		$ 130	
Cross-currency swaps	61		61		29		28	$ 1
Total price risk management assets	231		231		159		158	1
Auction rate securities (c)	1			$ 1	2			2
Total assets	$ 1,249	$ 1,017	$ 231	$ 1	$ 1,711	$ 1,550	$ 158	$ 3
Liabilities								
Price risk management liabilities (b):								
Interest rate swaps	$ 82		$ 82		$ 156		$ 156	
Foreign currency contracts	7		7		2		2	
Cross-currency swaps					3		3	
Total price risk management liabilities	$ 89		$ 89		$ 161		$ 161	
PPL Electric								
Assets								
Cash and cash equivalents	$ 26	$ 26			$ 214	$ 214		
Restricted cash and cash equivalents (a)	2	2			3	3		
Total assets	$ 28	$ 28			$ 217	$ 217		
LKE								
Assets								
Cash and cash equivalents	$ 455	$ 455			$ 21	$ 21		
Cash collateral posted to counterparties (d)	10	10			21	21		
Total assets	$ 465	$ 465			$ 42	$ 42		
Liabilities								
Price risk management liabilities:								
Interest rate swaps	$ 50		$ 50		$ 114		$ 114	
Total price risk management liabilities	$ 50		$ 50		$ 114		$ 114	

	September 30, 2015				December 31, 2014			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
LG&E								
Assets								
Cash and cash equivalents	$ 180	$ 180			$ 10	$ 10		
Cash collateral posted to counterparties (d)	10	10			21	21		
Total assets	$ 190	$ 190			$ 31	$ 31		
Liabilities								
Price risk management liabilities:								
Interest rate swaps	$ 50		$ 50		$ 81		$ 81	
Total price risk management liabilities	$ 50		$ 50		$ 81		$ 81	
KU								
Assets								
Cash and cash equivalents	$ 275	$ 275			$ 11	$ 11		
Total assets	$ 275	$ 275			$ 11	$ 11		
Liabilities								
Price risk management liabilities:								
Interest rate swaps					$ 33		$ 33	
Total price risk management liabilities					$ 33		$ 33	

(a) Current portion is included in "Other current assets" and long-term portion is included in "Other noncurrent assets" on the Balance Sheets.
(b) Included in "Other current assets", "Other current liabilities", "Other noncurrent 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 swaps and fixed-to-floating swaps. To manage foreign currency exchange risk, PPL uses foreign currency contracts such as forwards, options and cross-currency swaps that contain characteristics of both interest rate and foreign currency contracts. An income approach is used to measure the fair value of these contracts, utilizing readily observable inputs, such as forward interest rates (e.g., LIBOR and government security rates) and forward foreign currency exchange rates (e.g., GBP), as well as inputs that may not be observable, such as credit valuation adjustments. In certain cases, market information cannot practicably be obtained to value credit risk and therefore internal models are relied upon. These models use projected probabilities of default and estimated recovery rates based on historical observances. When the credit valuation adjustment is significant to the overall valuation, the contracts are classified as Level 3. Cross-currency swaps are valued by PPL's Treasury department, which reports to the Chief Financial Officer (CFO). Accounting personnel, who also report to the CFO, interpret analysis quarterly to classify the contracts in the fair value hierarchy. Valuation techniques are evaluated periodically.

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, excluding long-term debt of discontinued operations at December 31, 2014. 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, 2015		December 31, 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
PPL	$ 19,205	$ 21,184	$ 18,173	$ 20,466
PPL Electric	2,603	2,882	2,602	2,990
LKE	5,617	5,927	4,567	4,946
LG&E	1,903	1,978	1,353	1,455
KU	2,591	2,763	2,091	2,313

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 RMC, comprised of senior management and chaired by the Chief Risk Officer, oversees the risk management function. Key risk control activities designed to ensure compliance with the risk policy and detailed programs include, but are not limited to, credit review and approval, validation of transactions, verification of risk and transaction limits, VaR analyses and the coordination and reporting of the Enterprise Risk Management (ERM) 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, volumes of full-requirement sales contracts, basis exposure, 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 Subsidiary Registrants.

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. LG&E utilizes over-the-counter interest rate swaps to limit exposure to market fluctuations on floating-rate debt. PPL, 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 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. WPD is exposed to volumetric risk which is significantly mitigated as a result of the method of regulation in the U.K.

- 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 volumetric risk by entering into full-requirement supply agreements to serve its PLR customers. These supply agreements transfer the volumetric risk associated with the PLR obligation to the energy suppliers.

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

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, 2015 and December 31, 2014.

PPL, LKE and LG&E posted $10 million and $21 million of cash collateral under master netting arrangements at September 30, 2015 and December 31, 2014.

KU did not post any cash collateral under master netting arrangements at September 30, 2015 and December 31, 2014.

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

(PPL, LKE, LG&E and KU)

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

Cash Flow Hedges

(PPL)

Interest rate risks include exposure to adverse interest rate movements for outstanding variable rate debt and for future anticipated financings. Financial interest rate swap contracts that qualify as cash flow hedges may be entered into to hedge floating interest rate risk associated with both existing and anticipated debt issuances. At September 30, 2015, outstanding interest rate swaps contracts range in maturity through 2026 for WPD and through 2016 for PPL's domestic interest rate swaps. These swaps held an aggregate notional value of $792 million, of which £320 million (approximately $492 million based on spot rates) was related to WPD.

At September 30, 2015, PPL held an aggregate notional value in cross-currency interest rate swap contracts of $1.3 billion that range in maturity from 2016 through 2028 to hedge the interest payments and principal of WPD's U.S. dollar-denominated senior notes.

For the three months ended September 30, 2015, PPL had an insignificant amount of hedge ineffectiveness associated with interest rate derivatives and no hedge ineffectiveness for the three months ended September 30, 2014. For the nine months ended September 30, 2015 and 2014, PPL had an insignificant amount of hedge ineffectiveness associated with interest rate derivatives.

Cash flow hedges are discontinued if it is no longer probable that the original forecasted transaction will occur by the end of the originally specified time period and any amounts previously recorded in AOCI are reclassified into earnings once it is determined that the hedged transaction is probable of not occurring.

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 of 2015 and reflected in discontinued operations for the nine months ended September 30, 2015. See Note 8 for additional information.

For PPL's remaining cash flow hedges, for the three months ended September 30, 2015 and 2014 and the nine months ended September 30, 2015, PPL had no cash flow hedges reclassified into earnings associated with discontinued cash flow hedges. For the nine months ended September 30, 2014, PPL had an insignificant amount reclassified into earnings associated with discontinued cash flow hedges.

At September 30, 2015, 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.

(LKE, LG&E and KU)

Periodically, LG&E and KU enter into forward-starting interest rate swaps with PPL that have terms identical to forward-starting swaps entered into by PPL with third parties. It is probable that realized gains and losses on all of these swaps will be recoverable through regulated rates; as such, any gains and losses on these derivatives are included in regulatory assets or liabilities and will be recognized in "Interest Expense" on the Statements of Income over the life of the underlying debt at the time the underlying hedged interest expense is recorded. In September 2015, first mortgage bonds totaling $1.05 billion were issued (LG&E issued $550 million and KU issued $500 million) and all outstanding forward-starting interest rate swaps were terminated. Net cash settlements of $88 million were paid on the swaps that were terminated (LG&E and KU each paid $44 million). The settlements are included in "Regulatory assets" (noncurrent) on the Balance Sheets and "Cash Flows from Operating Activities" on the Statements of Cash Flows.

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, 2015, 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. The contracts outstanding at September 30, 2015 had a notional amount of £134 million (approximately $221 million based on contracted rates). The settlement dates of these contracts range from November 2015 through June 2016.

At September 30, 2015, PPL had $18 million of accumulated net investment hedge after tax gains (losses) that were included in the foreign currency translation adjustment component of AOCI, compared to $14 million at December 31, 2014.

Economic Activity

PPL enters into foreign currency contracts on behalf of a subsidiary to economically hedge GBP-denominated anticipated earnings. At September 30, 2015, the total exposure hedged by PPL was approximately £1.7 billion (approximately $2.7 billion based on contracted rates). These contracts had termination dates ranging from October 2015 through December 2017.

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 currently 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, 2015 and December 31, 2014.

See Notes 1 and 17 in each Registrant's 2014 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, excluding derivative instruments of discontinued operations.

	September 30, 2015				December 31, 2014			
	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)	$ 1	$ 31		$ 5		$ 94		$ 5
Cross-currency swaps (b)	26					3		
Foreign currency contracts	19		$ 76	6	$ 12		$ 67	
Total current	46	31	76	11	12	97	67	5
Noncurrent:								
Price Risk Management Assets/Liabilities (a):								
Interest rate swaps (b)		1		45		14		43
Cross-currency swaps (b)	35				29			
Foreign currency contracts			74	1	5		46	2
Total noncurrent	35	1	74	46	34	14	46	45
Total derivatives	$ 81	$ 32	$ 150	$ 57	$ 46	$ 111	$ 113	$ 50

(a) Included in "Other current assets", "Other current liabilities", "Other noncurrent 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, 2015.

				Three Months		Nine Months	
Derivative Relationships	Derivative Gain (Loss) Recognized in OCI (Effective Portion) 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 Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized as Regulatory Liabilities/Assets	Three Months	Nine Months
Interest rate swaps	Regulatory assets - noncurrent	$ (5)	$ (2)

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)

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, 2014.

				Three Months		Nine Months	
Derivative Relationships	Derivative Gain (Loss) Recognized in OCI (Effective Portion) Three Months	Derivative Gain (Loss) Recognized in OCI (Effective Portion) Nine Months	Location of Gain (Loss) Recognized in Income on Derivative	Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Cash Flow Hedges:							
Interest rate swaps	$ (5)	$ (65)	Interest expense	$ (5)		$ (14)	$ 2
Cross-currency swaps	(2)	(18)	Interest expense			1	
			Other income (expense) - net	12		(17)	
Commodity contracts			Discontinued operations	8		30	
Total	$ (7)	$ (83)		$ 15		$	$ 2
Net Investment Hedges:							
Foreign currency contracts	$ 25	$ 7					

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	$ 134	$ 38
Interest rate swaps	Interest expense	(2)	(6)
	Total	$ 132	$ 32

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		$ (6)

Derivatives Designated as Hedging Instruments	Location of Gain (Loss) Recognized as Regulatory Liabilities/Assets	Three Months	Nine Months
Interest rate swaps	Regulatory assets - noncurrent	$ (4)	$ (4)
	Regulatory liabilities - noncurrent	$ 6	$ 6

(LKE)

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

	September 30, 2015		December 31, 2014	
	Assets	Liabilities	Assets	Liabilities
Current:				
Price Risk Management Assets/Liabilities (a):				
Interest rate swaps				$ 66

(a) Represents the location on the Balance Sheets.

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.

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

The following table presents the pre-tax effect of derivative instruments designated as cash flow hedges that are recognized in regulatory assets and liabilities for the periods ended September 30, 2014.

Derivative Instruments	Location of Gain (Loss)	Three Months	Nine Months
Interest rate swaps	Regulatory assets - noncurrent	$ (4)	$ (4)

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

(LG&E)

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

	September 30, 2015		December 31, 2014	
	Assets	Liabilities	Assets	Liabilities
Current:				
Price Risk Management				
Assets/Liabilities (a):				
Interest rate swaps				$ 33

(a) Represents the location on the Balance Sheets.

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.

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

The following table presents the pre-tax effect of derivative instruments designated as cash flow hedges that are recognized in regulatory assets and liabilities for the periods ended September 30, 2014.

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

Derivative Instruments	Location of Gain (Loss)	Three Months	Nine Months
Interest rate swaps	Regulatory liabilities - noncurrent	$ 3	$ 3

(KU)

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

	September 30, 2015		December 31, 2014	
	Assets	Liabilities	Assets	Liabilities
Current:				
Price Risk Management				
Assets/Liabilities (a):				
Interest rate swaps				$ 33

(a) Represents the location on the Balance Sheets.

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.

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

The following table presents the pre-tax effect of derivative instruments designated as cash flow hedges that are recognized in regulatory assets and liabilities for the periods ended September 30, 2014.

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

Derivative Instruments	Location of Gain (Loss)	Three Months	Nine Months
Interest rate swaps	Regulatory liabilities - noncurrent	$ 3	$ 3

(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, 2015		December 31, 2014	
	Assets	Liabilities	Assets	Liabilities
Current:				
Price Risk Management Assets/Liabilities (a):				
Interest rate swaps		$ 5		$ 5
Total current		5		5
Noncurrent:				
Price Risk Management Assets/Liabilities (a):				
Interest rate swaps		45		43
Total noncurrent		45		43
Total derivatives		$ 50		$ 48

(a) Represents the location on the Balance Sheets.

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)

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, 2014.

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		$ (6)

(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, 2015								
Treasury Derivatives								
PPL	$ 231	$ 33		$ 198	$ 89	$ 33	$ 10	$ 46
LKE					50		10	40
LG&E					50		10	40
December 31, 2014								
Treasury Derivatives								
PPL	$ 159	$ 65		$ 94	$ 161	$ 65	$ 21	$ 75
LKE					114		20	94
LG&E					81		20	61
KU					33			33

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, 2015, 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	$ 32	$ 30	$ 30
Aggregate fair value of collateral posted on these derivative instruments	10	10	10
Aggregate fair value of additional collateral requirements in the event of a credit downgrade below investment grade (a)	22	20	20

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

15. Goodwill

(PPL)

The change in the carrying amount of goodwill for the nine months ended September 30, 2015 was due to the effect of foreign currency exchange rates on the U.K. Regulated segment.

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, 2014	$ 336	$ 285	$ 74	$ 211
Accretion	14	13	4	9
Changes in estimated cash flow or settlement date	221	221	83	138
Effect of foreign currency exchange rates	(1)			
Obligations settled	(5)	(5)	(4)	(1)
Balance at September 30, 2015	$ 565	$ 514	$ 157	$ 357

Substantially all of the ARO balances are classified as noncurrent at September 30, 2015 and December 31, 2014.

In connection with the final CCR rule, LG&E and KU recorded increases to the existing AROs of $57 million ($36 million at LG&E and $21 million at KU) and $219 million ($81 million at LG&E and $138 million at KU) during the three and nine months ended September 30, 2015 due to revisions in the timing and amounts of future expected cash flows. An updated engineering study based on the final rule was performed in the third quarter providing further clarity on the projected CCR closure costs and resulted in a revision to the estimate recorded in June. Further increases to AROs or changes to current capital plans or to operating costs may be required as estimates of future cash flows are refined based on closure developments, groundwater monitoring results and regulatory or legal proceedings. PPL, LKE, LG&E and KU believe relevant costs relating to this rule are subject to rate recovery. See Note 10 for information on the final CCR rule.

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)	Defined benefit plans Transition asset (obligation)	Total
PPL								
June 30, 2015	$ (435)		$ 2		$ (3)	$ (1,849)	$ 1	$ (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)	$ (1,814)	$ 1	$ (2,206)
December 31, 2014	$ (286)	$ 202	$ 20	$ 1	$ 3	$ (2,215)	$ 1	$ (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)	$ (1,814)	$ 1	$ (2,206)
June 30, 2014	$ 117	$ 190	$ 61	$ 1	$ (4)	$ (1,764)	$ 1	$ (1,398)
Amounts arising during the period	(48)	(1)	(5)			(1)		(55)
Reclassifications from AOCI		(3)	(12)		1	29		15
Net OCI during the period	(48)	(4)	(17)		1	28		(40)
September 30, 2014	$ 69	$ 186	$ 44	$ 1	$ (3)	$ (1,736)	$ 1	$ (1,438)
December 31, 2013	$ (11)	$ 173	$ 94	$ 1	$ (6)	$ (1,817)	$ 1	$ (1,565)
Amounts arising during the period	80	18	(52)			(3)		43
Reclassifications from AOCI		(5)	2		3	84		84
Net OCI during the period	80	13	(50)		3	81		127
September 30, 2014	$ 69	$ 186	$ 44	$ 1	$ (3)	$ (1,736)	$ 1	$ (1,438)
LKE								
June 30, 2015				$ (1)	$ (7)	$ (44)		$ (52)
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)
Reclassifications from AOCI				$ (1)	1	2		2
Net OCI during the period				(1)	1	(6)		(6)
September 30, 2015				$ (1)	$ (7)	$ (43)		$ (51)
June 30, 2014					$ (2)	$ 12		$ 10
Net OCI during the period								
September 30, 2014					$ (2)	$ 12		$ 10
December 31, 2013				$ 1	$ (2)	$ 14		$ 13
Amounts arising during the period						(2)		(2)
Reclassifications from AOCI				(1)				(1)
Net OCI during the period				(1)		(2)		(3)
September 30, 2014				$	$ (2)	$ 12		$ 10

(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). See Note 9 for additional information.

Details about AOCI	Three Months 2015	Three Months 2014	Nine Months 2015	Nine Months 2014	Affected Line Item on the Statements of Income
Available-for-sale securities		$ 7	$ 4	$ 11	Other Income (Expense) - net
Total Pre-tax		7	4	11	
Income Taxes		(4)	(2)	(6)	
Total After-tax		3	2	5	
Qualifying derivatives					
Interest rate swaps	$ (2)	(5)	(9)	(12)	Interest Expense
			(77)		Discontinued operations
Cross-currency swaps	(10)	12	22	(17)	Other Income (Expense) - net
	(1)		1	1	Interest Expense
Energy commodities		8	20	30	Discontinued operations
Total Pre-tax	(13)	15	(43)	2	
Income Taxes	3	(3)	23	(4)	
Total After-tax	(10)	12	(20)	(2)	
Equity investees' AOCI			2		Other Income (Expense) - net
Total Pre-tax			2		
Income Taxes			(1)		
Total After-tax			1		
Defined benefit plans					
Prior service costs		(2)		(6)	
Net actuarial loss	(45)	(38)	(146)	(110)	
Total Pre-tax	(45)	(40)	(146)	(116)	
Income Taxes	10	10	35	29	
Total After-tax	(35)	(30)	(111)	(87)	
Total reclassifications during the period	$ (45)	$ (15)	$ (128)	$ (84)	

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 are currently assessing the impact of adopting this guidance, as well as the transition method they will use.

Reporting Uncertainties about an Entity's Ability to Continue as a Going Concern

In August 2014, the FASB issued accounting guidance which will require management to assess, for each interim and annual period, whether there are conditions or events that raise substantial doubt about an entity's ability to continue as a going concern. Substantial doubt about an entity's ability to continue as a going concern exists when relevant conditions and events, considered in the aggregate, indicate that it is probable that the entity will be unable to meet its obligations as they become due within one year after the date the financial statements are issued.

When management identifies conditions or events that raise substantial doubt about an entity's ability to continue as a going concern, management is required to disclose information that enables users of the financial statements to understand the principal conditions or events that raised substantial doubt about the entity's ability to continue as a going concern and management's evaluation of the significance of those conditions or events. If substantial doubt about the entity's ability to continue as a going concern has been alleviated as a result of management's plan, the entity should disclose information that allows the users of the financial statements to understand those plans. If the substantial doubt about the entity's ability to continue as a going concern is not alleviated by management's plans, management's plans to mitigate the conditions or events that gave rise to the substantial doubt about the entity's ability to continue as a going concern should be disclosed, as well as a statement that there is substantial doubt the entity's ability to continue as a going concern within one year after the date the financial statements are issued.

For all entities, this guidance should be applied prospectively within the annual periods ending after December 15, 2016, and for annual periods and interim periods thereafter. Early adoption is permitted.

The Registrants will adopt this guidance for the annual period ending December 31, 2016. The adoption of this guidance is not expected to have a significant impact on the Registrants.

Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity

In November 2014, the FASB issued guidance that clarifies how current accounting guidance should be interpreted when evaluating the economic characteristics and risks of a host contract of a hybrid financial instrument issued in the form of a share. This guidance does not change the current criteria for determining whether separation of an embedded derivative feature from a hybrid financial instrument is required. Entities are still required to evaluate whether the economic risks of the embedded derivative feature are clearly and closely related to those of the host contract, among other relevant criteria.

An entity should consider the substantive terms and features of the entire hybrid financial instrument, including the embedded derivative feature being evaluated for bifurcation, in evaluating the nature of the host contract to determine whether the host contract is more akin to a debt instrument or more akin to an equity instrument. An entity should assess the relative strength of the debt-like and equity-like terms and features when determining how to weight those terms and features.

For public business entities, this guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015 and should be applied using a modified retrospective method for existing hybrid financial instruments issued in the form of a share as of the beginning of the fiscal year the guidance is adopted. Early adoption is permitted. Retrospective application is permitted but not required.

The Registrants will adopt this guidance on January 1, 2016. The adoption of this guidance is not expected to have a significant impact on the Registrants.

Income Statement Presentation of Extraordinary and Unusual Items

In January 2015, the FASB issued accounting guidance that eliminates the concept of extraordinary items, which requires an entity to separately classify, present in the income statement and disclose material events and transactions that are both unusual and occur infrequently. The requirement to report material events or transactions that are unusual or infrequent as a separate component of income from continuing operations has been retained, as has the requirement to separately present the nature and financial effects of each event or transaction in the income statement as a separate component of continuing operations or disclose them within the notes to the financial statements. The scope of these requirements has been expanded to include items that are both unusual and occur infrequently.

For all entities, this guidance is effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is permitted provided that an entity applies the guidance from the beginning of the fiscal year of adoption. The guidance may be applied either retrospectively or prospectively.

The Registrants will adopt this guidance on January 1, 2016. The adoption of this guidance is not expected to have a significant impact on the Registrants.

Simplifying the Presentation of Debt Issuance Costs

In April 2015, the FASB issued accounting guidance to simplify the presentation of debt issuance costs by requiring that they be presented on the balance sheet as a direct deduction from the carrying amount of the associated debt liability, consistent with the presentation of debt discounts. For debt issuance costs associated with line of credit arrangements, the guidance was subsequently updated to reflect a speech by the SEC which noted that it would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the debt issuance costs ratably over the term of the line of credit arrangement.

For public business entities, this guidance should be applied retrospectively for financial statements issued for fiscal years beginning after December 15, 2015 and interim periods within those fiscal years. Early adoption is permitted.

The Registrants are assessing in which period they will adopt this guidance. The adoption of this guidance will require the Registrants to reclassify debt issuance costs from assets to long-term debt, and is not expected to have a significant impact on the Registrants.

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

(All Registrants)

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

The following should be read in conjunction with the Registrants' Condensed Consolidated Financial Statements and the accompanying Notes and with the Registrants' 2014 Form 10-K. Capitalized terms and abbreviations are defined in the glossary. Dollars are in millions, except per share data, unless otherwise noted.

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

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

- "Results of Operations" for PPL provides a detailed analysis of earnings by segment, and for PPL Electric, LKE, LG&E and KU, includes a summary of earnings. For all Registrants, "Margins" provides explanations of non-GAAP financial measures and "Statement of Income Analysis" addresses significant changes in principal line items on the Statements of Income, comparing the three and nine months ended September 30, 2015 with the same periods in 2014.

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

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

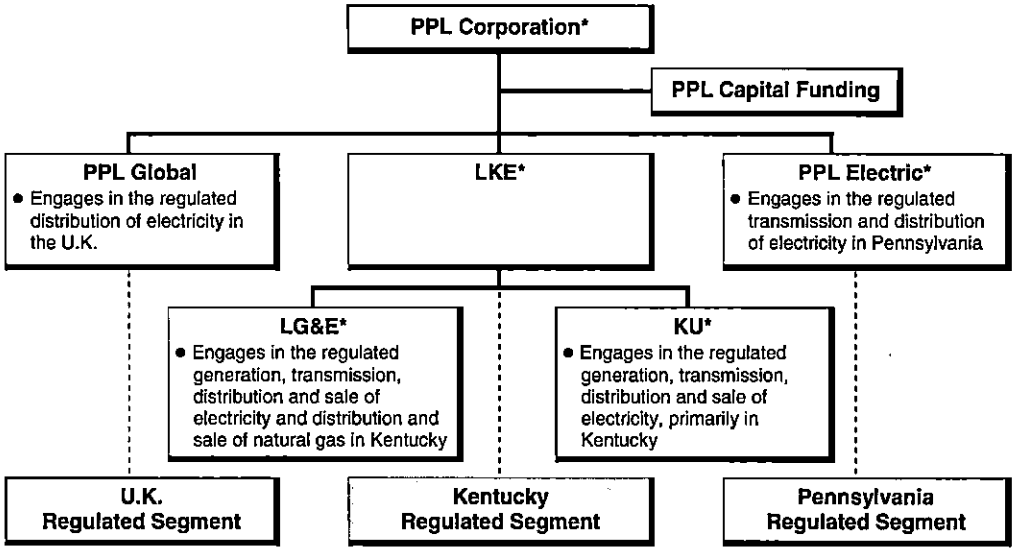
Overview

Introduction

(PPL)

PPL, headquartered in Allentown, Pennsylvania, is a utility holding company. PPL, through its regulated utility subsidiaries, delivers electricity to customers in the U.K., Pennsylvania, Kentucky, Virginia and Tennessee; delivers natural gas to customers in Kentucky; and generates electricity from power plants in Kentucky. In June 2014, PPL and PPL Energy Supply executed definitive agreements with affiliates of Riverstone to combine their competitive power generation businesses into a new, stand-alone, publicly traded company named Talen Energy. The transaction was completed on June 1, 2015. See "Financial and Operational Developments - Other Financial and Operational Developments - Spinoff of PPL Energy Supply" below for additional information.

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



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

In addition to PPL, the other Registrants included in this filing are as follows.

(PPL Electric)

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

(LKE)

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

(LG&E)

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

(KU)

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

Business Strategy

(All Registrants)

The strategy for the regulated businesses of WPD, PPL Electric, LG&E and KU is to provide efficient, reliable and safe operations and strong customer service, maintain constructive regulatory relationships and achieve timely recovery of costs. These regulated businesses are expected to achieve stable, long-term growth in rate base and RAV, as applicable, as significant capital expenditures are planned to maintain existing assets and to improve system reliability and, for LKE, LG&E and KU, to comply with federal and state environmental regulations related to coal-fired electricity generation facilities. This rate base growth in the domestic utilities is expected to result in stable earnings growth for the foreseeable future. However, we are not expecting significant earnings growth from the U.K. Regulated segment as WPD is transitioning to the RIIO-ED1 price control period, which began on April 1, 2015. U.K. revenues are expected to significantly decline from 2014 to 2015 resulting from revenue profiling in the prior price control period (DPCR5) and a lower return on regulatory equity, partially offset by the fast-track bonus. In addition, starting in 2017, the amount of incentive revenues WPD is able to earn is expected to decline as a result of tighter reliability and customer service targets set by Ofgem under RIIO-ED1. Despite these factors negatively impacting revenues in the U.K., management is focused on maintaining relatively flat earnings per share for the U.K. Regulated segment from 2015 to 2018.

In addition, for the U.K. regulated businesses, effective April 1, 2015 under the RIIO-ED1 price control period, 80% of network related expenditures are added to the RAV and, together with adjustments for inflation as measured by Retail Price Index (RPI) and a return on RAV, recovered through allowed revenue with the remaining 20% of expenditures being recovered in the current regulatory year. RAV is intended to represent expenditures that have a long-term benefit to WPD (similar to capital projects for the U.S. regulated businesses). The RAV balance at March 31, 2015 will continue to be recovered over 20 years and additions after April 1, 2023 will be recovered over 45 years. A transitional arrangement will gradually increase the applicable recoverable life during the current RIIO-ED1 eight-year price control period, resulting in an expected average useful life of 35 years for RAV additions in that period. See "Financial and Operational Developments - Other Financial and Operational Developments - RIIO-ED1" below for additional information.

For the U. S. regulated businesses, recovery of capital project costs is achieved through various rate-making mechanisms, including periodic base rate case proceedings using forward test years, annual FERC formula rate mechanisms, and other regulatory agency-approved recovery mechanisms. In Kentucky, the KPSC has adopted a series of regulatory mechanisms (ECR, DSM, GLT, fuel adjustment clause, gas supply clause and recovery on certain construction work-in-progress) that reduce regulatory lag and provide timely recovery of and return on, as appropriate, prudently incurred costs. In Pennsylvania, the FERC transmission formula rate, DSIC mechanism, SMR and other recovery mechanisms are in place to reduce regulatory lag and provide for timely recovery of and a return on, prudently incurred costs.

To manage financing costs and access to credit markets, and to fund capital expenditures, a key objective of the Registrants is to maintain investment grade credit ratings and adequate liquidity positions. In addition, the Registrants have financial and operational risk management programs that, among other things, are designed to monitor and manage exposure to earnings and cash flow volatility, as applicable, related to changes in interest rates, foreign currency exchange rates and counterparty credit quality. To manage these risks, PPL generally uses contracts such as forwards, options, and swaps.

(PPL)

Earnings generated by PPL's U.K. subsidiaries are subject to foreign currency translation risk. The U.K. subsidiaries also have currency exposure to the U.S. dollar to the extent of their U.S. dollar denominated debt. To manage these risks, PPL generally uses contracts such as forwards, options and cross currency swaps that contain characteristics of both interest rate and foreign currency exchange contracts.

Following the June 1, 2015 spinoff of PPL Energy Supply, PPL has no continuing ownership interest in, control of, or affiliation with Talen Energy and Talen Energy Supply (formerly, PPL Energy Supply).

Following the spinoff, PPL's focus is on its regulated utility businesses in the U.K., Kentucky and Pennsylvania, serving more than 10 million customers. PPL intends to maintain a strong balance sheet and manage its finances consistent with maintaining investment grade credit ratings and providing a competitive total shareowner return, including an attractive dividend. Following the spinoff transaction, PPL expects to reduce annual ongoing corporate support costs resulting from the 2014 corporate restructuring efforts as well as ongoing cost efficiency initiatives.

See "Financial and Operational Developments - Other Financial and Operational Developments - Costs of Spinoff" and "Loss on Spinoff" below for additional information.

Financial and Operational Developments

Earnings *(PPL)*

PPL's earnings by reportable segments for the periods ended September 30 were as follows:

	Three Months			Nine Months		
	2015	2014	$ Change	2015	2014	$ Change
U.K. Regulated	$ 249	$ 295	$ (46)	$ 814	$ 688	$ 126
Kentucky Regulated	111	82	29	267	247	20
Pennsylvania Regulated	55	57	(2)	191	194	(3)
Corporate and Other (a)	(19)	(24)	5	(74)	(100)	26
Income from Continuing Operations After Income Taxes	396	410	(14)	1,198	1,029	169
Discontinued Operations (b)	(3)	87	(90)	(915)	13	(928)
Net Income (Loss)	$ 393	$ 497	$ (104)	$ 283	$ 1,042	$ (759)
Income from Continuing Operations After Income Taxes						
EPS - basic	$ 0.59	$ 0.61	$ (0.02)	$ 1.78	$ 1.58	$ 0.20
EPS - diluted (c)	$ 0.59	$ 0.61	$ (0.02)	$ 1.78	$ 1.55	$ 0.23
Net Income (Loss)						
EPS - basic	$ 0.58	$ 0.74	$ (0.16)	$ 0.42	$ 1.60	$ (1.18)
EPS - diluted (c)	$ 0.58	$ 0.74	$ (0.16)	$ 0.42	$ 1.57	$ (1.15)

(a) Primarily includes unallocated corporate-level financing and other costs. Also includes certain costs related to the spinoff of PPL Energy Supply. See the following table of special items for additional information.
(b) As a result of the spinoff of PPL Energy Supply, substantially representing PPL's former Supply segment, the earnings of the Supply segment are included in Discontinued Operations. The nine months ended September 30, 2015 includes an $879 million charge reflecting the difference between PPL's recorded value for the Supply segment and its estimated fair value as of the spinoff date, determined in accordance with applicable accounting rules under GAAP. See Note 8 to the Financial Statements for additional information.
(c) See Note 4 to the Financial Statements for information on the Equity Units' impact on the calculation of diluted EPS.

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

	Three Months			Nine Months		
	2015	2014	$ Change	2015	2014	$ Change
U.K. Regulated	$ 54	$ 111	$ (57)	$ 40	$ 20	$ 20
Kentucky Regulated	(1)	(1)		(13)		(13)
Pennsylvania Regulated		2	(2)		(2)	2
Corporate and Other (a)	(3)	(18)	15	(23)	(70)	47
Discontinued Operations (b)	(4)	87	(91)	(916)	13	(929)
Total PPL	$ 46	$ 181	$ (135)	$ (912)	$ (39)	$ (873)

(a) The three and nine months ended September 30, 2015 primarily include transition-related costs associated with the spinoff of PPL Energy Supply. The three months ended September 30, 2014 primarily includes $11 million of separation benefits and transition-related costs associated with the spinoff of PPL Energy Supply. The nine months ended September 30, 2014 includes $49 million of deferred income tax expense to adjust valuation allowances that were previously supported by the future earnings of PPL Energy Supply, $11 million of separation benefits and transition-related costs associated with the spinoff of PPL Energy Supply. See Note 8 for additional information on the spinoff.
(b) As a result of the spinoff of PPL Energy Supply, substantially representing PPL's former Supply segment, the earnings of the Supply segment are included in Discontinued Operations and considered to be a special item. The nine months ended September 30, 2015 includes an $879 million charge reflecting the difference between PPL's recorded value for the Supply segment and its estimated fair value as of the spinoff date, determined in accordance with applicable accounting rules under GAAP. See Note 8 to the Financial Statements for additional information.

2015 Outlook

(PPL)

Excluding special items, higher earnings are expected in 2015 compared with 2014, after adjusting 2014 to reflect the impact of dissynergies in the Corporate and Other category related to the spinoff of PPL Energy Supply. This increase is primarily attributable to increases in the U.K. Regulated and Kentucky Regulated segments and lower Corporate and Other charges.

The following projections and factors underlying these projections (on an after-tax basis) are provided for PPL's segments and the Corporate and Other category and the related Registrants.

(PPL's U.K. Regulated Segment)

Excluding special items, higher earnings are projected in 2015 compared with 2014, primarily driven by lower income taxes and lower depreciation expense, partially offset by lower utility revenue from a price decrease due to the commencement of RIIO-ED1 effective April 1, 2015. The remaining 2015 foreign currency earnings exposure for this segment is fully hedged at an average rate of $1.54 per British pound sterling.

(PPL's Kentucky Regulated Segment and LKE, LG&E and KU)

Excluding special items, higher earnings are projected in 2015 compared with 2014, primarily driven by electric and gas base rate increases effective July 1, 2015, and returns on additional environmental capital investments, partially offset by higher operation and maintenance expense, higher depreciation and higher financing costs.

(PPL's Pennsylvania Regulated Segment and PPL Electric)

Excluding special items, lower earnings are projected in 2015 compared with 2014, primarily driven by higher operation and maintenance expense and higher depreciation expense, partially offset by higher transmission and distribution margins.

(PPL's Corporate and Other Category)

Excluding special items, lower costs are projected in 2015 compared with 2014, after adjusting 2014 to reflect the impact of dissynergies in the Corporate and Other category related to the spinoff of PPL Energy Supply, primarily driven by cost reductions resulting from corporate restructuring efforts and lower income taxes.

(All Registrants)

Earnings in future periods are subject to various risks and uncertainties. See "Forward-Looking Information," the rest of this Item 2, Notes 6 and 10 to the Financial Statements and "Item 1A. Risk Factors" in this Form 10-Q (as applicable) and "Item 1. Business" and "Item 1A. Risk Factors" in the Registrants' 2014 Form 10-K for a discussion of the risks, uncertainties and factors that may impact future earnings.

Other Financial and Operational Developments

Regulatory Requirements

(PPL, LKE, LG&E and KU)

The businesses of LKE, LG&E and KU are subject to extensive federal, state and local environmental laws, rules and regulations, including those pertaining to CCRs, GHG, ELGs, MATS and the Clean Power Plan. See "Financial Condition - Environmental Matters" below for additional information on the CCRs requirements and Note 10 to the Financial Statements for a discussion of the other significant environmental matters. These and other stringent environmental requirements have led PPL, LKE, LG&E and KU to retire approximately 800 megawatts of their coal-fired generating plants in Kentucky. In September 2015, KU retired two coal-fired units, with a combined summer capacity rating of 161 MW, at the Green River plant. LG&E retired a 240 MW coal-fired unit in March 2015 and two additional coal-fired units, with a combined summer capacity rating of 323 MW, in June 2015 at the Cane Run plant. The retirement of these units is not expected to have a material impact on the financial condition or results of operations of PPL, LKE, LG&E and KU.

Also as a result of the environmental requirements discussed above, LKE projects $2.2 billion ($1.1 billion each at LG&E and KU) in environmental capital investment over the next five years.

(All Registrants)

The Registrants cannot predict the impact that future regulatory requirements may have on their financial condition or results of operations.

(PPL)

Spinoff of PPL Energy Supply

In June 2014, PPL and PPL Energy Supply executed definitive agreements with affiliates of Riverstone to spin off PPL Energy Supply and immediately combine it with Riverstone's competitive power generation businesses to form a new, stand-alone, publicly traded company named Talen Energy. In June 2015, the spinoff was completed. See Note 8 to the Financial Statements for additional information relating to the transaction.

Loss on Spinoff

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 market value of Talen Energy 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 limit 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 has 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 publically 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 last 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 recent Talen Energy business planning process 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 reflected in discontinued operations and is nondeductible for tax purposes. This amount served to reduce the basis of the net assets accounted for as a dividend at the June 1, 2015 spinoff date.

Costs of Spinoff

Following the announcement of the transaction to form Talen Energy as discussed in "Business Strategy" above, efforts were initiated to identify the appropriate staffing for Talen Energy and for PPL and its subsidiaries following completion of the spinoff. Organizational plans were substantially completed in 2014. The new organizational plans identified the need to resize and restructure the organizations and as a result, in 2014, estimated charges for employee separation benefits were recorded. See Note 8 in the 2014 Form 10-K for additional information. The separation benefits include cash severance compensation, lump sum COBRA reimbursement payments and outplacement services. Most separations and payment of separation benefits are expected to be completed by the end of 2015. At September 30, 2015 and December 31, 2014, the recorded liabilities related to the separation benefits were $11 million and $21 million, which are included in "Other current liabilities" on the Balance Sheets.

Additional employee-related costs incurred primarily include accelerated stock-based compensation and prorated 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 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 during the nine months ended September 30, 2015 related to the formation of the Talen Energy organization and to reconfigure the remaining PPL service functions. These costs are primarily recorded in "Other operation and maintenance" on the Statement of Income. No significant additional third-party costs are expected to be incurred. PPL recorded $5 million and $21 million of third-party costs related to this transaction during the three and nine months ended September 30, 2014.

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 reflected in discontinued operations.

As a result of the spinoff announcement in June 2014, PPL recorded $3 million and $49 million of deferred income tax expense during the three and nine months ended September 30, 2014, to adjust valuation allowances on deferred tax assets primarily for state net operating loss carryforwards that were previously supported by the future earnings of PPL Energy Supply.

Discontinued Operations

The operations of the Supply segment are included in "Income (Loss) from Discontinued Operations (net of income taxes)" on the Statements of Income.

The assets and liabilities of PPL's Supply segment for all periods prior to the spinoff are included in "Current assets of discontinued operations", "Noncurrent assets of discontinued operations", "Current liabilities of discontinued operations" and "Noncurrent liabilities of discontinued operations" on PPL's Balance Sheet.

Net assets, after recognition of the loss on spinoff, of $3.2 billion were distributed to PPL shareowners on June 1, 2015, as a result of the completion of the spinoff of PPL Energy Supply.

RIIO-ED1

On April 1, 2015, the RIIO-ED1 eight-year price control period commenced for WPD's four DNOs. In February 2014, Ofgem published formal confirmation that WPD's Business Plans submitted by its four DNOs under RIIO-ED1 were accepted as submitted, or "fast-tracked." Fast tracking affords several benefits to the WPD DNOs, including the ability to collect additional revenue equivalent to 2.5% of total annual expenditures during the eight-year price control period, or approximately $43 million annually, greater revenue certainty and a higher level of cost savings retention. See "Item 1. Business - Segment Information - U.K. Regulated Segment" of PPL's 2014 Form 10-K for additional information on RIIO-ED1.

Depreciation

Effective January 1, 2015, after completing a review of the useful lives of its distribution network assets, WPD extended the weighted average useful lives of these assets to 69 years from 55 years. For the three and nine months ended September 30, 2015, this change in useful lives resulted in lower depreciation of $22 million ($17 million after-tax or $0.03 per share) and $64 million ($50 million after-tax or $0.08 per share). It is expected to result in an annual reduction in depreciation of approximately $84 million ($66 million after-tax or $0.10 per share) in 2015.

IRS Audits for 1998 - 2011

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 is reflected in continuing operations.

(PPL and PPL Electric)

Rate Case Proceedings

On March 31, 2015, PPL Electric filed a request with the PUC for an increase in its annual distribution revenue requirement of approximately $167.5 million. The application was based on a fully projected future test year of January 1, 2016 through December 31, 2016. On September 3, 2015, PPL Electric filed with the PUC Administrative Law Judge a petition for approval of a settlement agreement under which PPL Electric would be permitted to increase its annual distribution rates by $124 million, effective January 1, 2016. On October 5, 2015, the Administrative Law Judge issued a recommended decision approving the settlement agreement. The PUC is expected to issue its final order in December 2015.

Concurrently, PPL Electric filed a petition requesting a waiver of the DSIC cap of 5% of billed revenues and approval to increase the maximum allowable DSIC from 5% to 7.5% for service rendered after January 1, 2016. PPL Electric filed the petition concurrently with its 2015 rate case and the Administrative Law Judge granted PPL Electric's request to consolidate these two proceedings. Under the terms of the settlement agreement discussed above, PPL Electric agreed to withdraw its DSIC waiver petition without prejudice to filing it at a later date.

(PPL, LKE and KU)

FERC Wholesale Formula Rates

In September 2013, KU filed an application with the FERC to adjust the formula rate under which KU provides wholesale requirements power sales to 12 municipal customers. Among other changes, the application requests an amended formula whereby KU would charge cost-based rates with a subsequent true-up to actual costs, replacing the current formula which does not include a true-up. KU's application proposed an authorized return on equity of 10.7%. Certain elements, including the new formula rate, became effective April 23, 2014, subject to refund. In April 2014, nine municipalities submitted notices of termination, under the original notice period provisions, to cease taking power under the wholesale requirements contracts. Such terminations are to be effective in 2019, except in the case of one municipality with a 2017 effective date. In addition, a tenth municipality has become a transmission-only customer as of June 2015. In July 2014, KU agreed on settlement terms with the two municipal customers that did not provide termination notices and filed the settlement proposal with the FERC for its approval. In August 2014, the FERC issued an order on the interim settlement agreement allowing the proposed rates to become effective pending a final order. If approved, the settlement agreement will resolve the rate case with respect to these two municipalities, including approval of the formula rate with a true-up provision and authorizing a return on equity of 10% or the return on equity awarded to other parties in this case, whichever is lower. In August 2015, KU filed a partial settlement agreement with the nine terminating municipalities, which, if approved by FERC, would resolve all but one open matter with one municipality, including providing for certain refunds, approving the formula rate with a true-up provision, and authorizing a 10.25% return on equity. A single remaining unresolved issue with one terminating municipality is in FERC litigation proceedings. KU cannot predict the ultimate outcome of these FERC proceedings regarding its wholesale power agreements with the municipalities, but does not currently anticipate significant remaining refunds beyond amounts already recorded.

(PPL, LKE, LG&E and KU)

Rate Case Proceedings

On June 30, 2015, the KPSC approved a rate case settlement agreement providing for increases in the annual revenue requirements associated with KU base electricity rates of $125 million and LG&E base gas rates of $7 million. The annual revenue requirement associated with base electricity rates at LG&E was not changed. Although the settlement did not establish a specific return on equity with respect to the base rates, an authorized 10% return on equity will be utilized in the ECR and GLT mechanisms. The settlement agreement provides for deferred recovery of costs associated with Green River Units 3 and 4 through their retirement. The new regulatory asset will be amortized over three years. The settlement also provides regulatory asset treatment for the difference between pension expense calculated in accordance with LG&E and KU's pension accounting policy and pension expense using a 15 year amortization period for actuarial gains and losses. The new rates and all elements of the settlement became effective July 1, 2015.

(LKE and KU)

On June 30, 2015, KU filed an application with the VSCC to increase annual Virginia base electricity revenue by approximately $7.2 million, representing an increase of 10.1%. KU's application is based on an authorized 10.5% return on equity. Public meetings were held during September 2015 and a hearing in the matter may be held during 2015. Subject to regulatory review and approval, new rates would become effective April 1, 2016.

Results of Operations

(PPL)

The discussion for PPL provides a review of results by reportable segment. The "Margins" discussion provides explanations of non-GAAP financial measures (Kentucky Gross Margins and Pennsylvania Gross Delivery Margins) and a reconciliation of non-GAAP financial measures to "Operating Income." The "Statement of Income Analysis" discussion addresses significant changes in principal line items on PPL's Statements of Income, comparing the three and nine months ended September 30, 2015 with the same periods in 2014. "Segment Earnings, Margins and Statement of Income Analysis" is presented separately for PPL.

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

(Subsidiary Registrants)

The discussion for each of PPL Electric, LKE, LG&E and KU provides a summary of earnings. The "Margins" discussion includes a reconciliation of non-GAAP financial measures to "Operating Income" and "Statement of Income Analysis" addresses significant changes in principal line items on the Statements of Income comparing the three and nine months ended September 30, 2015 with the same periods in 2014. "Earnings, Margins and Statement of Income Analysis" is presented separately for PPL Electric, LKE, LG&E and KU.

(All Registrants)

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

PPL: Segment Earnings, Margins and Statement of Income Analysis

Segment Earnings

U.K. Regulated Segment

The U.K. Regulated segment consists of PPL Global which primarily includes WPD's regulated electricity distribution operations, the results of hedging the translation of WPD's earnings from British pound sterling into U.S. dollars, and certain costs, such as U.S. income taxes, administrative costs, and allocated financing costs. The U.K. Regulated segment represents 68% of PPL's Income from Continuing Operations After Income Taxes for the nine months ended September 30, 2015 and 42% of PPL's assets at September 30, 2015.

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

	Three Months			Nine Months		
	2015	2014	$ Change	2015	2014	$ Change
Operating revenues	$ 552	$ 644	$ (92)	$ 1,836	$ 1,964	$ (128)
Other operation and maintenance	118	118		332	358	(26)
Depreciation	63	86	(23)	181	256	(75)
Taxes, other than income	38	41	(3)	111	119	(8)
Total operating expenses	219	245	(26)	624	733	(109)
Other Income (Expense) - net	77	136	(59)	65	40	25
Interest Expense	109	115	(6)	312	352	(40)
Income Taxes	52	125	(73)	151	231	(80)
Net Income	$ 249	$ 295	$ (46)	$ 814	$ 688	$ 126

The changes in the results of the U.K. Regulated segment between these periods were due to the factors set forth below, which reflect certain items that management considers special and the effects of movements in foreign currency exchange, including the effects of foreign currency hedge contracts, on separate lines within the table and not in their respective Statement of Income line items. See below for additional detail of the special items.

	Three Months	Nine Months
U.K.		
Utility revenues	$ (46)	$ (33)
Other operation and maintenance	(12)	(5)
Depreciation	17	59
Interest expense	(2)	4
Other	1	
Income taxes	13	13
U.S.		
Interest expense and other	1	13
Income taxes	35	54
Foreign currency exchange, after-tax	4	1
Special items, after-tax	(57)	20
Total	$ (46)	$ 126

U.K.

- Lower utility revenues for the three month period primarily due to $69 million from the April 1, 2015 price decrease primarily resulting from the commencement of RIIO-ED1, partially offset by $6 million of higher volume primarily due to weather and $14 million from reduced revenues in 2014 primarily due to a required £5 per residential customer reduction for the regulatory year that began April 1, 2014. This reduction will be included in revenue in the regulatory year beginning April 1, 2016.

- Lower utility revenues for the nine month period primarily due to $100 million from the April 1, 2015 price decrease primarily resulting from the commencement of RIIO-ED1, partially offset by $46 million from the April 1, 2014 price increase and $7 million of higher volume primarily due to weather.

- Lower depreciation expense for the three and nine month periods primarily due to a $22 million and $64 million impact of an extension of the network asset lives. See Note 2 to the Financial Statements for additional information.

- Lower income taxes for the three month period primarily due to lower pre-tax income.

U.S.

- Lower income taxes for the three and nine month periods primarily due to decreases in taxable dividends.

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

	Income Statement Line Item	Three Months 2015	Three Months 2014	Nine Months 2015	Nine Months 2014
Foreign currency-related economic hedges, net of tax of ($29), ($60), ($10), ($39) (a)	Other Income (Expense)-net	$ 54	$ 111	$ 20	$ 72
WPD Midlands acquisition-related adjustment, net of tax of $0, $0, ($1), $0	Other operation and maintenance			2	
Change in WPD line loss accrual, net of tax of $0, $0, $0, $13(b)	Operating Revenues				(52)
Settlement of certain income tax positions (c)	Income Taxes			18	
Total		$ 54	$ 111	$ 40	$ 20

(a) Represents unrealized gains (losses) on contracts that economically hedge anticipated GBP denominated earnings.
(b) In March 2014, Ofgem issued its final decision on the DPCR4 line loss incentives and penalties mechanism. As a result, WPD increased its existing liability by $65 million, pre-tax, for over-recovery of line losses. See Note 6 to the Financial Statements for additional information.
(c) Relates to the April 2015 settlement of open audits for the years 1998-2011. See Note 5 to the Financial Statements for additional information.

Kentucky Regulated Segment

The Kentucky Regulated segment consists primarily of LKE's regulated electricity generation, transmission and distribution operations of LG&E and KU, as well as LG&E's regulated distribution and sale of natural gas. In addition, certain financing costs are allocated to the Kentucky Regulated segment. The Kentucky Regulated segment represents 22% of PPL's Income from Continuing Operations After Income Taxes for the nine months ended September 30, 2015 and 36% of PPL's assets at September 30, 2015.

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

	Three Months 2015	Three Months 2014	Three Months $ Change	Nine Months 2015	Nine Months 2014	Nine Months $ Change
Operating revenues	$ 801	$ 753	$ 48	$ 2,414	$ 2,409	$ 5
Fuel	228	240	(12)	695	748	(53)
Energy purchases	23	24	(1)	143	184	(41)
Other operation and maintenance	202	197	5	625	609	16
Depreciation	97	89	8	286	262	24
Taxes, other than income	14	13	1	43	39	4
Total operating expenses	564	563	1	1,792	1,842	(50)
Other Income (Expense) - net	(2)	(2)		(8)	(6)	(2)
Interest Expense	56	56		167	164	3
Income Taxes	68	50	18	180	150	30
Net Income	$ 111	$ 82	$ 29	$ 267	$ 247	$ 20

The changes in the results of the Kentucky Regulated segment between these periods were due to the factors set forth below, which reflect amounts classified as Kentucky Gross Margins and certain items that management considers special on separate lines within the table and not in their respective Statement of Income line items. See below for additional detail of the special items.

	Three Months	Nine Months
Kentucky Gross Margins	$ 50	$ 75
Other operation and maintenance	(4)	(14)
Depreciation	1	(4)
Taxes, other than income		(2)
Other income (expense) - net		3
Interest expense		(3)
Income taxes	(18)	(22)
Special items		(13)
Total	$ 29	$ 20

- See "Margins - Changes in Non-GAAP Financial Measures" for an explanation of Kentucky Gross Margins.

- Higher other operation and maintenance for the nine month period primarily due to $11 million of higher pension expense attributed to the change in mortality tables and lower discount rate in 2015 and $11 million of higher costs directly related to the Cane Run units' retirements consisting of an inventory write-down and separation benefits, partially offset by $7 million of lower storm expenses and $4 million of lower bad debt expense.

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

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

	Income Statement Line Item	Three Months 2015	Three Months 2014	Nine Months 2015	Nine Months 2014
EEI adjustments, net of tax of $0, $0, $0, $0 (a)	Other Income (Expense)-net		$ (1)		
LKE acquisition-related adjustment (b)	Other Income (Expense)-net	$ (1)		$ (5)	
Certain valuation allowances (c)	Income Taxes			(8)	
Total		$ (1)	$ (1)	$ (13)	

(a) Recorded by KU.
(b) Recorded at PPL and allocated to the Kentucky Regulated segment. The amount represents a settlement between E.ON AG (a German corporation and the indirect parent of E.ON US Investments Corp., the former parent of LKE) and PPL for a tax matter.
(c) Recorded at LKE and represents a valuation allowance against tax credits expiring in 2016 and 2017 that are more likely than not to expire before being utilized.

Pennsylvania Regulated Segment

The Pennsylvania Regulated segment includes the regulated electricity transmission and distribution operations of PPL Electric. The Pennsylvania Regulated segment represents 16% of PPL's Income from Continuing Operations After Income Taxes for the nine months ended September 30, 2015 and 21% of PPL's assets at September 30, 2015.

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

	Three Months 2015	Three Months 2014	Three Months $ Change	Nine Months 2015	Nine Months 2014	Nine Months $ Change
Operating revenues	$ 519	$ 477	$ 42	$ 1,625	$ 1,518	$ 107
Energy purchases						
External	154	128	26	519	431	88
Intersegment		20	(20)	14	68	(54)
Other operation and maintenance	162	133	29	435	402	33
Depreciation	55	47	8	158	137	21
Taxes, other than income	27	25	2	87	80	7
Total operating expenses	398	353	45	1,213	1,118	95
Other Income (Expense) - net	1	3	(2)	5	6	(1)
Interest Expense	32	33	(1)	96	91	5
Income Taxes	35	37	(2)	130	121	9
Net Income	$ 55	$ 57	$ (2)	$ 191	$ 194	$ (3)

The changes in the components of the Pennsylvania Regulated segment's results between these periods were due to the factors set forth below, which reflect amounts classified as Pennsylvania Gross Delivery Margins and a certain item that management considers special on separate lines and not in their respective Statement of Income line items. See below for additional detail of the special items.

	Three Months	Nine Months
Pennsylvania Gross Delivery Margins	$ 30	$ 56
Other operation and maintenance	(19)	(25)
Depreciation	(8)	(21)
Interest expense	1	(5)
Taxes other than income	(2)	(1)
Other income (expense) - net	(3)	(1)
Income taxes	1	(8)
Special item, after-tax	(2)	2
Total	$ (2)	$ (3)

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

- Higher other operation and maintenance expense for the three month period primarily due to $10 million of higher corporate service costs and $5 million of higher bad debt expenses.

- Higher other operation and maintenance expense for the nine month period primarily due to $19 million of higher corporate service costs and $7 million of higher bad debt expenses, partially offset by $7 million of lower storm costs.

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

The following after-tax (loss), which management considers a special item, also impacted the Pennsylvania Regulated segment's results during the periods ended September 30.

	Income Statement Line Item	Three Months 2015	Three Months 2014	Nine Months 2015	Nine Months 2014
Separation benefits, net of tax of $0, ($1), $0, $1 (a)	Other operation and maintenance		$ 2		$ (2)

(a) In June 2014, PPL Electric's largest IBEW local ratified a new three-year labor agreement. In connection with the new agreement, bargaining unit one-time voluntary retirement benefits were recorded in the second quarter of 2014 and adjusted in the third quarter of 2014.

Margins

Non-GAAP Financial Measures

Management utilizes the following non-GAAP financial measures as indicators of performance for its businesses.

- "Kentucky Gross Margins" is a single financial performance measure of the electricity generation, transmission and distribution operations of the Kentucky Regulated segment, LKE, LG&E and KU, as well as the Kentucky Regulated segment's, LKE's and LG&E's distribution and sale of natural gas. In calculating this measure, fuel, energy purchases and certain variable costs of production (recorded as "Other operation and maintenance" on the Statements of Income) are deducted from revenues. In addition, certain other expenses, recorded as "Other operation and maintenance", "Depreciation" and "Taxes, other than income" on the Statements of Income, associated with approved cost recovery mechanisms are offset against the recovery of those expenses, which are included in revenues. These mechanisms allow for direct recovery of these expenses and, in some cases, returns on capital investments and performance incentives. As a result, this measure represents the net revenues from electricity and gas operations.

- "Pennsylvania Gross Delivery Margins" is a single financial performance measure of the electricity delivery operations of the Pennsylvania Regulated segment and PPL Electric, which includes transmission and distribution activities. In calculating this measure, utility revenues and expenses associated with approved recovery mechanisms, including energy provided as a PLR, are offset with minimal impact on earnings. Costs associated with these mechanisms are recorded in "Energy purchases," "Other operation and maintenance," which is primarily Act 129 costs, and "Taxes, other than income," which is primarily gross receipts tax. This performance measure includes PLR energy purchases by PPL Electric from PPL EnergyPlus, which are reflected in "Energy purchases from affiliate" in the reconciliation tables. As a result of the spinoff of PPL Energy Supply and creation of Talen Energy on June 1, 2015, PPL EnergyPlus (renamed Talen Energy Marketing) is no longer an affiliate of PPL Electric. PPL Electric's purchases from Talen Energy Marketing subsequent to May 31, 2015 are reflected in "Energy Purchases" in the reconciliation tables. This measure represents the net revenues from the Pennsylvania Regulated segment's and PPL Electric's electricity delivery operations.

These measures are not intended to replace "Operating Income," which is determined in accordance with GAAP, as an indicator of overall operating performance. Other companies may use different measures to analyze and report their results of operations. Management believes these measures provide additional useful criteria to make investment decisions. These performance measures are used, in conjunction with other information, by senior management and PPL's Board of Directors to manage the operations and analyze actual results compared with budget.

Reconciliation of Non-GAAP Financial Measures

The following table contains the components from the Statement of Income that are included in the non-GAAP financial measures and a reconciliation to PPL's "Operating Income" for the periods ended September 30.

	2015 Three Months				2014 Three Months			
	Kentucky Gross Margins	PA Gross Delivery Margins	Other (a)	Operating Income (b)	Kentucky Gross Margins	PA Gross Delivery Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 801	$ 519	$ 558 (c)	$ 1,878	$ 753	$ 477	$ 649 (c)	$ 1,879
Operating Expenses								
Fuel	228			228	240			240
Energy purchases	23	154		177	24	128	21	173
Energy purchases from affiliate						20	(20)	
Other operation and maintenance	28	31	423	482	27	25	415	467
Depreciation	11		215	226	2		231	233
Taxes, other than income	1	25	53	79		25	53	78
Total Operating Expenses	291	210	691	1,192	293	198	700	1,191
Total	$ 510	$ 309	$ (133)	$ 686	$ 460	$ 279	$ (51)	$ 688

	2015 Nine Months				2014 Nine Months			
	Kentucky Gross Margins	PA Gross Delivery Margins	Other (a)	Operating Income (b)	Kentucky Gross Margins	PA Gross Delivery Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 2,414	$ 1,625	$ 1,850 (c)	$ 5,889	$ 2,409	$ 1,518	$ 1,979 (c)	$ 5,906
Operating Expenses								
Fuel	695			695	748			748
Energy purchases	143	519	14	676	184	431	68	683
Energy purchases from affiliate		14	(14)			68	(68)	
Other operation and maintenance	77	84	1,244	1,405	75	74	1,233	1,382
Depreciation	26		632	658	6		682	688
Taxes, other than income	3	81	157	241	1	74	163	238
Total Operating Expenses	944	698	2,033	3,675	1,014	647	2,078	3,739
Total	$ 1,470	$ 927	$ (183)	$ 2,214	$ 1,395	$ 871	$ (99)	$ 2,167

(a) Represents amounts excluded from Margins.
(b) As reported on the Statements of Income.
(c) Primarily represents WPD's operating revenue.

Changes in Non-GAAP Financial Measures

The following table shows the non-GAAP financial measures by PPL's reportable segment and by component, as applicable, for the periods ended September 30 as well as the change between periods. The factors that gave rise to the changes are described following the table.

	Three Months			Nine Months		
	2015	2014	$ Change	2015	2014	$ Change
Kentucky Regulated						
Kentucky Gross Margins						
LG&E	$ 225	$ 212	$ 13	$ 661	$ 633	$ 28
KU	285	248	37	809	762	47
LKE	$ 510	$ 460	$ 50	$ 1,470	$ 1,395	$ 75
Pennsylvania Regulated						
Pennsylvania Gross Delivery Margins						
Distribution	$ 207	$ 194	$ 13	$ 642	$ 631	$ 11
Transmission	102	85	17	285	240	45
Total	$ 309	$ 279	$ 30	$ 927	$ 871	$ 56

Kentucky Gross Margins

Kentucky Gross Margins increased for the three months ended September 30, 2015 compared with 2014 primarily due to higher base rates of $28 million ($27 million at KU and $1 million at LG&E) and returns on additional environmental capital investments of $14 million ($10 million at LG&E and $4 million at KU). The increase in base rates was the result of new rates approved by the KPSC effective July 1, 2015.

Kentucky Gross Margins increased for the nine months ended September 30, 2015 compared with 2014 primarily due to returns on additional environmental capital investments of $44 million ($29 million at LG&E and $15 million at KU) and higher base rates of $28 million ($27 million at KU and $1 million at LG&E). The increase in base rates was the result of new rates approved by the KPSC effective July 1, 2015.

Pennsylvania Gross Delivery Margins

Distribution

Distribution margins increased for the three months ended September 30, 2015 compared with 2014, primarily due to returns on additional distribution improvement capital investments of $5 million and a $4 million impact of favorable weather.

Distribution margins increased for the nine months ended September 30, 2015 compared with 2014, due to returns on additional distribution improvement capital investments of $13 million and an $11 million impact of favorable weather, partially offset by a $12 million benefit recorded in the first quarter of 2014 as a result of a change in estimate of a regulatory liability.

Transmission

Transmission margins increased for the three and nine month periods ended September 30, 2015 compared with 2014 primarily due to increased capital investments.

Statement of Income Analysis --

Operating Revenues

The increase (decrease) in operating revenues for the periods ended September 30, 2015 compared with 2014 was due to:

	Three Months	Nine Months
Domestic:		
PPL Electric (a)	$ 44	$ 109
LKE (b)	48	5
Other	(1)	(3)
Total Domestic	91	111
U.K.:		
Price (c)	(54)	(45)
Foreign currency exchange rates (d)	(48)	(158)
Volume	6	7
Line loss accrual adjustments (e)		65
Other	4	3
Total U.K.	(92)	(128)
Total	$ (1)	$ (17)

(a) See "Pennsylvania Gross Delivery Margins" for further information.
(b) See "Kentucky Gross Margins" for further information.
(c) The decrease for the three month period was primarily due to a price decrease effective April 1, 2015 resulting from the commencement of RIIO-ED1. The decrease for the nine month period was due to a price decrease effective April 1, 2015, partially offset by a price increase effective April 1, 2014.
(d) The offsetting impacts from foreign currency hedging instruments are recorded in "Other Income (Expense)-net."
(e) The increase for the nine month period was due to unfavorable accrual adjustments in 2014 based on Ofgem's final decision on the DPCR4 line loss incentives and penalties. See Note 6 to the Financial Statements for additional information.

Certain Operating Revenues and Expenses Included in "Margins"

The following Statement of Income line items and their related increase (decrease) during the periods ended September 30, 2015 compared with 2014 are included above within "Margins" and are not discussed separately.

	Three Months	Nine Months
Fuel	$ (12)	$ (53)
Energy purchases	4	(7)

Other Operation and Maintenance

The increase (decrease) in other operation and maintenance for the periods ended September 30, 2015 compared with 2014 was due to:

	Three Months	Nine Months
Domestic:		
Cane Run retired units		$ 11
Pension	$ 2	11
Bad Debts	6	10
Act 129	5	8
Other	(1)	7
U.K.:		
Network maintenance		(15)
Foreign currency exchange rates (a)	(9)	(26)
National Grid exit charges	6	10
Pension	(3)	(10)
Engineering management	3	12
Other	6	5
Total	$ 15	$ 23

(a) The offsetting impacts from foreign currency hedging instruments are recorded in "Other Income (Expense)- net."

Depreciation

Depreciation decreased by $7 million and $30 million for the three and nine months ended September 30, 2015 compared with 2014, primarily due to a $22 million and $64 million reduction from an extension of the WPD network asset lives partially offset by additions to PP&E, net primarily at the domestic utilities. See Note 2 to the Financial Statements for additional information on the extension of WPD network asset lives.

Other Income (Expense) - net

Other income (expense) - net decreased by $61 million and increased by $28 million for the three and nine months ended September 30, 2015 compared with 2014, primarily due to changes in realized and unrealized gains on foreign currency contracts to economically hedge GBP denominated earnings from WPD.

Interest Expense

The increase (decrease) in interest expense for the periods ended September 30, 2015 compared with 2014 was due to:

	Three Months	Nine Months
Long-term debt interest expense (a)	$ 10	$ 38
Loss on extinguishment of debt (b)		(9)
Capitalized interest and debt component of AFUDC	6	4
Foreign currency exchange rates (c)	(8)	(25)
Total	$ 8	$ 8

(a) Both periods in 2015 include interest expense related to certain PPL Energy Funding debt that was previously associated with PPL's Supply segment and included in "Income (Loss) from Discontinued Operations (net of income taxes)" in 2014.
(b) In March 2014, PPL Capital Funding remarketed and exchanged junior subordinated notes that were originally issued in April 2011 as a component of PPL's 2011 Equity Units.
(c) The offsetting impacts from foreign currency hedging instruments are recorded in "Other Income (Expense) - net."

Income Taxes

The increase (decrease) in income taxes for the periods ended September 30, 2015 compared with 2014 was due to:

	Three Months	Nine Months
Change in pre-tax income at current period tax rates	$ (14)	$ 32
Valuation allowance adjustments (a)	(3)	(41)
Federal and state tax reserve adjustments (b)	(9)	(21)
U.S. income tax on foreign earnings net of foreign tax credit (c)	(26)	(48)
Foreign tax return adjustments		(4)
Intercompany interest on U.K. financing entities	(4)	(11)
Reduction in U.K. income tax rates	(2)	(8)
Other	1	(1)
Total	$ (57)	$ (102)

(a) As a result of the spinoff announcement, PPL recorded deferred income tax expense of $3 million and $49 million during the three and nine months ended September 30, 2014 to adjust valuation allowances on deferred tax assets primarily for state net operating loss carryforwards that were previously supported by the future earnings of PPL Energy Supply.

(b) 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.

(c) During the three and nine months ended September 30, 2015, PPL recorded lower income tax expense due to a decrease in taxable dividends.

See Note 5 to the Financial Statements for additional information.

Income (Loss) from Discontinued Operations (net of income taxes)

Income (Loss) from Discontinued Operations (net of income taxes) includes the results of operations of PPL Energy Supply, which was spun off from PPL on June 1, 2015 and substantially represents PPL's former Supply segment. See "Discontinued Operations" in Note 8 to the Financial Statements for additional information.

PPL Electric: Earnings, Margins and Statement of Income Analysis

Earnings

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net Income	$ 55	$ 57	$ 191	$ 194
Special item, gains (losses), after-tax		2		(2)

Excluding a special item, earnings decreased for the nine month period in 2015 compared with 2014 primarily due to higher depreciation expense, higher operation and maintenance expense and higher income tax expense, partially offset by higher transmission and distribution margins.

The table below quantifies the changes in the components of Net Income between these periods, which reflects amounts classified as Pennsylvania Gross Delivery Margins and an item that management considers special on separate lines within the table and not in their respective Statement of Income line items.

	Three Months	Nine Months
Pennsylvania Gross Delivery Margins	$ 30	$ 56
Other operation and maintenance	(19)	(25)
Depreciation	(8)	(21)
Interest expense	1	(5)
Taxes other than income	(2)	(1)
Other income (expense) - net	(3)	(1)
Income taxes	1	(8)
Special item, after-tax (a)	(2)	2
Total	$ (2)	$ (3)

(a) See PPL's "Results of Operations - Segment Earnings - Pennsylvania Regulated Segment" for details of the special item.

Margins

"Pennsylvania Gross Delivery Margins" is a non-GAAP financial performance measure that management utilizes as an indicator of the performance of its business. See PPL's "Results of Operations - Margins" for information on why management believes this measure is useful and for explanations of the underlying drivers of the changes between periods.

The following tables contain the components from the Statements of Income that are included in this non-GAAP financial measure and a reconciliation to "Operating Income" for the periods ended September 30.

	2015 Three Months			2014 Three Months		
	PA Gross Delivery Margins	Other (a)	Operating Income (b)	PA Gross Delivery Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 519		$ 519	$ 477		$ 477
Operating Expenses						
Energy purchases	154		154	128		128
Energy purchases from affiliate				20		20
Other operation and maintenance	31	$ 131	162	25	$ 108	133
Depreciation		55	55		47	47
Taxes, other than income	25	2	27	25		25
Total Operating Expenses	210	188	398	198	155	353
Total	$ 309	$ (188)	$ 121	$ 279	$ (155)	$ 124

	2015 Nine Months			2014 Nine Months		
	PA Gross Delivery Margins	Other (a)	Operating Income (b)	PA Gross Delivery Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 1,625		$ 1,625	$ 1,518		$ 1,518
Operating Expenses						
Energy purchases	519		519	431		431
Energy purchases from affiliate	14		14	68		68
Other operation and maintenance	84	$ 351	435	74	$ 328	402
Depreciation		158	158		137	137
Taxes, other than income	81	6	87	74	6	80
Total Operating Expenses	698	515	1,213	647	471	1,118
Total	$ 927	$ (515)	$ 412	$ 871	$ (471)	$ 400

(a) Represents amounts excluded from Margins.
(b) As reported on the Statements of Income.

Statement of Income Analysis --

Certain Operating Revenues and Expenses Included in "Margins"

The following Statement of Income line items and their related increase (decrease) during the periods ended September 30, 2015 compared with 2014 are included above within "Margins" and are not discussed separately.

	Three Months	Nine Months
Operating revenues	$ 42	$ 107
Energy purchases	26	88
Energy purchases from affiliate	(20)	(54)

Other Operation and Maintenance

The increase (decrease) in other operation and maintenance for the periods ended September 30, 2015 compared with 2014 was due to:

	Three Months	Nine Months
Vegetation management	$ 4	$ 2
Storm costs	(4)	(12)
Act 129	5	8
Bad debts	8	14
Corporate service costs	10	19
Bargaining unit one-time voluntary retirement benefits	3	(3)
Other	3	5
Total	$ 29	$ 33

Depreciation

Depreciation increased by $8 million and $21 million for the three and nine months ended September 30, 2015 compared with 2014, primarily due to PP&E additions, net related to the ongoing efforts to ensure the reliability of the delivery system and the replacement of aging infrastructure.

Taxes, Other Than Income

Taxes, other than income increased by $2 million and $7 million for the three and nine months ended September 30, 2015 compared with 2014, primarily due to higher Pennsylvania gross receipts tax expense as a result of an increase in retail electric revenues. This tax is included in "Pennsylvania Gross Delivery Margins."

Interest Expense

Interest expense increased by $5 million for the nine months ended September 30, 2015 compared with 2014, primarily due to the issuance of first mortgage bonds in June 2014.

Income Taxes

The increase in income taxes for the periods ended September 30, 2015 compared with 2014 was due to:

	Three Months	Nine Months
Change in pre-tax income at current period tax rates	$ (1)	$ 6
Federal and state tax reserve adjustments		3
Other	(1)	
Total	$ (2)	$ 9

See Note 5 to the Financial Statements for additional information.

LKE: Earnings, Margins and Statement of Income Analysis

Earnings

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net Income	$ 120	$ 91	$ 297	$ 271
Special items, gains (losses), after-tax		(1)	(8)	

Excluding special items, earnings increased for the three and nine month periods in 2015 compared with 2014 primarily due to higher returns on additional environmental capital investments and higher base electricity rates effective July 1, 2015, partially offset by higher other operation and maintenance expense.

The table below quantifies the changes in the components of Net Income between these periods, which reflect amounts classified as Margins and certain items that management considers special on separate lines within the table and not in their respective Statement of Income line items.

	Three Months	Nine Months
Margins	$ 50	$ 75
Other operation and maintenance	(4)	(14)
Depreciation	1	(4)
Taxes, other than income		(2)
Other income (expense)- net		3
Interest expense	(1)	(3)
Income taxes	(18)	(21)
Special items, after-tax (a)	1	(8)
Total	$ 29	$ 26

(a) See PPL's "Results of Operations - Segment Earnings - Kentucky Regulated Segment" for details of special items.

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 underlying drivers of the changes between periods. Within PPL's discussion, LKE's Margins are referred to as "Kentucky Gross Margins."

The following tables contain the components from the Statements of Income that are included in this non-GAAP financial measure and a reconciliation to "Operating Income" for the periods ended September 30.

	2015 Three Months			2014 Three Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 801		$ 801	$ 753		$ 753
Operating Expenses						
Fuel	228		228	240		240
Energy purchases	23		23	24		24
Other operation and maintenance	28	$ 174	202	27	$ 170	197
Depreciation	11	86	97	2	87	89
Taxes, other than income	1	13	14		13	13
Total Operating Expenses	291	273	564	293	270	563
Total	$ 510	$ (273)	$ 237	$ 460	$ (270)	$ 190

	2015 Nine Months			2014 Nine Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 2,414		$ 2,414	$ 2,409		$ 2,409
Operating Expenses						
Fuel	695		695	748		748
Energy purchases	143		143	184		184
Other operation and maintenance	77	$ 548	625	75	$ 534	609
Depreciation	26	260	286	6	256	262
Taxes, other than income	3	40	43	1	38	39
Total Operating Expenses	944	848	1,792	1,014	828	1,842
Total	$ 1,470	$ (848)	$ 622	$ 1,395	$ (828)	$ 567

(a) Represents amounts excluded from Margins.
(b) As reported on the Statements of Income.

Statement of Income Analysis --

Certain Operating Revenues and Expenses included in "Margins"

The following Statement of Income line items and their related increase (decrease) during the periods ended September 30, 2015 compared with 2014 are included above within "Margins" and are not discussed separately.

	Three Months	Nine Months
Operating revenues	$ 48	$ 5
Fuel	(12)	(53)
Energy purchases	(1)	(41)

Other Operation and Maintenance

The increase in other operation and maintenance expense for the periods ended September 30, 2015 compared with 2014 was due to:

	Three Months	Nine Months
Cane Run retired units		$ 11
Pension	$ 2	11
Storm costs	3	(7)
Bad debts	(2)	(4)
Coal plant operations	(1)	(3)
Other	3	8
Total	$ 5	$ 16

Depreciation

Depreciation increased by $8 million and $24 million for the three and nine months ended September 30, 2015 compared with 2014 primarily due to additions to PP&E, net.

Income Taxes

The increase in income taxes for the periods ended September 30, 2015, compared with 2014, was due to:

	Three Months	Nine Months
Higher pre-tax book income at current period tax rates	$ 18	$ 21
Certain Valuation Allowances		8
Total	$ 18	$ 29

LG&E: Earnings, Margins and Statement of Income Analysis

Earnings

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net Income	$ 58	$ 46	$ 146	$ 133

Earnings increased for the three and nine month periods in 2015 compared with 2014 primarily due to higher returns on additional environmental capital investments.

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 within the table and not in their respective Statement of Income line items.

	Three Months	Nine Months
Margins	$ 13	$ 28
Other operation and maintenance	6	(4)
Depreciation	3	4
Other income (expense) - net	(1)	
Interest expense		(2)
Income taxes	(9)	(13)
Total	$ 12	$ 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 underlying drivers of the changes between periods. Within PPL's discussion, LG&E's Margins are included in "Kentucky Gross Margins."

The following tables contain the components from the Statements of Income that are included in this non-GAAP financial measure and a reconciliation to "Operating Income" for the periods ended September 30.

	2015 Three Months			2014 Three Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 351		$ 351	$ 347		$ 347
Operating Expenses						
Fuel	82		82	99		99
Energy purchases, including affiliate	27		27	23		23
Other operation and maintenance	11	$ 76	87	12	$ 82	94
Depreciation	5	35	40	1	38	39
Taxes, other than income	1	6	7		6	6
Total Operating Expenses	126	117	243	135	126	261
Total	$ 225	$ (117)	$ 108	$ 212	$ (126)	$ 86

	2015 Nine Months			2014 Nine Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 1,121		$ 1,121	$ 1,170		$ 1,170
Operating Expenses						
Fuel	267		267	320		320
Energy purchases, including affiliate	146		146	178		178
Other operation and maintenance	33	$ 253	286	37	$ 249	286
Depreciation	12	110	122	2	114	116
Taxes, other than income	2	19	21		19	19
Total Operating Expenses	460	382	842	537	382	919
Total	$ 661	$ (382)	$ 279	$ 633	$ (382)	$ 251

(a) Represents amounts excluded from Margins.
(b) As reported on the Statements of Income.

Statement of Income Analysis --

Certain Operating Revenues and Expenses included in "Margins"

The following Statement of Income line items and their related increase (decrease) during the periods ended September 30, 2015 compared with 2014 are included above within "Margins" and are not discussed separately.

	Three Months	Nine Months
Retail and wholesale	$ 15	$ (7)
Electric revenue from affiliate	(11)	(42)
Fuel	(17)	(53)
Energy purchases	(2)	(38)
Energy purchases from affiliate	6	6

Other Operation and Maintenance

The decrease in other operation and maintenance expense for the periods ended September 30, 2015 compared with 2014

	Three Months	Nine Months
Cane Run retired units		$ 11
Pension		5
Storm costs	$ 1	(4)
Coal plant operations	(2)	(5)
Bad debts	(1)	(2)
Other	(5)	(5)
Total	$ (7)	$

Depreciation

Depreciation increased by $6 million for the nine months ended September 30, 2015 compared with 2014 primarily due to additions to PP&E, net.

Income Taxes

Income taxes increased by $9 million and $13 million for the three and nine months ended September 30, 2015 compared with 2014 primarily due to the change in pre-tax income at current period tax rates.

KU: Earnings, Margins and Statement of Income Analysis

Earnings

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net Income	$ 72	$ 56	$ 189	$ 173
Special item, gain (loss), after-tax		(1)		

Excluding a special item, earnings increased for the three and nine month periods in 2015 compared with 2014 primarily due to higher returns on additional environmental capital investments and higher base electricity rates effective July 1, 2015, partially offset by higher other operation and maintenance expense.

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

	Three Months	Nine Months
Margins	$ 37	$ 47
Other operation and maintenance	(8)	(13)
Depreciation	(3)	(9)
Taxes, other than income		(2)
Other income (expense)- net		2
Interest expense	(1)	
Income taxes	(10)	(9)
Special item, after-tax	1	
Total	$ 16	$ 16

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 underlying drivers of the changes between periods. Within PPL's discussion, KU's Margins are included in "Kentucky Gross Margins."

The following tables contain the components from the Statements of Income that are included in this non-GAAP financial measure and a reconciliation to "Operating Income" for the periods ended September 30.

	2015 Three Months			2014 Three Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 461		$ 461	$ 422		$ 422
Operating Expenses						
Fuel	146		146	141		141
Energy purchases, including affiliate	7		7	17		17
Other operation and maintenance	17	$ 91	108	14	$ 83	97
Depreciation	6	51	57	2	48	50
Taxes, other than income		7	7		7	7
Total Operating Expenses	176	149	325	174	138	312
Total	$ 285	$ (149)	$ 136	$ 248	$ (138)	$ 110

	2015 Nine Months			2014 Nine Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 1,342		$ 1,342	$ 1,324		$ 1,324
Operating Expenses						
Fuel	428		428	428		428
Energy purchases, including affiliate	46		46	91		91
Other operation and maintenance	44	$ 277	321	38	$ 264	302
Depreciation	14	150	164	4	141	145
Taxes, other than income	1	21	22	1	19	20
Total Operating Expenses	533	448	981	562	424	986
Total	$ 809	$ (448)	$ 361	$ 762	$ (424)	$ 338

(a) Represents amounts excluded from Margins.
(b) As reported on the Statements of Income.

Statement of Income Analysis --

Certain Operating Revenues and Expenses included in "Margins"

The following Statement of Income line items and their related increase (decrease) during the periods ended September 30, 2015 compared with 2014 are included above within "Margins" and are not discussed separately.

	Three Months	Nine Months
Retail and wholesale	$ 33	$ 12
Electric revenue from affiliate	6	6
Fuel	5	
Energy purchases	1	(3)
Energy purchases from affiliate	(11)	(42)

Other Operation and Maintenance

The increase in other operation and maintenance expense for the periods ended September 30, 2015 compared with 2014 was due to:

	Three Months	Nine Months
Pension	$ 3	$ 9
Cane Run 7 operations	2	3
Storm costs	2	(3)
Coal plant operations	1	2
Other	3	8
Total	$ 11	$ 19

Depreciation

Depreciation increased by $7 million and $19 million for the three and nine months ended September 30, 2015 compared with 2014 primarily due to additions to PP&E, net.

Income Taxes

Income taxes increased by $10 million and $9 million for the three and nine months ended September 30, 2015 compared with 2014 primarily due to the change in pre-tax income at current period tax rates.

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 expect to continue to have adequate liquidity available through operating cash flows, cash and cash equivalents, credit facilities and commercial paper issuances.

The Registrants had the following at:

	PPL (a)	PPL Electric	LKE	LG&E	KU
September 30, 2015					
Cash and cash equivalents	$ 981	$ 26	$ 455	$ 180	$ 275
Short-term debt	557	68	75		
Notes payable with affiliates			62		
December 31, 2014					
Cash and cash equivalents	$ 1,399	$ 214	$ 21	$ 10	$ 11
Short-term investments	120				
Short-term debt	836		575	264	236
Notes payable with affiliates			41		

(a) At September 30, 2015, $199 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 2014 Form 10-K for additional information on undistributed earnings of WPD.

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

	PPL	PPL Electric	LKE	LG&E	KU
2015					
Operating activities	$ 1,688	$ 373	$ 895	$ 469	$ 510
Investing activities	(2,463)	(764)	(921)	(519)	(400)
Financing activities	231	203	460	220	154
2014					
Operating activities	$ 2,163	$ 412	$ 851	$ 327	$ 486
Investing activities	(2,630)	(562)	(773)	(422)	(418)
Financing activities	137	236	(66)	112	(67)
Change - Cash Provided (Used)					
Operating activities	$ (475)	$ (39)	$ 44	$ 142	$ 24
Investing activities	167	(202)	(148)	(97)	18
Financing activities	94	(33)	526	108	221

Operating Activities

The components of the change in cash provided by (used in) operating activities from continuing operations for the nine months ended September 30, 2015 compared with 2014 were as follows.

	PPL	PPL Electric	LKE	LG&E	KU
Change - Cash Provided (Used)					
Net income	$ 169	$ (3)	$ 26	$ 13	$ 16
Non-cash components	(56)	103	1	98	20
Working capital	(368)	(121)	129	76	59
Defined benefit plan funding	(106)	(13)	(23)	(13)	(16)
Other operating activities	(114)	(5)	(89)	(32)	(55)
Total	$ (475)	$ (39)	$ 44	$ 142	$ 24

(PPL)

PPL had a $475 million decrease in cash provided by operating activities from continuing operations in 2015 compared with 2014.

- Income from continuing operations improved by $169 million between the periods. This was offset by $56 million less net non-cash expenses. The net $113 million increase from net income and non-cash components in 2015 compared with 2014 reflects higher margins in the Pennsylvania and Kentucky regulated segments and lower income taxes.

- The $368 million decrease in cash from changes in working capital was primarily due to a decrease in taxes payable, primarily due to higher income tax payments in 2015 and a decrease in accounts payable due to timing of payments.

- Defined benefit plan funding was $106 million higher in 2015.

- The decrease in cash from other operating activities was primarily due to payments of $88 million for the settlement of interest rate swaps.

(PPL Electric)

PPL Electric had a $39 million decrease in cash provided by operating activities in 2015 compared with 2014.

- The net increase in non-cash components of $103 million in 2015 compared with 2014 is primarily due to an increase in deferred income taxes, primarily due to a decrease in taxable income for bonus depreciation and higher depreciation expense due to PP&E additions, net related to the ongoing efforts to ensure the reliability of the delivery system and the replacement of aging infrastructure.

- The $121 million decline in cash from changes in working capital was primarily due to a decrease in accounts payable, primarily due to timing of payments and a decrease in taxes payable, primarily due to higher income tax payments in 2015, partially offset by a decrease in accounts receivable.

- Defined benefit plan funding was $13 million higher in 2015.

(LKE)

LKE had a $44 million increase in cash provided by operating activities in 2015 compared with 2014.

- LKE's non-cash components of net income included a $24 million increase in depreciation expense due to additional assets in service since the third quarter of 2014, and a $15 million increase associated with current regulatory assets net of current regulatory liabilities due to the timing of rate recovery mechanisms, partially offset by a $52 million decrease in deferred income taxes. The decrease in deferred income taxes was primarily due to recording Federal net operating losses, partially offset by an increase in accelerated tax depreciation over book depreciation.

- The increase in cash from working capital was driven primarily by a decrease in income tax receivable as a result of receiving payment from PPL for the use of excess tax depreciation deductions in 2014, a decrease in coal purchases as a result of plant retirements and Cane Run Unit 7 going in service, and a decrease in natural gas stored underground due to lower gas prices, partially offset by a decrease in accounts payable due to the timing of fuel purchases and payments, a decrease in unbilled revenue due to colder winter weather in 2014, and a decrease in taxes payable due to timing of payments.

- The decrease in cash from other operating activities was driven primarily by $88 million in payments for the settlement of interest rate swaps.

(LG&E)

LG&E had a $142 million increase in cash provided by operating activities in 2015 compared with 2014.

- LG&E's non-cash components of net income included a $62 million increase in deferred income taxes, a $21 million increase associated with current regulatory assets net of current regulatory liabilities due to the timing of rate recovery mechanisms, and a $6 million increase in depreciation expense due to additional assets in service since the third quarter of 2014. The increase in deferred income taxes was primarily due to an increase in accelerated tax depreciation over book depreciation of $80 million, partially offset by an increase of $16 million of net operating loss carryforwards.

- The increase in cash from working capital was driven primarily by a decrease in income tax receivable as a result of receiving payment from LKE for the use of excess tax depreciation deductions in 2014, a decrease in coal purchases as a result of plant retirements and Cane Run Unit 7 going in service, a decrease in natural gas stored underground due to lower gas prices, and a decrease in accounts receivable from affiliates due to timing of intercompany settlements associated with capital expenditures, partially offset by a decrease in accounts payable due to the timing of fuel purchases and payments, a decrease in unbilled revenue due to colder winter weather in 2014, and a decrease in taxes payable due to timing of payments.

- The decrease in cash from other operating activities was driven primarily by $44 million in payments for the settlement of interest rate swaps.

(KU)

KU had a $24 million increase in cash provided by operating activities in 2015 compared with 2014.

- KU's non-cash components of net income included a $19 million increase in depreciation expense due to additional assets in service since the third quarter of 2014, partially offset by a $6 million decrease associated with current regulatory assets net of current regulatory liabilities due to the timing of rate recovery mechanisms.

- The increase in cash from working capital was driven primarily by a decrease in income tax receivable as a result of receiving payments from LKE for the use of excess tax depreciation deductions in 2014, a decrease in coal purchases as a result of plant retirements and Cane Run Unit 7 going in service, and an increase in taxes payable due to timing of payments, partially offset by a decrease in accounts payable due to the timing of fuel purchases and payments, a decrease in unbilled revenue due to colder winter weather in 2014, and a decrease in accounts payable to affiliates due to timing of intercompany settlements associated with capital expenditures.

- The decrease in cash from other operating activities was driven primarily by $44 million in payments for the settlement of interest rate swaps.

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, 2015 compared with 2014 was as follows.

	PPL	PPL Electric	LKE	LG&E	KU
(Increase) Decrease	$ 42	$ (58)	$ (85)	$ (97)	$ 11

For PPL, lower project expenditures at WPD and KU were partially offset by higher project expenditures at PPL Electric and LG&E. The decrease in expenditures for WPD was primarily due to changes in foreign currency exchange rates. The decrease in expenditures for KU was related to lower expenditures for the construction of Cane Run Unit 7 which was put into commercial operation in June 2015, environmental air projects and CCR projects at KU's Ghent and E.W. Brown plants. The increase in expenditures for PPL Electric was primarily due to the Northeast Pocono reliability project, smart grid projects and other various projects, partially offset by the completion of the Susquehanna-Roseland transmission project. The increase in expenditures for LG&E was primarily due to environmental air projects at LG&E's Mill Creek plant, partially offset by lower expenditures for the construction of Cane Run Unit 7.

Other Significant Changes in Components of Investing Activities

(PPL)

PPL received $136 million during the nine months ended September 30, 2015 from the sale of short-term investments.

(PPL Electric)

PPL Electric received $150 million during the nine months ended September 30, 2014 on notes receivable from affiliates.

Financing Activities

(All Registrants)

The components of the change in cash provided by (used in) financing activities from continuing operations for the nine months ended September 30, 2015 compared with 2014 was as follows.

	PPL	PPL Electric	LKE	LG&E	KU
Change - Cash Provided (Used)					
Long-term debt issuances/retirements, net	$ 1,078	$ (286)	$ 1,050	$ 550	$ 500
Stock issuances/redemptions, net	(892)				
Dividends	(32)	(19)		2	6
Capital contributions/distributions, net		180	86	(53)	(66)
Change in short-term debt, net	(79)	88	(603)	(387)	(216)
Other financing activities	19	4	(7)	(4)	(3)
Total	$ 94	$ (33)	$ 526	$ 108	$ 221

For the nine months ended September 30, 2015, PPL received $94 million more cash from financing activities primarily due to the LG&E and KU long-term debt issuances in September 2015, partially offset by lower common stock issuances in 2015. The proceeds of the long-term debt issuances were used to repay short-term debt and additionally will be used for repayment of First Mortgage Bonds maturing in November 2015, and for general corporate purposes

See Note 7 to the Financial Statements in this Form 10-Q for information on 2015 short and long-term debt activity, equity transactions and PPL dividends. See the Registrants' 2014 Form 10-K for information on 2014 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, 2015, the total committed borrowing capacity and the use of that capacity under these credit facilities was as follows:

External (All Registrants)

	Committed Capacity	Borrowed	Letters of Credit and Commercial Paper Issued	Unused Capacity
PPL Capital Funding Credit Facilities	$ 750		$ 20	$ 730
PPL Electric Credit Facility	300		69	231
LKE Credit Facility	75	$ 75		
LG&E Credit Facility	500			500
KU Credit Facilities	598		198	400
Total LKE	1,173	75	198	900
Total U.S. Credit Facilities (a)	$ 2,223	$ 75	$ 287	$ 1,861
Total U.K. Credit Facilities (b)	£ 1,055	£ 266		£ 789

(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 - 13%, PPL Electric - 12%, LKE - 21%, LG&E - 12% and KU - 37%.
(b) The amounts borrowed at September 30, 2015 were USD-denominated borrowings of $200 million and GPB-denominated borrowings which equated to $214 million. At September 30, 2015, the USD equivalent of unused capacity under the U.K. committed credit facilities was $1.2 billion.

The commitments under the U.K. credit facilities are provided by a diverse bank group, with no one bank providing more than 14% 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	$ 62		$ 163
LG&E Money Pool (a)	500			500
KU Money Pool (a)	500			500

(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 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, 2015:

	Capacity	Commercial Paper Issuances	Unused Capacity
PPL Electric	$ 300	$ 68	$ 232
LG&E	350		350
KU	350		350
Total LKE	700		700
Total PPL	$ 1,000	$ 68	$ 932

In October 2015, PPL Capital Funding established a commercial paper program for up to $600 million to provide an additional financing source to fund its short-term liquidity needs from time to time. Commercial paper issuances will be supported by PPL Capital Funding's Syndicated Credit Facilities. PPL guarantees PPL Capital Funding's payment obligations on the commercial paper notes.

Long-term Debt

(PPL, LKE and LG&E)

In September 2015, LG&E issued $300 million of 3.30% First Mortgage Bonds due 2025 and $250 million of 4.375% First Mortgage Bonds due 2045. LG&E received proceeds of $298 million and $248 million, net of discounts and underwriting fees, which were used to repay short-term debt and additionally will be used for the repayment of First Mortgage Bonds maturing in November 2015, and for general corporate purposes.

(PPL, LKE and KU)

In September 2015, KU issued $250 million of 3.30% First Mortgage Bonds due 2025 and $250 million of 4.375% First Mortgage Bonds due 2045. KU received proceeds of $248 million for each issuance, net of discounts and underwriting fees, which were used to repay short-term debt and additionally will be used for the repayment of First Mortgage Bonds maturing in November 2015, and for general corporate purposes.

(PPL and PPL Electric)

In October 2015, PPL Electric issued $350 million of 4.150% First Mortgage Bonds due 2045. PPL Electric received proceeds of $345 million, net of a discount and underwriting fees, which will be used to repay short-term debt and for general corporate purposes.

(PPL)

ATM Program

For the periods ended September 30, 2015, PPL issued the following:

	Three Months	Nine Months
Number of shares	435,800	857,500
Average share price	$ 32.95	$ 33.33
Net proceeds	14	28

See Note 7 to the Financial Statements for additional information.

Common Stock Dividends

In August 2015, PPL declared its increased quarterly common stock dividend, payable October 1, 2015, at 37.75 cents per share (equivalent to $1.51 per annum). Future dividends, declared at the discretion of the Board of Directors, will be dependent upon future earnings, cash flows, financial and legal requirements and other factors.

Rating Agency Actions

(All Registrants)

Moody's, S&P and Fitch 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, S&P and Fitch 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 2015.

In January 2015, Fitch withdrew its ratings for PPL, PPL Capital Funding, PPL Electric, LKE, LG&E, and KU.

(PPL)

In May 2015, Moody's upgraded the following ratings with a stable outlook:
- the long-term issuer rating from Baa3 to Baa2 for PPL;
- the senior unsecured rating from Baa3 to Baa2 for PPL Capital Funding; and
- the junior subordinated rating from Ba1 to Baa3 for PPL Capital Funding.

In May 2015, Fitch affirmed and withdrew its ratings for PPL UK Distribution Holdings Limited (formerly known as PPL WW), WPD (South Wales) and WPD (South West).

In June 2015, S&P upgraded the following ratings with a stable outlook:
- the long-term issuer rating from BBB to A- for PPL;

- the senior unsecured rating from BBB- to BBB+ for PPL Capital Funding; and
- the junior subordinated rating from BB+ to BBB for PPL Capital Funding.

In June 2015, S&P affirmed the short-term issuer ratings for WPD plc, WPD (East Midlands), WPD (West Midlands), WPD (South Wales) and WPD (South West). S&P also upgraded the following ratings with a stable outlook:
- the long-term issuer rating from BBB to A- for WPD plc, WPD (East Midlands), WPD (West Midlands), WPD (South Wales) and WPD (South West);
- the senior unsecured rating from BBB- to BBB+ for WPD plc; and
- the senior unsecured rating from BBB to A- for WPD (East Midlands), WPD (West Midlands), WPD (South Wales) and WPD (South West).

In August 2015, S&P affirmed its ratings with a stable outlook for WPD plc, WPD (East Midlands), WPD (West Midlands), WPD (South Wales) and WPD (South West).

In October 2015, Moody's and S&P assigned ratings of P-2 and A-2, respectively, to PPL Capital Funding's $600 million commercial paper program. S&P also assigned a short-term issuer rating of A-2 to PPL.

(PPL and PPL Electric)

In May 2015, Moody's affirmed its ratings and revised its outlook to positive for PPL Electric.

In June 2015, S&P affirmed its commercial paper rating and upgraded the following ratings with a stable outlook for PPL Electric:
- the long-term issuer rating from BBB to A-; and
- the senior secured rating from A- to A.

In September 2015, Moody's affirmed its commercial paper rating and upgraded the following ratings with a stable outlook for PPL Electric:
- the long-term issuer rating from Baa1 to A3; and
- the senior secured rating from A2 to A1.

In September 2015, Moody's and S&P assigned ratings of A1 and A to PPL Electric's $350 million 4.15% First Mortgage Bonds due 2045.

(PPL, LKE, LG&E and KU)

In May 2015, Moody's upgraded the following ratings with a stable outlook for LKE:
- the long-term issuer rating from Baa2 to Baa1; and
- the senior unsecured rating from Baa2 to Baa1.

In June 2015, S&P affirmed its commercial paper ratings for LG&E and KU. S&P also upgraded the following ratings with a stable outlook:
- the long-term issuer ratings from BBB to A- for LKE, LG&E and KU;
- the senior secured ratings from A- to A for LG&E and KU; and
- the senior unsecured rating from BBB- to BBB+ for LKE.

In June 2015, S&P upgraded its ratings from AA+ to AAA for KU's 2000 Series A Solid Waste Disposal Facility Revenue Bonds, KU's 2004 Series A and 2008 Series A Environmental Facilities Revenue Bonds and KU's 2006 Series B Environmental Facilities Revenue Refunding Bonds and removed them from CreditWatch with positive implications.

In September 2015, Moody's and S&P assigned ratings of A1 and A to LG&E's $300 million 3.3% First Mortgage Bonds due 2025, LG&E's $250 million 4.375% First Mortgage Bonds due 2045, KU's $250 million 3.3% First Mortgage Bonds due 2025 and KU's $250 million 4.375% First Mortgage Bonds due 2045.

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, 2015.

(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' 2014 Form 10-K.

Risk Management

Market Risk

(All Registrants)

See Notes 13 and 14 to the Financial Statements for information about the Registrants' risk management objectives, valuation techniques and accounting designations.

The forward-looking information presented below provides estimates of what may occur in the future, assuming certain adverse market conditions and model assumptions. Actual future results may differ materially from those presented. These disclosures are not precise indicators of expected future losses, but only indicators of possible losses under normal market conditions at a given confidence level.

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.

The following interest rate hedges were outstanding at September 30, 2015.

	Exposure Hedged	Fair Value, Net - Asset (Liability) (a)	Effect of a 10% Adverse Movement in Rates (b)	Maturities Ranging Through
PPL				
Cash flow hedges				
Interest rate swaps (c)	$ 792	$ (31)	$ (12)	2026
Cross-currency swaps (d)	1,262	61	(158)	2028
Economic hedges				
Interest rate swaps (e)	179	(51)	(2)	2033
LKE				
Economic hedges				
Interest rate swaps (e)	179	(51)	(2)	2033
LG&E				
Economic hedges				
Interest rate swaps (e)	179	(51)	(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) Changes in the fair value of such cash flow hedges are recorded in equity or as regulatory assets or regulatory liabilities, if recoverable through regulated rates, and reclassified into earnings in the same period during which the item being hedged affects earnings.
(d) 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.
(e) 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, 2015 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, 2015 is shown below.

	10% Adverse Movement in Rates
PPL	$ 685
PPL Electric	129
LKE	185
LG&E	69
KU	105

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, 2015.

	Exposure Hedged	Fair Value, Net - Asset (Liability)	Effect of a 10% Adverse Movement in Foreign Currency Exchange Rates (a)	Maturities Ranging Through
Net investment hedges (b)	£ 134	$ 19	$ (20)	2016
Economic hedges (c)	1,676	143	(235)	2017

(a) Effects of adverse movements decrease assets or increase liabilities, as applicable, which could result in an asset becoming a liability.
(b) To protect the value of a portion of its net investment in WPD, PPL executes forward contracts to sell GBP.
(c) To economically hedge the translation risk of expected earnings denominated in GBP.

Commodity Price Risk (Non-trading)

(PPL, LKE, LG&E and KU)

LG&E's and KU's retail electric rates, LG&E's natural gas rates and KU's municipal wholesale electric rates are set by regulatory commissions and the fuel costs incurred are directly recoverable from customers. As a result, LG&E and KU are subject to commodity price risk for only a small portion of their business operations. LG&E and KU sell excess economic generation to maximize the value of the physical assets at times when the assets are not required to serve LG&E's or KU's customers. See Note 14 to the Financial Statements for additional information.

(PPL and PPL Electric)

PPL Electric is exposed to market price and volumetric risks from its obligation as a PLR. The PUC has approved a cost recovery mechanism that allows PPL Electric to pass through to customers the cost associated with fulfilling its PLR obligation. This cost recovery mechanism substantially eliminates PPL Electric's exposure to market price risk. PPL Electric also mitigates its exposure to volumetric risk by entering into full-requirement energy supply contracts for the majority of its PLR obligations. These supply contracts transfer the volumetric risk associated with the PLR obligation to the energy suppliers.

<u>Credit Risk</u> *(All Registrants)*

See Notes 13 and 14 to the Financial Statements in this Form 10-Q and "Risk Management - Credit Risk" in the Registrants' 2014 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 $101 million for the nine months ended September 30, 2015, which primarily reflected a $263 million decrease to PP&E and goodwill offset by a decrease of $162 million to net liabilities. Changes in this exchange rate resulted in a foreign currency translation gain of $75 million for the nine months ended September 30, 2014, which primarily reflected a $193 million increase to PP&E and goodwill offset by an increase of $118 million to net liabilities. The impact of foreign currency translation is recorded in AOCI.

Related Party Transactions *(All Registrants)*

The Registrants are not aware of any material ownership interests or operating responsibility by senior management in outside partnerships, including leasing transactions with variable interest entities, or other entities doing business with the Registrants. See Note 11 to the Financial Statements for additional information on related party transactions for PPL 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.

(PPL)

See Note 8 to the Financial Statements for information on the spinoff of PPL Energy Supply.

Environmental Matters

(All Registrants)

Extensive federal, state and local environmental laws and regulations are applicable to PPL'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:

- Climate Change,
- Waters of the United States,
- Coal Combustion Residuals,
- Effluent Limitations Guidelines,

- Mercury and Air Toxics Standards, and
- National Ambient Air Quality Standards.

Additionally, see Note 13 to the Financial Statements and "Item 1. Business - Environmental Matters" in the Registrants' 2014 Form 10-K for additional information on environmental matters.

(PPL, LKE, LG&E and KU)

Coal Combustion Residuals (CCRs)

On October 19, 2015, the EPA's final rule regulating CCRs became effective. In connection with the final CCR rule, LG&E and KU recorded increases to existing AROs of $57 million and $219 million during the three and nine months ended September 30, 2015. See Note 16 to the Financial Statements for additional information. Further increases to AROs or changes to current capital plans or to 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.

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' 2014 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
Asset Impairments (Excluding Investments)	X		X	X	X
AROs	X		X	X	X
Price Risk Management	X		X	X	X
Regulatory Assets and Liabilities	X	X	X	X	X
Revenue Recognition - unbilled revenue		X	X	X	X

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Reference is made to "Risk Management" in "Item 2. 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, 2015, 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.

PPL Corporation

Following the announcement of the transaction to spin off PPL Energy Supply, LLC to form Talen Energy, management determined the appropriate staffing for Talen Energy and for PPL and its subsidiaries. During the nine months ended September 30, 2015, staffing changes, including the consolidation of certain positions and transition of responsibilities, resulted in changes in certain individuals responsible for executing internal controls. However, changes to system applications, business processes and the associated internal controls were not significant. Management has taken steps to minimize the risk from the changes in individuals executing internal controls.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

- "Item 3. Legal Proceedings" in each Registrant's 2014 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' 2014 Form 10-K, except that as a result of the June 1, 2015 spinoff by PPL of PPL Energy Supply, the risk factors disclosed under the heading "Risks Related to Supply Segment" at pages 26 through 31 of the Registrants' 2014 Form 10-K are no longer applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

PPL Electric Utilities Corporation

On October 27, 2015, PPL Electric amended and restated its By-laws to provide that the number of directors constituting the Company's board of directors shall be as determined from time to time by the directors.

Item 6. Exhibits

The following Exhibits indicated by an asterisk preceding the Exhibit number are filed herewith. The balance of the Exhibits has heretofore been filed with the Commission and pursuant to Rule 12(b)-32 are incorporated herein by reference. Exhibits indicated by a [_] are filed or listed pursuant to Item 601(b)(10)(iii) of Regulation S-K.

*3(a)	- Bylaws of PPL Electric Utilities Corporation, effective as of October 27, 2015
4(a)	- Supplemental Indenture No. 4, dated as of September 1, 2015, of Louisville Gas and Electric Company to The Bank of New York Mellon, as Trustee (Exhibit 4(a) to Louisville Gas and Electric Company Form 8-K Report (File No. 1-2893) dated September 28, 2015)
4(b)	- Supplemental Indenture No. 4, dated as of September 1, 2015, 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 September 28, 2015)
4(c)	- Supplemental Indenture No. 17, dated as of October 1, 2015, of PPL Electric Utilities Corporation to The Bank of New York Mellon, as Trustee (Exhibit 4(a) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated October 1, 2015)
*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, 2015, 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

Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, for the quarterly period ended September 30, 2015, furnished by 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: October 30, 2015

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

PPL Electric Utilities Corporation
(Registrant)

Date: October 30, 2015

/s/ Stephen K. Breininger
Stephen K. Breininger
Vice President and 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: October 30, 2015

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

Exhibit 12(a)

PPL CORPORATION AND SUBSIDIARIES

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

(Millions of Dollars)

	9 Months Ended Sep. 30, 2015(a)	Years Ended December 31, (a) 2014	2013	2012	2011	2010
Earnings, as defined:						
Income from Continuing Operations Before Income Taxes	$ **1,630**	$ 2,129	$ 1,728	$ 1,406	$ 922	$ 321
Adjustment to reflect earnings from equity method investments on a cash basis (b)	**(2)**			34		
	1,628	2,129	1,728	1,440	922	321
Total fixed charges as below	**816**	1,095	1,096	1,065	1,022	698
Less:						
Capitalized interest	**10**	11	11	6	4	
Preferred security distributions of subsidiaries on a pre-tax basis				5	23	21
Interest expense and fixed charges related to discontinued operations	**150**	186	235	235	231	255
Total fixed charges included in Income from Continuing Operations Before Income Taxes	**656**	898	850	819	764	422
Total earnings	$ **2,284**	$ 3,027	$ 2,578	$ 2,259	$ 1,686	$ 743
Fixed charges, as defined:						
Interest charges (c)	$ **810**	$ 1,073	$ 1,058	$ 1,019	$ 955	$ 637
Estimated interest component of operating rentals	**6**	22	38	41	44	39
Preferred security distributions of subsidiaries on a pre-tax basis				5	23	21
Fixed charges of majority-owned share of 50% or less-owned persons						1
Total fixed charges (d)	$ **816**	$ 1,095	$ 1,096	$ 1,065	$ 1,022	$ 698
Ratio of earnings to fixed charges	**2.8**	2.8	2.4	2.1	1.7	1.1
Ratio of earnings to combined fixed charges and preferred stock dividends (e)	**2.8**	2.8	2.4	2.1	1.7	1.1

(a) All periods reflect PPL's former 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.

PPL ELECTRIC UTILITIES CORPORATION AND SUBSIDIARIES

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

(Millions of Dollars)

	9 Months Ended September 30, 2015	Years Ended December 31, 2014	2013	2012	2011	2010
Earnings, as defined:						
Income Before Income Taxes	$ **321**	$ 423	$ 317	$ 204	$ 257	$ 192
Total fixed charges as below	**103**	131	117	107	105	102
Total earnings	$ **424**	$ 554	$ 434	$ 311	$ 362	$ 294
Fixed charges, as defined:						
Interest charges (a)	$ **100**	$ 127	$ 113	$ 104	$ 102	$ 101
Estimated interest component of operating rentals	**3**	4	4	3	3	1
Total fixed charges (b)	$ **103**	$ 131	$ 117	$ 107	$ 105	$ 102
Ratio of earnings to fixed charges	**4.1**	4.2	3.7	2.9	3.4	2.9
Preferred stock dividend requirements on a pre-tax basis				$ 6	$ 21	$ 23
Fixed charges, as above	$ **103**	$ 131	$ 117	107	105	102
Total fixed charges and preferred stock dividends	$ **103**	$ 131	$ 117	$ 113	$ 126	$ 125
Ratio of earnings to combined fixed charges and preferred stock dividends	**4.1**	4.2	3.7	2.8	2.9	2.4

(a) Includes interest on long-term and short-term debt, as well as amortization of debt discount, expense and premium - net.
(b) Interest on unrecognized tax benefits is not included in fixed charges.

Exhibit 12(c)

LG&E AND KU ENERGY LLC AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Millions of Dollars)

	Successor (a)						Predecessor (b)
	9 Months Ended Sep. 30, 2015	Year Ended Dec. 31, 2014	Year Ended Dec. 31, 2013	Year Ended Dec. 31, 2012	Year Ended Dec. 31, 2011	2 Months Ended Dec. 31, 2010	10 Months Ended Oct. 31, 2010
Earnings, as defined:							
Income from Continuing Operations Before Income Taxes	$ 491	$ 553	$ 551	$ 331	$ 419	$ 70	$ 300
Adjustment to reflect earnings from equity method investments on a cash basis (c)	(2)	(1)	(1)	33	(1)		(4)
Mark to market impact of derivative instruments						2	(20)
	489	552	550	364	418	72	276
Total fixed charges as below	134	173	151	157	153	25	158
Total earnings	$ 623	$ 725	$ 701	$ 521	$ 571	$ 97	$ 434
Fixed charges, as defined:							
Interest charges (d) (e)	$ 128	$ 167	$ 145	$ 151	$ 147	$ 24	$ 153
Estimated interest component of operating rentals	6	6	6	6	6	1	5
Total fixed charges	$ 134	$ 173	$ 151	$ 157	$ 153	$ 25	$ 158
Ratio of earnings to fixed charges	4.6	4.2	4.6	3.3	3.7	3.9	2.7

(a) Post-acquisition activity covering the time period after October 31, 2010.
(b) Pre-acquisition activity covering the time period prior to November 1, 2010.
(c) Includes other-than-temporary impairment loss of $25 million in 2012.
(d) Includes interest on long-term and short-term debt, as well as amortization of loss on reacquired debt and amortization of debt discount, expense and premium - net.
(e) Includes a credit for amortization of a fair market value adjustment of $7 million in 2013.

LOUISVILLE GAS AND ELECTRIC COMPANY

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Millions of Dollars)

	Successor (a)						Predecessor (b)
	9 Months Ended Sep. 30, 2015	Year Ended Dec. 31, 2014	Year Ended Dec. 31, 2013	Year Ended Dec. 31, 2012	Year Ended Dec. 31, 2011	2 Months Ended Dec. 31, 2010	10 Months Ended Oct. 31, 2010
Earnings, as defined:							
Income Before Income Taxes	$ 237	$ 272	$ 257	$ 192	$ 195	$ 29	$ 167
Mark to market impact of derivative instruments						1	(20)
	237	272	257	192	195	30	147
Total fixed charges as below	42	51	36	44	46	8	40
Total earnings	$ 279	$ 323	$ 293	$ 236	$ 241	$ 38	$ 187
Fixed charges, as defined:							
Interest charges (c) (d)	$ 39	$ 49	$ 34	$ 42	$ 44	$ 8	$ 38
Estimated interest component of operating rentals	3	2	2	2	2		2
Total fixed charges	$ 42	$ 51	$ 36	$ 44	$ 46	$ 8	$ 40
Ratio of earnings fixed charges	6.6	6.3	8.1	5.4	5.2	4.8	4.7

(a) Post-acquisition activity covering the time period after October 31, 2010.
(b) Pre-acquisition activity covering the time period prior to November 1, 2010.
(c) Includes interest on long-term and short-term debt, as well as amortization of loss on reacquired debt and amortization of debt discount, expense and premium - net.
(d) 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)

	Successor (a)						Predecessor (b)
	9 Months Ended Sep. 30, 2015	Year Ended Dec. 31, 2014	Year Ended Dec. 31, 2013	Year Ended Dec. 31, 2012	Year Ended Dec. 31, 2011	2 Months Ended Dec. 31, 2010	10 Months Ended Oct. 31, 2010
Earnings, as defined:							
Income Before Income Taxes	$ 304	$ 355	$ 360	$ 215	$ 282	$ 55	$ 218
Adjustment to reflect earnings from equity method investments on a cash basis (c)	(2)	(1)	(1)	33	(1)		(4)
	302	354	359	248	281	55	214
Total fixed charges as below	61	80	73	72	73	11	71
Total earnings	$ 363	$ 434	$ 432	$ 320	$ 354	$ 66	$ 285
Fixed charges, as defined:							
Interest charges (d)	$ 58	$ 77	$ 70	$ 69	$ 70	$ 10	$ 69
Estimated interest component of operating rentals	3	3	3	3	3	1	2
Total fixed charges	$ 61	$ 80	$ 73	$ 72	$ 73	$ 11	$ 71
Ratio of earnings to fixed charges	6.0	5.4	5.9	4.4	4.8	6.0	4.0

(a) Post-acquisition activity covering the time period after October 31, 2010.
(b) Pre-acquisition activity covering the time period prior to November 1, 2010.
(c) Includes other-than-temporary impairment loss of $25 million in 2012.
(d) Includes interest on long-term and short-term debt, as well as amortization of loss on reacquired debt and amortization of debt discount, expense and premium - net.

CERTIFICATION

I, WILLIAM H. SPENCE, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PPL Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2015

/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: October 30, 2015

/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: October 30, 2015

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

CERTIFICATION

I, STEPHEN K. BREININGER, 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: October 30, 2015

/s/ Stephen K. Breininger
Stephen K. Breininger
Vice President and 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: October 30, 2015

/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: October 30, 2015

/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: October 30, 2015

/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: October 30, 2015

/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: October 30, 2015

/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: October 30, 2015

/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, 2015

In connection with the quarterly report on Form 10-Q of PPL Corporation (the "Company") for the quarter ended September 30, 2015, 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: October 30, 2015

/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 ELECTRIC UTILITIES CORPORATION'S FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2015

In connection with the quarterly report on Form 10-Q of PPL Electric Utilities Corporation (the "Company") for the quarter ended September 30, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Gregory N. Dudkin, the Principal Executive Officer of the Company, and Dennis A. Urban, Jr., the Principal Financial Officer and Principal Accounting Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 30, 2015

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

/s/ Stephen K. Breininger
Stephen K. Breininger
Vice President and 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 LG&E AND KU ENERGY LLC'S FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2015

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, 2015, 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: October 30, 2015

/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.

Exhibit 32(d)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 FOR LOUISVILLE GAS AND ELECTRIC COMPANY'S FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2015

In connection with the quarterly report on Form 10-Q of Louisville Gas and Electric Company (the "Company") for the quarter ended September 30, 2015, 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: October 30, 2015

/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.

Exhibit 32(e)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR KENTUCKY UTILITIES COMPANY'S FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2015

In connection with the quarterly report on Form 10-Q of Kentucky Utilities Company (the "Company") for the quarter ended September 30, 2015, 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: October 30, 2015

/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.

SEC Form 10-K

December 31, 2015

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

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the fiscal year ended December 31, 2015

OR

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

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock of PPL Corporation	New York Stock Exchange
Junior Subordinated Notes of PPL Capital Funding, Inc.	
2007 Series A due 2067	New York Stock Exchange
2013 Series B due 2073	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

Common Stock of PPL Electric Utilities Corporation

Indicate by check mark whether the registrants are well-known seasoned issuers, as defined in Rule 405 of the Securities Act.

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

Indicate by check mark if the registrants are not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

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

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

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrants' knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

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

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

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

As of June 30, 2015, PPL Corporation had 669,514,249 shares of its $0.01 par value Common Stock outstanding. The aggregate market value of these common shares (based upon the closing price of these shares on the New York Stock Exchange on that date) held by non-affiliates was $19,730,584,918. As of January 31, 2016, PPL Corporation had 675,190,188 shares of its $0.01 par value Common Stock outstanding.

As of January 31, 2016, PPL Corporation held all 66,368,056 outstanding common shares, no par value, of PPL Electric Utilities Corporation.

PPL Corporation directly holds all of the membership interests in LG&E and KU Energy LLC.

As of January 31, 2016, LG&E and KU Energy LLC held all 21,294,223 outstanding common shares, no par value, of Louisville Gas and Electric Company.

As of January 31, 2016, LG&E and KU Energy LLC held all 37,817,878 outstanding common shares, no par value, of Kentucky Utilities Company.

PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company meet the conditions set forth in General Instructions (I)(1)(a) and (b) of Form 10-K and are therefore filing this form with the reduced disclosure format.

Documents incorporated by reference:

PPL Corporation has incorporated herein by reference certain sections of PPL Corporation's 2016 Notice of Annual Meeting and Proxy Statement, which will be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2015. Such Statements will provide the information required by Part III of this Report.

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

FORM 10-K ANNUAL REPORT TO
THE SECURITIES AND EXCHANGE COMMISSION
FOR THE YEAR ENDED DECEMBER 31, 2015

TABLE OF CONTENTS

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

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

PART III

PART IV

GLOSSARY OF TERMS AND ABBREVIATIONS

PPL Corporation and its subsidiaries

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

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

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

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

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

PPL Capital Funding - PPL Capital Funding, Inc., a financing subsidiary of PPL that provides financing for the operations of PPL and certain subsidiaries. Debt issued by PPL Capital Funding is guaranteed as to payment by PPL.

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

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

PPL EU Services - PPL EU Services Corporation, a subsidiary of PPL that, beginning in 2015, provides support services and corporate functions such as financial, supply chain, human resources and facilities management services primarily to PPL Electric and its affiliates.

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

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

PPL WEM Limited - also referred to as PPL WEM is an indirect UK subsidiary of PPL Global which during a reorganization in October 2014 transferred WPD (East Midlands) and WPD (West Midlands) to a subsidiary of WPD plc.

PPL WPD Limited - an indirect U.K. subsidiary of PPL Global. PPL WPD Limited holds a liability for a closed defined benefit pension plan and a receivable with WPD plc. Following a reorganization in October 2015, PPL WPD Limited is now parent to WPD plc having previously been a sister company.

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

Subsidiary Registrant(s) - Registrants that are direct or indirect wholly owned subsidiaries of PPL: PPL Electric, LKE, LG&E and KU.

WPD - refers to PPL WPD Limited and its subsidiaries.

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

WPD plc - Western Power Distribution plc, formerly known as Western Power Distribution Limited, a direct U.K. subsidiary of PPL WPD Limited. Its principal indirectly owned subsidiaries are WPD (East Midlands), WPD (South Wales), WPD (South West) and WPD (West Midlands).

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

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

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

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

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

Other terms and abbreviations

£ - British pound sterling.

2001 Mortgage Indenture - PPL Electric's Indenture, dated as of August 1, 2001, to the Bank of New York Mellon (as successor to JPMorgan Chase Bank), as trustee, as supplemented.

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

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

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

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

401(h) account(s) - A sub account established within a qualified pension trust to provide for the payment of retiree medical costs.

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

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

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

AOCI - accumulated other comprehensive income or loss.

ARO - asset retirement obligation.

ATM Program - At-the-Market stock offering program.

BSER - Best System of Emission Reduction. The degree of emission reduction that EPA determines has been adequately demonstrated when taking into account the cost of achieving such reduction and any non-air quality health and environmental impact and energy requirements.

Cane Run Unit 7 - a natural gas combined-cycle generating unit in Kentucky, jointly owned by LG&E and KU, with a capacity of 642 MW (141 MW and 501 MW to LG&E and KU).

CCR(s) - Coal Combustion Residual(s). CCRs include fly ash, bottom ash and sulfur dioxide scrubber wastes.

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

Clean Water Act - federal legislation enacted to address certain environmental issues relating to water quality including effluent discharges, cooling water intake, and dredge and fill activities.

COBRA - Consolidated Omnibus Budget Reconciliation Act, which provides individuals the option to temporarily continue employer group health insurance coverage after termination of employment.

CPCN - Certificate of Public Convenience and Necessity. Authority granted by the KPSC pursuant to Kentucky Revised Statute 278.020 to provide utility service to or for the public or the construction of certain plant, equipment, property or facility for furnishing of utility service to the public.

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

DDCP - Directors Deferred Compensation Plan.

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

DNO - Distribution Network Operator in the U.K.

DOJ - U.S. Department of Justice.

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

DPCR5 - Distribution Price Control Review 5, the U.K. five-year rate review period applicable to WPD that commenced April 1, 2010.

DRIP - PPL Amended and Restated Dividend Reinvestment and Direct Stock Purchase Plan.

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

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

DUoS - Distribution Use of System. This forms the majority of WPD's revenues and is the charge to electricity suppliers who are WPD's customers and use WPD's network to distribute electricity.

Earnings from Ongoing Operations - A non-GAAP financial measure of earnings adjusted for the impact of special items and used in "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" (MD&A). See "Non-GAAP Financial Measures" within the MD&A for additional details.

EBPB - Employee Benefit Plan Board. The administrator of PPL's U.S. qualified retirement plans, which is charged with the fiduciary responsibility to oversee and manage those plans and the investments associated with those plans.

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

ELG(s) - Effluent Limitation Guidelines, regulations promulgated by the EPA.

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

EPS - earnings per share.

Equity Unit(s) - refers collectively to the 2011 and 2010 Equity Units.

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

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

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

GBP - British pound sterling.

GHG - greenhouse gas(es).

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

Gross Margins - A non-GAAP financial measure of performance used in "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" (MD&A). See "Non-GAAP Financial Measures" within the MD&A, for additional details.

GWh - gigawatt-hour, one million kilowatt hours.

Holdco - Talen Energy Holdings, Inc., a Delaware corporation, which was formed for the purposes of the June 1, 2015 spinoff of PPL Energy Supply, LLC.

IBEW - International Brotherhood of Electrical Workers.

ICP - The PPL Incentive Compensation Plan. This plan provides for incentive compensation to PPL's executive officers and certain other senior executives. New awards under the ICP were suspended in 2012 upon adoption of the 2012 PPL Stock Incentive Plan.

ICPKE - The PPL Incentive Compensation Plan for Key Employees. The ICPKE provides for incentive compensation to certain employees below the level of senior executive.

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

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

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

KU 2010 Mortgage Indenture - KU's Indenture, dated as of October 1, 2010, to The Bank of New York Mellon, as supplemented.

kV - kilovolt.

kVA - kilovolt ampere.

kWh - kilowatt hour, basic unit of electrical energy.

LCIDA - Lehigh County Industrial Development Authority.

LG&E 2010 Mortgage Indenture - LG&E's Indenture, dated as of October 1, 2010, to The Bank of New York Mellon, as supplemented.

LIBOR - London Interbank Offered Rate.

LTIIP - Long Term Infrastructure Improvement Plan. A plan that must be approved by the PUC prior to requesting the DSIC mechanism. The plan must include identification of the types and age of property for which the company is requesting recovery, a schedule of replacement, general description of location and quantity, projected annual expenditures and the manner in which replacement will ensure and maintain adequate, efficient, safe, reliable and reasonable service.

MATS - Mercury and Air Toxics Standards, regulations promulgated by the EPA.

MMBtu - One million British Thermal Units.

MOD - A mechanism applied in the U.K. to adjust allowed base demand revenue in future periods for differences in prior periods between actual values and those in the agreed business plan.

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

MW - megawatt, one thousand kilowatts.

NAAQS - National Ambient Air Quality Standards periodically adopted pursuant to the Clean Air Act.

NERC - North American Electric Reliability Corporation.

NGCC - Natural gas-fired combined-cycle generating plant.

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

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

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

NSR - The new source review provisions of the Clean Air Act that impose stringent emission control requirements on new and modified sources of air emissions that result in emission increases beyond thresholds allowed by the Clean Air Act.

OCI - other comprehensive income or loss.

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

OVEC - Ohio Valley Electric Corporation, located in Piketon, Ohio, an entity in which LKE indirectly owns an 8.13% interest (consists of LG&E's 5.63% and KU's 2.50% interests), which is accounted for as a cost-method investment. OVEC owns and operates two coal-fired power plants, the Kyger Creek plant in Ohio and the Clifty Creek plant in Indiana, with combined summer rating capacities of 2,120 MW.

PEDFA - Pennsylvania Economic Development Financing Authority.

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

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

PP&E - property, plant and equipment.

PPL EnergyPlus - prior to the June 1, 2015 spinoff of PPL Energy Supply, PPL EnergyPlus, LLC, a subsidiary of PPL Energy Supply that marketed and traded wholesale and retail electricity and gas, and supplied energy and energy services in competitive markets.

PPL Energy Supply - prior to the June 1, 2015 spinoff, PPL Energy Supply, LLC, a subsidiary of PPL Energy Funding and the parent company of PPL EnergyPlus and other subsidiaries.

PPL Montana - prior to the June 1, 2015 spinoff of PPL Energy Supply, PPL Montana, LLC, an indirect subsidiary of PPL Energy Supply, LLC that generated electricity for wholesale sales in Montana and the Pacific Northwest.

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

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

RAV - regulatory asset value. This term, used within the U.K. regulatory environment, is also commonly known as RAB or regulatory asset base. RAV is based on historical investment costs at time of privatization, plus subsequent allowed additions less annual regulatory depreciation, and represents the value on which DNOs earn a return in accordance with the regulatory cost of capital. RAV is indexed to Retail Price Index (RPI) in order to allow for the effects of inflation. Since the beginning of DPCR5 in April 2010, RAV additions have been based on a percentage of annual total expenditures which have continued from April 2015 under RIIO-ED1. RAV is intended to represent expenditures that have a long-term benefit to WPD (similar to capital projects for the U.S. regulated businesses that are generally included in rate base).

RCRA - Resource Conservation and Recovery Act of 1976.

RECs - Renewable Energy Credits.

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

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

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

RIIO-ED1 - RIIO represents "Revenues = Incentive + Innovation + Outputs." RIIO-ED1 refers to the initial eight-year rate review period applicable to WPD which commenced April 1, 2015.

Riverstone - Riverstone Holdings LLC, a Delaware limited liability company and ultimate parent company of the entities that own the competitive power generation business contributed to Talen Energy other than the competitive power generation business contributed by virtue of the spinoff of a newly formed parent of PPL Energy Supply.

RJS Power - RJS Generation Holdings LLC, a Delaware limited liability company controlled by Riverstone, that owns the competitive power generation business contributed by its owners to Talen Energy other than the competitive power generation business contributed by virtue of the spinoff of a newly formed parent of PPL Energy Supply.

RPI - Retail Price Index, is a measure of inflation in the United Kingdom published monthly by the Office for National Statistics.

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

SIP - PPL Corporation's 2012 Stock Incentive Plan.

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

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

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

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

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

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

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

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

Talen Energy - Talen Energy Corporation, the Delaware corporation formed to be the publicly traded company and owner of the competitive generation assets of PPL Energy Supply and certain affiliates of Riverstone.

Talen Energy Marketing - PPL EnergyPlus' new name subsequent to the spinoff of PPL Energy Supply.

Total shareowner return - the change in market value of a share of the Company's common stock plus the value of all dividends paid on a share of the common stock during the applicable performance period, divided by the price of the common stock as of the beginning of the performance period. The price used for purposes of this calculation is the average share price for the 20 trading days at the beginning and end of the applicable period.

Totex (total expenditures) - Totex generally consists of all the expenditures relating to WPD's regulated activities with the exception of certain specified expenditure items (Ofgem fees, National Grid transmission charges, property and corporate income taxes, pension deficit funding and cost of capital). The annual net additions to RAV are calculated as a percentage of Totex. Totex can be viewed as the aggregate net network investment, net network operating costs and indirect costs, less any cash proceeds from the sale of assets and scrap.

TRA - Tennessee Regulatory Authority, the state agency that has jurisdiction over the regulation of rates and service of utilities in Tennessee.

Treasury Stock Method - a method applied to calculate diluted EPS that assumes any proceeds that could be obtained upon exercise of options and warrants (and their equivalents) would be used to purchase common stock at the average market price during the relevant period.

TRU - a mechanism applied in the U.K. to true-up inflation estimates used in determining base demand revenue.

VEBA - Voluntary Employee Benefit Association Trust, accounts for health and welfare plans for future benefit payments for employees, retirees or their beneficiaries.

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

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

FORWARD-LOOKING INFORMATION

Statements contained in this Annual Report concerning expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are other than statements of historical fact are "forward-looking statements" within the meaning of the federal securities laws. Although the Registrants believe that the expectations and assumptions reflected in these statements are reasonable, there can be no assurance that these expectations will prove to be correct. Forward-looking statements are subject to many risks and uncertainties, and actual results may differ materially from the results discussed in forward-looking statements. In addition to the specific factors discussed in "Item 1A. Risk Factors" and in "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Annual Report, the following are among the important factors that could cause actual results to differ materially from the forward-looking statements.

- challenges by intervenors to the return on equity granted in existing rate structures;
- fuel supply, cost and availability;
- continuing ability to recover fuel costs and environmental expenditures in a timely manner at LG&E and KU, and natural gas supply costs at LG&E;
- weather conditions affecting generation, transmission and distribution operations and customer energy use;
- availability and operating costs of existing generation facilities;
- the duration of and cost associated with scheduled and unscheduled outages at our generating facilities;
- generation, transmission and distribution system conditions and operating costs;
- expansion of alternative and distributed sources of electricity generation and storage;
- collective labor bargaining negotiations;
- laws or regulations to reduce emissions of "greenhouse" gases or the physical effects of climate change;
- the outcome of litigation against the Registrants and their subsidiaries;
- potential effects of threatened or actual terrorism, war or other hostilities, cyber-based intrusions or natural disasters;
- the commitments and liabilities of the Registrants and their subsidiaries;
- the effectiveness of our risk management programs, including foreign currency and interest rate hedging;
- our ability to attract and retain qualified employees;
- volatility in demand for electricity;
- market prices of commodity inputs for ongoing capital expenditures or key operational needs;
- capital market conditions, including the availability of capital or credit, changes in interest rates and certain economic indices, and decisions regarding capital structure;
- stock price performance of PPL;
- defaults by counterparties or suppliers for energy, capacity, coal, natural gas or key commodities, goods or services;
- volatility in the fair value of debt and equity securities and its impact on the value of assets in defined benefit plans, and the potential cash funding requirements if fair value declines;
- interest rates and their effect on pension and retiree medical liabilities and interest payable on certain debt securities;
- volatility in or the impact of other changes in financial markets and economic conditions;
- new accounting requirements or new interpretations or applications of existing requirements;
- changes in securities and credit ratings;
- changes in foreign currency exchange rates for British pound sterling;
- the effect of changes in RPI on WPD's revenues;
- current and future environmental conditions, regulations and other requirements and the related costs of compliance, including environmental capital expenditures, emission allowance costs and other expenses;
- changes in political, regulatory or economic conditions in states, regions or countries where the Registrants or their subsidiaries conduct business;
- receipt of necessary governmental permits, approvals and rate relief;
- new state, federal or foreign legislation or regulatory developments;
- the outcome of any rate cases or other cost recovery or revenue filings by PPL Electric, LG&E, KU or WPD;
- the achievement of performance targets set by regulators;
- the impact of any state, federal or foreign investigations applicable to the Registrants and their subsidiaries and the energy industry;
- the effect of any business or industry restructuring;
- development of new projects, markets and technologies;
- performance of new ventures; and
- business dispositions or acquisitions and our ability to realize expected benefits from such business transactions.

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

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

PART I

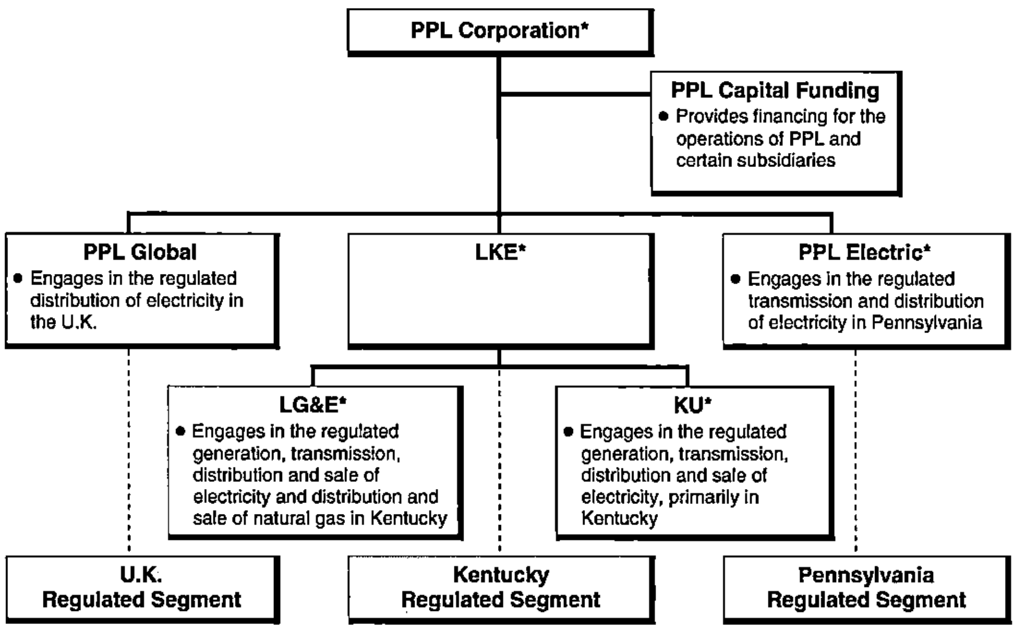
ITEM 1. BUSINESS

General

(All Registrants)

PPL Corporation, headquartered in Allentown, Pennsylvania, is a utility holding company that was incorporated in 1994. PPL, through its regulated utility subsidiaries, delivers electricity to customers in the U.K., Pennsylvania, Kentucky, Virginia and Tennessee; delivers natural gas to customers in Kentucky; and generates electricity from power plants in Kentucky. In June 2014, PPL and PPL Energy Supply executed definitive agreements with affiliates of Riverstone to combine their competitive power generation businesses into a new, stand-alone, publicly traded company named Talen Energy. The transaction was completed on June 1, 2015. See "Spinoff of PPL Energy Supply" below for more information.

PPL's principal subsidiaries at December 31, 2015 are shown below (* denotes a Registrant).



In addition to PPL, the other Registrants included in this filing are as follows.

PPL Electric Utilities Corporation, headquartered in Allentown, Pennsylvania, is a direct wholly owned subsidiary of PPL incorporated in Pennsylvania in 1920 and a regulated public utility that is an electricity transmission and distribution service provider in eastern and central Pennsylvania. PPL Electric is subject to regulation as a public utility by the PUC, and certain of its transmission activities are subject to the jurisdiction of the FERC under the Federal Power Act. PPL Electric delivers electricity in its Pennsylvania service area and provides electricity supply to retail customers in that area as a PLR under the Customer Choice Act.

LG&E and KU Energy LLC, headquartered in Louisville, Kentucky, is a wholly owned subsidiary of PPL and a holding company that owns regulated utility operations through its subsidiaries, LG&E and KU, which constitute substantially all of LKE's assets. LG&E and KU are engaged in the generation, transmission, distribution and sale of electricity. LG&E also engages in the distribution and sale of natural gas. LG&E and KU maintain separate corporate identities and serve customers in Kentucky under their respective names. KU also serves customers in Virginia under the Old Dominion Power name and in Tennessee under the KU name. LKE, formed in 2003, is the successor to a Kentucky entity incorporated in 1989.

Louisville Gas and Electric Company, headquartered in Louisville, Kentucky, is a wholly owned subsidiary of LKE and a regulated utility engaged in the generation, transmission, distribution and sale of electricity and distribution and sale of natural gas in Kentucky. LG&E is subject to regulation as a public utility by the KPSC, and certain of its transmission activities are subject to the jurisdiction of the FERC under the Federal Power Act. LG&E was incorporated in 1913.

Kentucky Utilities Company, headquartered in Lexington, Kentucky, is a wholly owned subsidiary of LKE and a regulated utility engaged in the generation, transmission, distribution and sale of electricity in Kentucky, Virginia and Tennessee. KU is subject to regulation as a public utility by the KPSC, the VSCC and the TRA, and certain of its transmission and wholesale power activities are subject to the jurisdiction of the FERC under the Federal Power Act. KU serves its Virginia customers under the Old Dominion Power name and its Kentucky and Tennessee customers under the KU name. KU was incorporated in Kentucky in 1912 and in Virginia in 1991.

(PPL)

Spinoff of PPL Energy Supply

In recognition of the changes in recent years in the wholesale power markets, PPL performed an in-depth analysis of its business mix to determine the best available opportunities to maximize the value to shareowners of its competitive generation business. As a result, in June 2014, PPL and PPL Energy Supply executed definitive agreements with affiliates of Riverstone to spin off PPL Energy Supply and immediately combine it with Riverstone's competitive power generation businesses to form a new, stand-alone, publicly traded company named Talen Energy. The transaction was subject to customary closing conditions, including receipt of regulatory approvals from the NRC, FERC, DOJ and PUC, all of which were received by mid-April 2015. On April 29, 2015, PPL's Board of Directors declared the June 1, 2015 distribution to PPL's shareowners of record on May 20, 2015 of a newly formed entity, Holdco, which at closing owned all of the membership interests of PPL Energy Supply and all of the common stock of Talen Energy.

Immediately following the spinoff on June 1, 2015, Holdco merged with a special purpose subsidiary of Talen Energy, with Holdco continuing as the surviving company to the merger and as a wholly owned subsidiary of Talen Energy and the sole owner of PPL Energy Supply. Substantially contemporaneous with the spinoff and merger, RJS Power was contributed by its owners to become a subsidiary of Talen Energy. PPL's shareowners received approximately 0.1249 shares of Talen Energy common stock for each share of PPL common stock they owned on May 20, 2015. Following completion of these transactions, 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, control of, or affiliation with Talen Energy and Talen Energy Supply (formerly PPL Energy Supply).

See Note 8 to the Financial Statements for additional information.

Acquisitions

On April 1, 2011, PPL, through an indirect, wholly owned subsidiary, PPL WEM Limited, acquired all of the outstanding ordinary share capital of Central Networks East plc and Central Networks Limited, the sole owner of Central Networks West plc, together with certain other related assets and liabilities (collectively referred to as Central Networks and subsequently defined herein as WPD Midlands), from subsidiaries of E.ON AG. WPD Midlands operates two regulated distribution networks in the Midlands area of England and is included in the U.K. Regulated segment.

Segment Information

(PPL)

PPL is organized into three reportable segments as depicted in the chart above: U.K. Regulated, Kentucky Regulated, and Pennsylvania Regulated. The U.K. Regulated segment has no related Subsidiary Registrants. PPL's other reportable segments primarily reflect the activities of its related Subsidiary Registrants, except that the reportable segments are also allocated certain corporate level financing and other costs that are not included in the results of the applicable Subsidiary Registrants. As a result of the June 1, 2015 spinoff of PPL Energy Supply, PPL no longer has a Supply segment.

A comparison of PPL's three regulated segments is shown below:

	U.K. Regulated		Kentucky Regulated		Pennsylvania Regulated	
For the year ended December 31, 2015:						
Operating Revenues (in billions)	$	2.4	$	3.1	$	2.1
Net Income (in millions)	$	1,121	$	326	$	252
Electricity delivered (GWh)		75,907		30,814		36,984
At December 31, 2015:						
Regulatory Asset Base (in billions) (a)	$	9.7	$	8.7	$	5.2
Service area (in square miles)		21,600		9,400		10,000
End-users (in millions)		7.8		1.3		1.4

(a) Represents RAV for U.K. Regulated, capitalization for Kentucky Regulated and rate base for Pennsylvania Regulated.

See Note 2 to the Financial Statements for additional financial information about the segments.

(PPL Electric, LKE, LG&E and KU)

PPL Electric has two operating segments that are aggregated into a single reportable segment. LKE, LG&E and KU each operate within a single operating segment.

- ***U.K. Regulated Segment*** *(PPL)*

  Consists of PPL Global which primarily includes WPD's regulated electricity distribution operations, the results of hedging the translation of WPD's earnings from British pound sterling into U.S. dollars, and certain costs, such as U.S. income taxes, administrative costs and allocated financing costs.

WPD, through indirect wholly owned subsidiaries, operates four of the 15 regulated distribution networks providing electricity service in the U.K. The number of network customers (end-users) served by WPD totals 7.8 million across 21,600 square miles in south Wales and southwest and central England.

Revenues for the years ended December 31 are shown below.

	2015		2014		2013	
Operating Revenues	$	2,410	$	2,621	$	2,403

The majority of WPD's operating revenue is known as DUoS and is generated by providing regulated electricity distribution services to licensed third party energy suppliers who pay WPD for the use of WPD's distribution network to transfer electricity to the suppliers' customers, the end-users. Throughout the following discussion, the use of the term "customers" refers to the end-users of WPD's regulated distribution networks.

Franchise and Licenses

The operations of WPD's principal subsidiaries, WPD (South West), WPD (South Wales), WPD (East Midlands) and WPD (West Midlands), are regulated by Ofgem under the direction of the Gas and Electricity Markets Authority. The Electricity Act 1989 provides the fundamental framework of electricity companies and established licenses that require each of the DNOs to develop, maintain and operate efficient distribution networks. WPD operates under a regulatory year that begins April 1 and ends March 31 of each year.

WPD is authorized by Ofgem to provide electricity distribution services within its concession areas and service territories, subject to certain conditions and obligations. For instance, WPD is subject to Ofgem regulation with respect to the regulated revenue it can earn and the quality of service it must provide, and WPD can be fined or have its licenses revoked if it does not meet the mandated standard of service.

Ofgem has formal powers to propose modifications to each distribution license. In January 2014, Ofgem and WPD agreed to a reduction of £5 per residential end-user in the 2014/15 regulatory year to be recovered in the 2016/2017 regulatory year. See "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations - Overview - Distribution Revenue Reduction" for additional information. Ofgem has made license changes as part of the RIIO-ED1 process discussed below.

Competition

Although WPD operates in non-exclusive concession areas in the U.K., it currently faces little competition with respect to end-users connected to its network. WPD's four distribution businesses are, therefore, regulated monopolies which operate under regulatory price controls.

Revenue and Regulation

Ofgem has adopted a price control mechanism that establishes the amount of base demand revenue WPD can earn, subject to certain true-ups, and provides for an increase or reduction in revenues based on incentives or penalties for exceeding or underperforming relative to pre-established targets. WPD's allowed revenue primarily includes base demand revenue, incentive adjustments, adjustments for over or under-recovery and adjustments related to the DPCR4 line loss close out.

WPD is currently operating under the eight-year price control period of RIIO-ED1, which commenced on April 1, 2015. The RIIO framework is intended to:

- encourage DNOs to deliver safe, reliable and sustainable network service at long-term value to customers;
- enable DNOs to finance the required investment in a timely and efficient way;
- remunerate DNOs according to their delivery for customers;
- increase emphasis on outputs and incentives;
- enhance stakeholder engagement including network customers;
- provide a stronger incentive framework to encourage more efficient investment and innovation; and
- replace the current Low Carbon Network Fund to continue to stimulate innovation.

Additionally, from a financial perspective the RIIO framework:

- regulates revenues for the DNOs in real terms using 2012/2013 prices;
- inflates RAV (therefore allowed revenues) and other revenue components using the RPI since March 31, 2013;
- splits the recovery of Totex between immediate recovery (called "fast pot") and deferred recovery as an addition to the RAV (called "slow pot");
- provides DNOs with a pass-through for costs the DNOs have no control over (i.e., Ofgem fees, National Grid transmission charges, property taxes and corporate income taxes);
- extends the recovery period of depreciation of RAV additions after April 1, 2015 from a 20 year life as used under DPCR5 to 45 years, with a transitional arrangement that will gradually increase the asset life for new additions over the price control period resulting in an average life of approximately 35 years for RAV additions during RIIO-ED1. The RAV as of March 31, 2015 will continue to be depreciated over 20 years. The asset lives used to determine depreciation expense for U.S. GAAP purposes are not the same as those used for the depreciation of the RAV in setting revenues, and as such vary by asset type and are based on the expected useful lives of the assets;
- provides the DNOs the ability to be fast-tracked through the regulatory approval process, providing a fast-track incentive of 2.5% of Totex during the 8-year price control period for successful DNOs; and
- maintains an incentive scheme for DNOs to be rewarded or penalized for performance in the areas of reliability and customer satisfaction, but places a maximum cap on the amount of incentive revenues that can be earned by a DNO.

The key components of WPD's four RIIO-ED1 business plans accepted by Ofgem are:

- all four DNO business plans were accepted for fast-track status (fast-track incentive is worth approximately $43 million annually for WPD assuming a $1.60/£ foreign currency exchange rate);
- WPD received a higher level of cost savings retention, which was established at 70% for WPD compared to approximately 55% for slow-tracked DNOs;
- a cost of debt recovery comprised of a 10-year trailing average debt allowance, to be adjusted annually, compared to a transition to a 20-year trailing average for the slow tracked DNOs applied to 65% of RAV;
- a return on regulatory equity (RORE) allowance with an equity ratio of 35% of RAV and a cost of equity rate of 6.4% compared to 6.0% for slow-tracked DNOs;
- a Totex split of 80% slow pot and 20% fast pot;
- recovery of approximately 80% of pension deficit funding for certain of WPD's defined benefit pension plans; and
- incentive targets that are significantly more stringent than those set under DPCR5, thus reducing the expected incentive revenues WPD can earn in RIIO-ED1 compared to DPCR5.

WPD's combined business plans include funding for total expenditures of approximately $20.4 billion over the eight-year period (assuming a $1.60/£ foreign currency exchange rate), broken down as follows:

- Totex - $13.5 billion ($10.8 billion additions to RAV; $2.7 billion fast pot);
- Pension deficit funding - $2.0 billion;
- Cost of debt recovery - $1.6 billion;
- Property taxes, Ofgem fees and National Grid transmissions charges - $2.6 billion; and
- Corporate income taxes recovery - $700 million.

The U.K. regulatory structure is an incentive-based structure in contrast to the typical U.S. regulatory structure which operates on a cost-recovery model. The base demand revenue that a DNO can earn in each year of the current price control period is the sum of:

- a return on capital from RAV;
- a return of capital from RAV (i.e. depreciation);
- the fast pot recovery;
- pension deficit funding;
- an allowance for cash taxes paid less a potential reduction for tax benefits from excess leverage if a DNO is levered more than 65% Debt/RAV;
- certain pass-through costs over which the DNO has no control;
- certain legacy price control adjustments from preceding price control periods, including the information quality incentive (also known as the rolling RAV incentive);
- fast track incentive - as WPD's four DNOs were fast-tracked through the price control review process for RIIO-ED1, their base demand revenue also includes the fast-track incentive discussed above;
- profiling adjustments - these adjustments do not affect the total base demand revenue in real terms over the eight-year price control period, but change the year in which the revenue is earned;
- adjustments from the Annual Iteration Process (AIP), discussed further below; and
- adjustments for inflation true-ups, discussed further below.

In addition to base demand revenue, WPD's allowed revenue primarily includes:

- an increase or reduction in revenues based on incentives or penalties for actual performance against pre-established targets;
- adjustments for over- or under-recovery of allowed revenue; and
- a reduction in revenue related to the DPCR4 line loss close out.

During DPCR5, the prior price control review period, WPD's total base demand revenue for the five-year period was profiled in a manner that resulted in a weighted-average increase of about 5.5% per year for all four DNOs. In the first year of RIIO-ED1, base demand revenue decreased by about 11.8% primarily due to a change in the profiling approach and a lower weighted-average cost of capital. For each regulatory year thereafter for the remainder of RIIO-ED1, base demand revenue will increase by approximately 1% per annum before inflation.

As the regulatory model is incentive based rather than a cost recovery model, WPD is not subject to accounting for the effects of certain types of regulation as prescribed by GAAP. Therefore, the accounting treatment of adjustments to base demand revenue and/or allowed revenue is evaluated based on revenue recognition and contingency accounting guidance.

Base Demand Revenue True-up Mechanisms
Unlike prior price control reviews, base demand revenue under RIIO-ED1 will be adjusted during the price control period. The most significant of those adjustments are:

- Inflation True-Up - The base demand revenue for the RIIO-ED1 period was set in 2012/13 prices. Therefore an inflation factor as determined by forecasted RPI, provided by HM Treasury, is applied to base demand revenue. Forecasted RPI is trued up to actuals and affects future base demand revenue two regulatory years later. This revenue change is called the "TRU" adjustment. The projected TRU for the 2015/16 regulatory year is a $45 million reduction to revenue and will reduce base demand revenue in calendar years 2017 and 2018 by $30 million and $15 million, respectively.

- Annual Iteration Process - The RIIO-ED1 price control period also includes an Annual Iteration Process (AIP). This will allow future base demand revenues agreed with the regulator as part of the price control review to be updated during the price control period for financial adjustments including tax, pensions and cost of debt, legacy price control adjustments from preceding price control periods and adjustments relating to actual and allowed total expenditure together with the Totex Incentive Mechanism (TIM). Under the TIM, WPD's DNOs are able to retain 70% of any amounts not spent against the RIIO-ED1 plan and bear 70% of any over-spends. The AIP calculates an incremental change to base demand revenue, known as the "MOD" adjustment. The MOD provided by Ofgem in November 2016 will include the TIM for the 2015/16 regulatory year as well as the cost of debt calculation based on the 10-year trailing average to October 2016. This projected MOD of $11 million will reduce base demand revenue for calendar years 2017 and 2018 by $5 million and $6 million, respectively.

As both MOD and TRU are changes to future base demand revenues as determined by Ofgem, under applicable GAAP, liabilities for these adjustments have not been recorded. PPL's projected earnings per share growth rate through 2017 includes both the estimated TRU for regulatory year 2015/16 and MOD.

Allowed Revenue Components
In addition to base demand revenue, certain other items are added or subtracted to arrive at allowed revenue. The most significant of these are discussed below.

Incentives - Ofgem has established incentive mechanisms to provide significant opportunities to enhance overall returns by improving network efficiency, reliability and customer service. Some of the more significant incentive mechanisms which may affect allowed revenue include:

- Interruptions Incentive Scheme (IIS) - This incentive has two major components: (1) Customer interruptions (CIs) and (2) Customer minutes lost (CMLs), and both are designed to incentivize the DNOs to invest and operate their networks to manage and reduce both the frequency and duration of power outages. The IIS target under RIIO-ED1 is divided into interruptions caused by planned and unplanned work. The target for planned work will be calculated as the annual average level of planned interruptions and minutes lost over a previous three year period. The target for unplanned interruptions for the first year of RIIO-ED1 is specified in the DNOs license and targets for both the CIs and CMLs become more demanding each year.

- In addition to the IIS, the broad measure of customer service is enhanced in RIIO-ED1. This broad measure encompasses:
  - customer satisfaction in supply interruptions, connections and general inquiries;
  - complaints;
  - stakeholder engagement; and
  - delivery of social obligations.

The following table shows the amount of incentive revenue, primarily from IIS, which WPD has earned during DPCR5:

Regulatory Year Ended	Incentive Earned (in millions)	Regulatory Year Ended Incentive Included in Revenue
March 2011	$ 30	March 2013
March 2012	83	March 2014
March 2013	104	March 2015
March 2014	125	March 2016
March 2015	136	March 2017

Based on applicable GAAP, incentive revenues are not recorded as assets and are included in revenues when they are billed to customers.

DPCR4 Line Loss Adjustment
For regulatory years 2015/16 through 2018/19 allowed revenue will also be reduced to reflect Ofgem's final decision on the DPCR4 line loss incentives and penalties mechanism. WPD has a liability recorded related to this future revenue reduction and, therefore, this will not impact future earnings. See Note 6 to the Financial Statements for additional information.

Correction Factor
During the price control period, WPD's revenue is decoupled from volume and WPD sets its tariffs to recover allowed revenue. However, in any fiscal period, WPD's revenue could be negatively affected if its tariffs and the volume delivered do not fully recover the allowed revenue for a particular period. Conversely, WPD could also over-recover revenue. Over and under-recoveries are subtracted from or added to allowed revenue in future years, known as the "Correction Factor" or "K-factor." Over and under-recovered amounts arising from 2014/15 onwards and refunded/recovered under RIIO-ED1 will be refunded/recovered on a two year lag (previously one year). Therefore the 2014/15 over/under-recovery adjustment will occur in 2016/17. In 2016/17 under this mechanism, WPD will recover the £5 per residential network customer reduction

given through reduced tariffs in 2014/15 (approximately $56 million) as that amount is currently considered an under-recovery.

Historically, tariffs have been set a minimum of three months prior to the beginning of the regulatory year (April 1). In February 2015, Ofgem determined that, beginning for the 2017/18 regulatory year, tariffs would be established a minimum of fifteen months in advance. Therefore, in December 2015, WPD was required to establish tariffs for 2016/17 and 2017/18. This change will potentially increase volatility in future revenue forecasts due to the need to forecast components of allowed revenue including MOD, TRU, K-factor and incentive revenues.

Under applicable GAAP, WPD does not record a receivable for under-recoveries, but does record a liability for over-recoveries. K-factor is measured as of the end of the regulatory year, March 31. While WPD estimates over-recoveries and records a liability when it is probable that there will be an over-recovered position at the end of the regulatory-year, weather-related volume changes and other factors such as sales mix can affect the over or under-recovery between the end of PPL's calendar year and the end of the regulatory year.

See "Item 1A. Risk Factors - Risks Related to U.K. Regulated Segment" for additional information on the risks associated with the U.K. Regulated Segment.

Customers

WPD provides regulated electricity distribution services to licensed third party energy suppliers (its customers) who use WPD's networks to transfer electricity to their customers, the end-users. WPD bills the energy supplier for this service and the supplier is responsible for billing the end-users. Ofgem requires that all licensed electricity distributors and suppliers become parties to the Distribution Connection and Use of System Agreement. This agreement specifies how creditworthiness will be determined and, as a result, whether the supplier needs to collateralize its payment obligations.

- ***Kentucky Regulated Segment*** *(PPL)*

Consists of the operations of LKE, which owns and operates regulated public utilities engaged in the generation, transmission, distribution and sale of electricity and distribution and sale of natural gas, representing primarily the activities of LG&E and KU. In addition, certain financing costs are allocated to the Kentucky Regulated segment.

(PPL, LKE, LG&E and KU)

LG&E and KU, direct subsidiaries of LKE, are engaged in the regulated generation, transmission, distribution and sale of electricity in Kentucky and, in KU's case, Virginia and Tennessee. LG&E also engages in the distribution and sale of natural gas in Kentucky. LG&E provides electric service to approximately 403,000 customers in Louisville and adjacent areas in Kentucky, covering approximately 700 square miles in nine counties and provides natural gas service to approximately 322,000 customers in its electric service area and eight additional counties in Kentucky. KU provides electric service to approximately 518,000 customers in 77 counties in central, southeastern and western Kentucky, approximately 28,000 customers in five counties in southwestern Virginia, and fewer than ten customers in Tennessee, covering approximately 4,800 non-contiguous square miles. KU also sells wholesale electricity to 11 municipalities in Kentucky under load following contracts. In Virginia, KU operates under the name Old Dominion Power Company.

Details of operating revenues by customer class for the years ended December 31 are shown below.

	2015		2014		2013	
	Revenue	% of Revenue	Revenue	% of Revenue	Revenue	% of Revenue
LKE						
Commercial	$ 816	26	$ 815	26	$ 770	26
Industrial	628	20	627	20	587	20
Residential	1,245	40	1,281	40	1,205	40
Retail - other	267	9	279	9	260	9
Wholesale - municipal	114	4	109	3	110	4
Wholesale - other (a)	45	1	57	2	44	1
Total	$ 3,115	100	$ 3,168	100	$ 2,976	100

	2015		2014		2013	
	Revenue	% of Revenue	Revenue	% of Revenue	Revenue	% of Revenue
LG&E						
Commercial	$ 436	30	$ 433	28	$ 405	29
Industrial	199	14	194	13	186	13
Residential	633	44	650	43	614	44
Retail - other	117	8	130	8	119	8
Wholesale - other (a) (b)	59	4	126	8	86	6
Total	$ 1,444	100	$ 1,533	100	$ 1,410	100
KU						
Commercial	$ 380	22	$ 382	22	$ 365	22
Industrial	429	25	433	25	401	25
Residential	612	35	631	36	591	36
Retail - other	150	9	149	9	141	9
Wholesale - municipal	114	7	109	6	110	7
Wholesale - other (a) (b)	43	2	33	2	27	1
Total	$ 1,728	100	$ 1,737	100	$ 1,635	100

(a) Includes wholesale power and transmission revenues.
(b) Includes intercompany power sales and transmission revenues, which are eliminated upon consolidation at LKE.

Franchises and Licenses

LG&E and KU provide electricity delivery service, and LG&E provides natural gas distribution service, in their respective service territories pursuant to certain franchises, licenses, statutory service areas, easements and other rights or permissions granted by state legislatures, cities or municipalities or other entities.

Competition

There are currently no other electric public utilities operating within the electric service areas of LKE. From time to time, bills are introduced into the Kentucky General Assembly which seek to authorize, promote or mandate increased distributed generation, customer choice or other developments. Neither the Kentucky General Assembly nor the KPSC has adopted or approved a plan or timetable for retail electric industry competition in Kentucky. The nature or timing of legislative or regulatory actions, if any, regarding industry restructuring and their impact on LKE, which may be significant, cannot currently be predicted. Virginia, formerly a deregulated jurisdiction, has enacted legislation that implemented a hybrid model of cost-based regulation. KU's operations in Virginia have been and remain regulated.

Alternative energy sources such as electricity, oil, propane and other fuels provide indirect competition for natural gas revenues of LKE. Marketers may also compete to sell natural gas to certain large end-users. LG&E's natural gas tariffs include gas price pass-through mechanisms relating to its sale of natural gas as a commodity; therefore, customer natural gas purchases from alternative suppliers do not generally impact profitability. However, some large industrial and commercial customers may physically bypass LG&E's facilities and seek delivery service directly from interstate pipelines or other natural gas distribution systems.

Power Supply

At December 31, 2015, LKE owned, controlled or had a minority ownership interest in generating capacity (summer rating) of 7,997 MW, of which 2,919 MW related to LG&E and 5,078 MW related to KU, in Kentucky, Indiana, and Ohio. See "Item 2. Properties - Kentucky Regulated Segment" for a complete list of LKE's generating facilities.

The system capacity of LKE's owned or controlled generation is based upon a number of factors, including the operating experience and physical condition of the units, and may be revised periodically to reflect changes in circumstances.

During 2015, LKE's Kentucky power plants generated the following amounts of electricity.

	GWh		
Fuel Source	LKE	LG&E	KU
Coal (a)	29,609	12,049	17,560
Oil / Gas	4,792	1,258	3,534
Hydro	372	274	98
Total (b)	34,773	13,581	21,192

(a) Includes 762 GWh of power generated by and purchased from OVEC for LKE, 527 GWh for LG&E and 235 GWh for KU.
(b) This generation represents a 2.4% decrease for LKE, a 13.7% decrease for LG&E and a 6.6% increase for KU from 2014 output.

A majority of LG&E's and KU's generated electricity was used to supply its retail and municipal customer base.

LG&E and KU jointly dispatch their generation units with the lowest cost generation used to serve their retail and municipal customers. When LG&E has excess generation capacity after serving its own retail customers and its generation cost is lower than that of KU, KU purchases electricity from LG&E. When KU has excess generation capacity after serving its own retail and municipal customers and its generation cost is lower than that of LG&E, LG&E purchases electricity from KU.

See "Item 2. Properties - Kentucky Regulated Segment" for additional information regarding LG&E's and KU's construction of a solar generating facility at the E.W. Brown generating site. As a result of environmental requirements, KU retired two coal-fired units, with a combined summer capacity rating of 161 MW, at the Green River plant in September 2015. LG&E retired a 240 MW coal-fired unit in March 2015 and two additional coal-fired units, with a combined summer capacity rating of 323 MW, in June 2015 at the Cane Run plant. KU retired a 71 MW coal-fired unit at the Tyrone plant in 2013.

Fuel Supply

Coal is expected to be the predominant fuel used by LG&E and KU for generation for the foreseeable future. Due to Cane Run Unit 7 being placed into operation during 2015, natural gas will play a more significant role going forward. The natural gas for this generating unit is purchased using contractual arrangements separate from LG&E's natural gas distribution operations. Natural gas and oil will continue to be used for intermediate and peaking capacity and flame stabilization in coal-fired boilers.

Fuel inventory is maintained at levels estimated to be necessary to avoid operational disruptions at coal-fired generating units. Reliability of coal deliveries can be affected from time to time by a number of factors including fluctuations in demand, coal mine production issues and other supplier or transporter operating difficulties.

LG&E and KU have entered into coal supply agreements with various suppliers for coal deliveries through 2022 and normally augment their coal supply agreements with spot market purchases, as needed.

For their existing units, LG&E and KU expect for the foreseeable future to purchase most of their coal from western Kentucky, southern Indiana and southern Illinois. LG&E and KU continue to purchase certain quantities of ultra-low sulfur content coal from Wyoming for blending at Trimble County Unit 2. Coal is delivered to the generating plants by barge, truck and rail.

To enhance the reliability of natural gas supply, LG&E and KU have secured, firm long-term pipeline capacity on the interstate pipeline serving Cane Run Unit 7 and six simple cycle combustion turbine units located at the Trimble County site through 2024. LG&E has also secured long-term firm pipeline capacity on an interstate pipeline for an additional simple cycle gas turbine under a power purchase agreement for the summer months through October 2018. For the seven simple cycle combustion turbines at Brown, no firm long-term pipeline capacity has been purchased due to the facility being interconnected to multiple pipelines and some of the units having dual fuel capability.

Natural gas purchases for these units currently take place as needed from pipelines but LG&E and KU may seek to augment these purchases with longer term agreements.

(PPL, LKE and LG&E)

Natural Gas Distribution Supply

Five underground natural gas storage fields, with a current working natural gas capacity of approximately 15 Bcf, are used in providing natural gas service to LG&E's firm sales customers. By using natural gas storage facilities, LG&E avoids the costs typically associated with more expensive pipeline transportation capacity to serve peak winter heating loads. Natural gas is stored during the summer season for withdrawal during the following winter heating season. Without this storage capacity, LG&E would be required to purchase additional natural gas and pipeline transportation services during winter months when customer demand increases and the prices for natural gas supply and transportation services are typically at their highest. Several suppliers under contracts of varying duration provide competitively priced natural gas. At December 31, 2015, LG&E had 12 Bcf of natural gas stored underground with a carrying value of $42 million.

LG&E has a portfolio of supply arrangements of varying terms with a number of suppliers designed to meet its firm sales obligations. These natural gas supply arrangements include pricing provisions that are market-responsive. In tandem with pipeline transportation services, these natural gas supplies provide the reliability and flexibility necessary to serve LG&E's natural gas customers.

LG&E purchases natural gas supply transportation services from two pipelines. LG&E has contracts with one pipeline that are subject to termination by LG&E between 2018 and 2021. Total winter season capacity under these contracts is 184,900 MMBtu/day and summer season capacity is 60,000 MMBtu/day. With this same pipeline, LG&E has two contracts with a total capacity of 10,000 MMBtu/day, during the winter season and 28,000 MMBtu/day, during the summer season; both contracts have been terminated effective October 31, 2016. With this same pipeline, LG&E also has a new contract for pipeline capacity commencing June 2016 through October 31, 2026, in the amount of 60,000 MMBtu/day. Additionally, LG&E has a contract with the same pipeline for the month of January 2016 with a total capacity of 30,000 MMBtu/day. LG&E has a single contract with a second pipeline with a total capacity of 20,000 MMBtu/day during both the winter and summer seasons that expires October 31, 2018.

LG&E expects to purchase natural gas supplies for its gas distribution operations from onshore producing regions in South Texas, East Texas, North Louisiana and Arkansas, as well as gas originating in the Rockies, Marcellus and Utica production areas.

(PPL, LKE, LG&E and KU)

Transmission

LG&E and KU contract with the Tennessee Valley Authority to act as their transmission reliability coordinator and contract with TranServ International, Inc. to act as their independent transmission operator.

During 2013 through 2015, LG&E and KU have submitted various compliance filings to the FERC reflecting their participation with other utilities in the Southeastern Regional Transmission Planning group relating to certain FERC Order 1000 requirements. FERC Order 1000, issued in July 2011, establishes certain procedural and substantive requirements relating to participation, cost allocation and non-incumbent developer aspects of regional and inter-regional electric transmission planning activities. FERC approvals have been received for all but one remaining of such compliance filings.

Rates

LG&E is subject to the jurisdiction of the KPSC and the FERC, and KU is subject to the jurisdiction of the KPSC, the FERC, the VSCC and the TRA. LG&E and KU operate under a FERC-approved open access transmission tariff (OATT).

LG&E's and KU's Kentucky base rates are calculated based on a return on capitalization (common equity, long-term debt and short-term debt) including adjustments for certain net investments and costs recovered separately through other means. As such, LG&E and KU generally earn a return on regulatory assets in Kentucky.

KU's Virginia base rates are calculated based on a return on rate base (net utility plant plus working capital less deferred taxes and miscellaneous deductions). All regulatory assets and liabilities, except the levelized fuel factor, are excluded from the return on rate base utilized in the calculation of Virginia base rates; therefore, no return is earned on the related assets.

KU's Tennessee base rates are established through approval of the TRA and generally will follow the cost of providing service in Kentucky.

KU's rates to 11 municipal customers for wholesale power requirements are calculated based on annual updates to a formula rate that utilizes a return on rate base (net utility plant plus working capital less deferred taxes and miscellaneous deductions). All regulatory assets and liabilities are excluded from the return on rate base utilized in the development of municipal rates; therefore, no return is earned on the related assets. In April 2014, nine municipalities submitted notices of termination, under the original notice period provisions, to cease taking power under the wholesale requirements contracts. Such terminations are to be effective in 2019, except in the case of one municipality with a 2017 effective date.

See Note 6 to the Financial Statements for additional information on cost recovery mechanisms.

- ***Pennsylvania Regulated Segment** (PPL)*

Consists of PPL Electric, a regulated public utility engaged in the distribution and transmission of electricity.

(PPL and PPL Electric)

PPL Electric delivers electricity to approximately 1.4 million customers in a 10,000-square mile territory in 29 counties of eastern and central Pennsylvania. PPL Electric also provides electricity supply to retail customers in this area as a PLR under the Customer Choice Act.

Details of revenues by customer class for the years ended December 31 are shown below.

	2015		2014		2013	
	Revenue	% of Revenue	Revenue	% of Revenue	Revenue	% of Revenue
Distribution						
Residential	$ 1,338	63	$ 1,285	63	$ 1,215	65
Industrial	58	3	52	3	52	3
Commercial	377	18	367	18	363	19
Other (a)	(44)	(2)	5		(11)	
Transmission	395	18	335	16	251	13
Total	$ 2,124	100	$ 2,044	100	$ 1,870	100

(a) Includes regulatory over- or under-recovery reconciliation mechanisms, pole attachment revenues and street lighting, offset by contra revenue associated with the network integration transmission service expense.

Franchise, Licenses and Other Regulations

PPL Electric is authorized to provide electric public utility service throughout its service area as a result of grants by the Commonwealth of Pennsylvania in corporate charters to PPL Electric and companies which it has succeeded and as a result of certification by the PUC. PPL Electric is granted the right to enter the streets and highways by the Commonwealth subject to certain conditions. In general, such conditions have been met by ordinance, resolution, permit, acquiescence or other action by an appropriate local political subdivision or agency of the Commonwealth.

Competition

Pursuant to authorizations from the Commonwealth of Pennsylvania and the PUC, PPL Electric operates a regulated distribution monopoly in its service area. Accordingly, PPL Electric does not face competition in its electricity distribution business. Pursuant to the Customer Choice Act, generation of electricity is a competitive business in Pennsylvania, and PPL Electric does not own or operate any generation facilities.

The PPL Electric transmission business, operating under a FERC-approved PJM Open Access Transmission Tariff, is subject to competition pursuant to FERC Order 1000 from entities that are not incumbent PJM transmission owners with respect to the construction and ownership of transmission facilities within PJM.

Rates and Regulation

Transmission

PPL Electric's transmission facilities are within PJM, which operates the electricity transmission network and electric energy market in the Mid-Atlantic and Midwest regions of the U.S.

PJM serves as a FERC-approved Regional Transmission Operator (RTO) to promote greater participation and competition in the region it serves. In addition to operating the electricity transmission network, PJM also administers regional markets for energy, capacity and ancillary services. A primary objective of any RTO is to separate the operation of, and access to, the transmission grid from market participants that buy or sell electricity in the same markets. Electric utilities continue to own the transmission assets and to receive their share of transmission revenues, but the RTO directs the control and operation of the transmission facilities. Certain types of transmission investment are subject to competitive processes outlined in the PJM tariff.

As a transmission owner, PPL Electric's transmission revenues are recovered through PJM in accordance with a FERC approved tariff that allows recovery of incurred transmission costs, a return on transmission-related plant and an automatic annual update based on a formula rate mechanism. As a PLR, PPL Electric also purchases transmission services from PJM. See "PLR" below.

See Note 6 to the Financial Statements for additional information on rate mechanisms.

Distribution

PPL Electric's distribution base rates are calculated based on a return on rate base (net utility plant plus a cash working capital allowance less plant-related deferred taxes and other miscellaneous additions and deductions). All regulatory assets and liabilities are excluded from the return on rate base; therefore, no return is earned on the related assets unless specifically provided for by the PUC. Currently, PPL Electric's Smart Meter rider and the DSIC are the only riders earning a return. Certain operating expenses are also included in PPL Electric's distribution base rates including wages and benefits, other operation and maintenance expenses, depreciation and taxes.

Pennsylvania's Alternative Energy Portfolio Standard (AEPS) requires electricity distribution companies and electricity generation suppliers to obtain from alternative energy resources a portion of the electricity sold to retail customers in Pennsylvania. Under the default service procurement plans approved by the PUC, PPL Electric purchases all of the alternative energy generation supply it needs to comply with the AEPS.

Act 129 created an energy efficiency and conservation program, a demand side management program, smart metering technology requirements, new PLR generation supply procurement rules, remedies for market misconduct and changes to the existing AEPS.

Act 11 authorizes the PUC to approve two specific ratemaking mechanisms: the use of a fully projected future test year in base rate proceedings and, subject to certain conditions, the use of a DSIC. Such alternative ratemaking procedures and mechanisms provide opportunity for accelerated cost-recovery and, therefore, are important to PPL Electric as it is in a period of significant capital investment to maintain and enhance the reliability of its delivery system, including the replacement of aging assets. In January 2013, PPL Electric filed a petition requesting permission to establish a DSIC. In May 2013, the PUC approved PPL Electric's proposed DSIC with an initial rate effective July 1, 2013, subject to refund after hearings. The PUC also assigned four technical recovery calculation issues to the Office of Administrative Law Judge for hearing and preparation of a recommended decision. In November 2015, the PUC issued an opinion and order approving PPL Electric's Petition with minor modifications.

See "Regulatory Matters - Pennsylvania Activities" in Note 6 to the Financial Statements for additional information regarding Act 129, Act 11 and other legislative and regulatory impacts.

PLR

The Customer Choice Act requires Electric Distribution Companies (EDCs), including PPL Electric, or an alternative supplier approved by the PUC to act as a PLR of electricity supply for customers who do not choose to shop for supply with a competitive supplier and provides that electricity supply costs will be recovered by the PLR pursuant to PUC regulations. As of December 31, 2015, the following percentages of PPL Electric's customer load were provided by competitive suppliers: 50% of residential, 85% of small commercial and industrial and 99% of large commercial and industrial customers. The PUC continues to be interested in expanding the competitive market for electricity. See "Regulatory Matters - Pennsylvania Activities - Act 129" in Note 6 to the Financial Statements for additional information.

PPL Electric's cost of electricity generation is based on a competitive solicitation process. The PUC approved PPL Electric's default service plan for the period June 2015 through May 2017, which includes 4 solicitations for electricity supply held in April and October, annually. Pursuant to this plan, PPL Electric contracts for all of the electricity supply for residential, small commercial and small industrial customers, large commercial and large industrial customers who elect to take that service from PPL Electric. These solicitations include a mix of 6- and 12-month fixed-price load-following contracts for residential, small commercial and small industrial customers, and 12-month real-time pricing contracts for large commercial and large industrial customers to fulfill PPL Electric's obligation to provide customer electricity supply as a PLR.

Numerous alternative suppliers have offered to provide generation supply in PPL Electric's service territory. Since the cost of generation supply is a pass-through cost for PPL Electric, its financial results are not impacted if its customers purchase electricity supply from these alternative suppliers. See "Energy Purchase Commitments" in Note 13 to the Financial Statements for additional information regarding PPL Electric's solicitations.

See "Regulatory Matters - Pennsylvania Activities - Rate Case Proceedings" in Note 6 to the Financial Statements for information regarding PPL Electric's 2015 rate case proceedings.

- ***Other Corporate Functions*** *(PPL)*

PPL Services provides PPL subsidiaries with administrative, management and support services.

PPL EU Services, formed in 2015, is included within the Pennsylvania Regulated Segment and provides the majority of financial, supply chain, human resources and facilities management services to PPL Electric. Significant portions of the various corporate functions previously within PPL Services were transferred to PPL EU Services in 2015. Certain other functions are to be transferred to PPL EU Services as the transition services agreements with Talen Energy expire. PPL Services will continue to provide certain limited corporate functions. For both service companies, the costs of these services are charged directly to the respective recipients for the services provided or indirectly charged to applicable recipients based on an average of the recipients' relative invested capital, operation and maintenance expenses and number of employees.

PPL Capital Funding, PPL's financing subsidiary, provides financing for the operations of PPL and certain subsidiaries. PPL's growth in rate-regulated businesses provides the organization with an enhanced corporate level financing alternative, through PPL Capital Funding, that enables PPL to cost effectively support targeted credit profiles across all of PPL's rated companies. As a result, PPL plans to further utilize PPL Capital Funding in future financings, in addition to continued direct financing by the operating companies.

Unlike PPL Services and PPL EU Services, PPL Capital Funding's costs are not generally charged to PPL subsidiaries. Costs are charged directly to PPL. However, PPL Capital Funding participated significantly in the financing for the acquisitions of LKE and WPD Midlands and certain associated financing costs were allocated to the Kentucky Regulated and U.K. Regulated segments. The associated financing costs, as well as the financing costs associated with prior issuances of certain other PPL Capital Funding securities, have been assigned to the appropriate segments for purposes of PPL management's assessment of segment performance. The financing costs associated primarily with PPL Capital Funding's securities issuances in 2013 and beyond, with certain exceptions, have not been directly assigned or allocated to any segment.

(All Registrants)

SEASONALITY

The demand for and market prices of electricity and natural gas are affected by weather. As a result, the Registrants' operating results in the future may fluctuate substantially on a seasonal basis, especially when more severe weather conditions such as heat waves or extreme winter weather make such fluctuations more pronounced. The pattern of this fluctuation may change depending on the type and location of the facilities owned. See "Financial Condition - Environmental Matters" in "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional information regarding climate change.

FINANCIAL CONDITION

See "Financial Condition" in "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" for this information.

CAPITAL EXPENDITURE REQUIREMENTS

See "Financial Condition - Liquidity and Capital Resources - Forecasted Uses of Cash - Capital Expenditures" in "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" for information concerning projected capital expenditure requirements for 2016 through 2020. See Note 13 to the Financial Statements for additional information concerning the potential impact on capital expenditures from environmental matters.

ENVIRONMENTAL MATTERS

The Registrants are subject to certain existing and developing federal, regional, state and local laws and regulations with respect to air and water quality, land use and other environmental matters. The EPA has recently issued or is in the process of proposing and finalizing numerous environmental regulations relating to air, water and waste that will directly affect the electricity industry. See "Financial Condition - Liquidity and Capital Resources - Forecasted Uses of Cash - Capital Expenditures" in "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" on projected environmental capital expenditures for the years 2016-2020. Also, see "Environmental Matters" in Note 13 to the Financial Statements for additional information. To comply with environmental requirements, PPL's forecast for environmental capital expenditures reflects a best estimate projection of expenditures that may be required within the next five years. Such projections are $1.9 billion for PPL and LKE ($1 billion for KU and $0.9 billion for LG&E). Actual costs (including capital, emission allowance purchases and operational modifications) may be significantly lower or higher depending on the final compliance requirements and market conditions. PPL's and LKE's subsidiaries may also incur capital expenditures and operating expenses, which are not now determinable, but could be significant. Environmental compliance costs incurred by LG&E and KU are subject to recovery through a rate recovery mechanism. See Note 6 to the Financial Statements for additional information.

EMPLOYEE RELATIONS

At December 31, 2015, PPL and its subsidiaries had the following full-time employees and employees represented by labor unions.

	Total Full-Time Employees	Number of Union Employees	Percentage of Total Workforce
PPL (a)	12,799	6,376	50%
PPL Electric	1,935	1,227	63%
LKE	3,484	812	23%
LG&E	1,001	688	69%
KU	926	124	13%

(a) Includes 4,085 employees of WPD who are members of labor unions (or 62% of PPL's U.K. workforce). WPD recognizes four unions, the largest of which represents 41% of its union workforce. WPD's Electricity Business Agreement, which covers 4,015 union employees, may be amended by agreement between WPD and the unions and can be terminated with 12 months' notice by either side.

AVAILABLE INFORMATION

PPL's Internet website is www.pplweb.com. Under the Investors heading of that website, PPL provides access to all SEC filings of the Registrants (including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to these reports filed or furnished pursuant to Section 13(d) or 15(d)) free of charge, as soon as reasonably practicable after filing with the SEC. Additionally, the Registrants' filings are available at the SEC's website (www.sec.gov) and at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549, or by calling 1-800-SEC-0330.

ITEM 1A. RISK FACTORS

The Registrants face various risks associated with their businesses. Our businesses, financial condition, cash flows or results of operations could be materially adversely affected by any of these risks. In addition, this report also contains forward-looking and other statements about our businesses that are subject to numerous risks and uncertainties. See "Forward-Looking Information," "Item 1. Business," "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 13 to the Financial Statements for more information concerning the risks described below and for other risks, uncertainties and factors that could impact our businesses and financial results.

As used in this Item 1A., the terms "we," "our" and "us" generally refer to PPL and its consolidated subsidiaries taken as a whole, or to the former PPL Energy Supply and its consolidated subsidiaries taken as a whole, or PPL Electric and its consolidated subsidiaries taken as a whole within the Pennsylvania Regulated segment discussion, or LKE and its consolidated subsidiaries taken as a whole within the Kentucky Regulated segment discussion.

(PPL)

Risks Relating to the Spinoff of PPL Energy Supply and Formation of Talen Energy Corporation

If the spinoff of PPL Energy Supply does not qualify as a tax-free distribution under Sections 355 and 368 of the Internal Revenue Code of 1986, as amended (the "Code"), including as a result of subsequent acquisitions of stock of PPL or Talen Energy, then PPL and/or its shareowners may be required to pay substantial U.S. federal income taxes.

Among other requirements, the completion of the June 1, 2015 spinoff of PPL Energy Supply and subsequent combination with RJS Power was conditioned upon PPL's receipt of a legal opinion of tax counsel to the effect that the spinoff will qualify as a reorganization pursuant to Section 368(a)(1)(D) and a tax-free distribution pursuant to Section 355 of the Code. Although receipt of such legal opinion was a condition to completion of the spinoff and subsequent combination, that legal opinion is not binding on the IRS. Accordingly, the IRS could reach conclusions that are different from those in the tax opinion. If, notwithstanding the receipt of such opinion, the IRS were to determine the distribution to be taxable, PPL would, and its shareowners could, depending on their individual circumstances, recognize a tax liability that could be substantial. In addition, notwithstanding the receipt of such opinion, if the IRS were to determine the merger to be taxable, PPL shareowners may, depending on their individual circumstances, recognize a tax liability that could be material.

In addition, the spinoff will be taxable to PPL pursuant to Section 355(e) of the Code if there is a 50% or greater change in ownership (by vote or value) of either PPL or Talen Energy, directly or indirectly, as part of a plan or series of related transactions that include the spinoff. Because PPL's shareowners collectively owned more than 50% of Talen Energy's common stock following the spinoff and subsequent combination, the combination alone will not cause the spinoff to be taxable to PPL under Section 355(e) of the Code. However, Section 355(e) of the Code might apply if acquisitions of stock of PPL before or after the spinoff, or of Talen Energy after the combination, were considered to be part of a plan or series of related transactions that include the spinoff. PPL is not aware of any such plan or series of transactions that include the spinoff.

Risks related to our U.K. Segment

Our U.K. distribution business contributes a significant amount of PPL's earnings and exposes us to the following additional risks related to operating outside the U.S., including risks associated with changes in U.K. laws and regulations, taxes, economic conditions and political conditions and policies of the U.K. government and the European Union. These risks may reduce the results of operations from our U.K. distribution business or affect our ability to access U.K. revenues for payment of distributions or for other corporate purposes in the U.S.

- changes in laws or regulations relating to U.K. operations, including rate regulations, operational performance and tax laws and regulations;
- changes in government policies, personnel or approval requirements;
- changes in general economic conditions affecting the U.K.;
- regulatory reviews of tariffs for distribution companies;
- changes in labor relations;
- limitations on foreign investment or ownership of projects and returns or distributions to foreign investors;
- limitations on the ability of foreign companies to borrow money from foreign lenders and lack of local capital or loans;
- changes in U.S. tax law applicable to taxation of foreign earnings;

- compliance with U.S. foreign corrupt practices laws; and
- prolonged periods of low inflation or deflation.

We are subject to increased foreign currency exchange rate risks because a majority of our cash flows and reported earnings are currently generated by our U.K. business operations.

These risks relate primarily to changes in the relative value of the British pound sterling and the U.S. dollar between the time we initially invest U.S. dollars in our U.K. businesses, and our strategy to hedge against such changes, and the time that cash is repatriated to the U.S. from the U.K., including cash flows from our U.K. businesses that may be distributed to PPL or used for repayments of intercompany loans or other general corporate purposes. In addition, PPL's consolidated reported earnings on a GAAP basis may be subject to increased earnings translation risk, which is the result of the conversion of earnings as reported in our U.K. businesses on a British pound sterling basis to a U.S. dollar basis in accordance with GAAP requirements.

Our U.K. segment is subject to inflationary risks.

Our U.K. distribution business is subject to the risks associated with fluctuations in the RPI in the U.K., which is a measure of inflation.

In RIIO-ED1, WPD's base demand revenue was established by Ofgem in 2012/13 prices. Base demand revenue is then increased by RPI for each year to arrive at the amount of revenue WPD can collect in tariffs. The RPI is forecasted and subject to true-up in subsequent years. The fluctuations between forecasted and actual RPI can then result in variances in base demand revenue from the business plan accepted by Ofgem. While WPD also has debt that is indexed to RPI and certain components of operations and maintenance expense are affected by inflation, these may not offset changes in base demand revenue and offsets would likely affect different calendar years. Further, as RAV is also subject to increase in RPI, a reduction in RPI could adversely affect the debt/RAV ratio together with the level of subsequent RAV amortization which is an element of allowed revenue.

Our U.K. delivery business is subject to revenue variability based on operational performance.

Our U.K. delivery businesses operate under an incentive-based regulatory framework. Managing operational risk and delivering agreed-upon performance are critical to the U.K. Regulated segment's financial performance. Disruption to these distribution networks could reduce profitability both directly by incurring costs for network restoration and also through the system of penalties and rewards that Ofgem administers relating to customer service levels.

A failure by any of our U.K. regulated businesses to comply with the terms of a distribution license may lead to the issuance of an enforcement order by Ofgem that could have an adverse impact on PPL.

Ofgem has powers to levy fines of up to ten percent of revenue for any breach of a distribution license or, in certain circumstances, such as insolvency, the distribution license itself may be revoked. Ofgem also has formal powers to propose modifications to each distribution license and there can be no assurance that a restrictive modification will not be introduced in the future, which could have an adverse effect on the operations and financial condition of the U.K. regulated businesses and PPL.

(PPL and LKE)

Risk Related to Registrant Holding Companies

PPL and LKE are holding companies and their cash flows and ability to meet their obligations with respect to indebtedness and under guarantees, and PPL's ability to pay dividends, largely depends on the financial performance of their respective subsidiaries and, as a result, is effectively subordinated to all existing and future liabilities of those subsidiaries.

PPL and LKE are holding companies and conduct their operations primarily through subsidiaries. Substantially all of the consolidated assets of these Registrants are held by their subsidiaries. Accordingly, these Registrants' cash flows and ability to meet debt and guaranty obligations, as well as PPL's ability to pay dividends, are largely dependent upon the earnings of those subsidiaries and the distribution or other payment of such earnings in the form of dividends, distributions, loans, advances or repayment of loans and advances. The subsidiaries are separate legal entities and have no obligation to pay dividends or distributions to their parents or to make funds available for such a payment. The ability of the Registrants' subsidiaries to pay dividends or distributions in the future will depend on the subsidiaries' future earnings and cash flows and the needs of their businesses, and may be restricted by their obligations to holders of their outstanding debt and other creditors, as well as any contractual or legal restrictions in effect at such time, including the requirements of state corporate law applicable to payment of dividends and distributions, and regulatory requirements, including restrictions on the ability of PPL Electric, LG&E and KU to pay dividends under Section 305(a) of the Federal Power Act.

Because PPL and LKE are holding companies, their debt and guaranty obligations are effectively subordinated to all existing and future liabilities of their subsidiaries. Although certain agreements to which certain subsidiaries are parties limit their ability to incur additional indebtedness, PPL and LKE and their subsidiaries retain the ability to incur substantial additional indebtedness and other liabilities. Therefore, PPL's and LKE's rights and the rights of their creditors, including rights of debt holders, to participate in the assets of any of their subsidiaries, in the event that such a subsidiary is liquidated or reorganized, will be subject to the prior claims of such subsidiary's creditors. In addition, if PPL elects to receive distributions of earnings from its foreign operations, PPL may incur U.S. income taxes, net of any available foreign tax credits, on such amounts.

(PPL Electric, LG&E and KU)

Risks Related to Domestic Regulated Utility Operations

Our domestic regulated utility businesses face many of the same risks, in addition to those risks that are unique to each of the Kentucky Regulated segment and the Pennsylvania Regulated segment. Set forth below are risk factors common to both domestic regulated segments, followed by sections identifying separately the risks specific to each of these segments.

The operation of our businesses is subject to cyber-based security and integrity risks.

Numerous functions affecting the efficient operation of our businesses are dependent on the secure and reliable storage, processing and communication of electronic data and the use of sophisticated computer hardware and software systems. The operation of our generation plants, as well as our transmission and distribution operations, are all reliant on cyber-based technologies and, therefore, subject to the risk that such systems could be the target of disruptive actions, principally by terrorists or vandals, or otherwise be compromised by unintentional events. As a result, operations could be interrupted, property could be damaged and sensitive customer information lost or stolen, causing us to incur significant losses of revenues, other substantial liabilities and damages, costs to replace or repair damaged equipment and damage to our reputation.

Our profitability is highly dependent on our ability to recover the costs of providing energy and utility services to our customers and earn an adequate return on our capital investments. Regulators may not approve the rates we request and existing rates may be challenged.

The rates we charge our utility customers must be approved by one or more federal or state regulatory commissions, including the FERC, KPSC, VSCC, TRA and PUC. Although rate regulation is generally premised on the recovery of prudently incurred costs and a reasonable rate of return on invested capital, there can be no assurance that regulatory authorities will consider all of our costs to have been prudently incurred or that the regulatory process by which rates are determined will always result in rates that achieve full or timely recovery of our costs or an adequate return on our capital investments. Federal or state agencies, intervenors and other permitted parties may challenge our current or future rate requests, structures or mechanisms, and ultimately reduce, alter or limit the rates we receive. Although our rates are generally regulated based on an analysis of our costs incurred in a base year or on future projected costs, the rates we are allowed to charge may or may not match our costs at any given time. Our domestic regulated utility businesses are subject to substantial capital expenditure requirements over the next several years, which will likely require rate increase requests to the regulators. If our costs are not adequately recovered through rates, it could have an adverse effect on our business, results of operations, cash flows and financial condition.

Our domestic utility businesses are subject to significant and complex governmental regulation.

In addition to regulating the rates we charge, various federal and state regulatory authorities regulate many aspects of our domestic utility operations, including:

- the terms and conditions of our service and operations;
- financial and capital structure matters;
- siting, construction and operation of facilities;
- mandatory reliability and safety standards under the Energy Policy Act of 2005 and other standards of conduct;

- accounting, depreciation and cost allocation methodologies;
- tax matters;
- affiliate transactions;
- acquisition and disposal of utility assets and issuance of securities; and
- various other matters, including energy efficiency.

Such regulations or changes thereto may subject us to higher operating costs or increased capital expenditures and failure to comply could result in sanctions or possible penalties which may not be recoverable from customers.

Our domestic regulated businesses undertake significant capital projects and these activities are subject to unforeseen costs, delays or failures, as well as risk of inadequate recovery of resulting costs.

The domestic regulated utility businesses are capital intensive and require significant investments in energy generation (in the case of LG&E and KU) and transmission, distribution and other infrastructure projects, such as projects for environmental compliance and system reliability. The completion of these projects without delays or cost overruns is subject to risks in many areas, including:

- approval, licensing and permitting;
- land acquisition and the availability of suitable land;
- skilled labor or equipment shortages;
- construction problems or delays, including disputes with third-party intervenors;
- increases in commodity prices or labor rates;
- contractor performance;

Failure to complete our capital projects on schedule or on budget, or at all, could adversely affect our financial performance, operations and future growth if such expenditures are not granted rate recovery by our regulators.

We are subject to the risk that our workforce and its knowledge base may become depleted in coming years.

We are experiencing an increase in attrition due primarily to the number of retiring employees, with the risk that critical knowledge will be lost and that it may be difficult to replace departed personnel, and to attract and retain new personnel, due to a declining trend in the number of available skilled workers and an increase in competition for such workers.

Risks Specific to Kentucky Regulated Segment

(PPL, LKE, LG&E and KU)

The costs of compliance with, and liabilities under, environmental laws are significant and are subject to continuing changes.

Extensive federal, state and local environmental laws and regulations are applicable to LG&E's and KU's generation business, including its air emissions, water discharges and the management of hazardous and solid wastes, among other business-related activities, and the costs of compliance or alleged non-compliance cannot be predicted but could be material. In addition, our costs may increase significantly if the requirements or scope of environmental laws, 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 forfeitures, operational changes, permit limitations or other restrictions. At some of our older generating facilities it may be uneconomic for us to install necessary pollution control equipment, which could cause us to retire those units. Market prices for energy and capacity also affect this cost-effectiveness analysis. Many of these environmental law considerations are also applicable to the operations of our key suppliers, or customers, such as coal producers and industrial power users, and may impact the costs of their products and demand for our services.

Ongoing changes in environmental regulations or their implementation requirements and our related compliance strategies entail a number of uncertainties.

The environmental standards governing LG&E's and KU's businesses, particularly as applicable to coal-fired generation and related activities, continue to be subject to uncertainties due to rulemaking and other regulatory developments, legislative activities and litigation, administrative or permit challenges. Revisions to applicable standards, changes in compliance deadlines and invalidation of rules on appeal may require major changes in compliance strategies, operations or assets and adjustments to prior plans. Depending on the extent, frequency and timing of such changes, the companies may be subject to inconsistent requirements under multiple regulatory programs, compressed windows for decision-making and short compliance deadlines that may require new technologies or aggressive schedules for construction, permitting and other regulatory approvals. Under such circumstances, the companies may face higher risks of unsuccessful implementation of environmental-related business plans, noncompliance with applicable environmental rules, delayed or incomplete rate recovery or increased costs of implementation.

We are subject to operational, regulatory and other risks regarding certain significant developments in environmental regulation affecting coal-fired generation facilities.

Certain regulatory initiatives have been implemented or are under development which could represent significant developments or changes in environmental regulation and compliance costs or risk associated with the combustion of coal as occurs at LG&E's and KU's coal-fired generation facilities. In particular, such developments include the federal Clean Power Plan regulations governing greenhouse gas emissions at existing or new power plants, the federal Coal Combustion Residuals regulations governing coal by-product storage activities and the federal Effluent Limitations Guidelines governing water discharge activities. Such initiatives have the potential to require significant changes in generation portfolio composition and in coal combustion byproduct handling and disposal or water treatment and release facilities and methods from those historically used or currently available. Consequently, such developments may involve increased risks relating to the uncertain cost, efficacy and reliability of new technologies, equipment or methods. Compliance with such regulations could result in significant changes to LG&E's and KU's operations or commercial practices and material additional capital or operating expenditures. Such circumstances could also involve higher risks of compliance violations or of variations in rate or regulatory treatment when compared to existing frameworks.

Risks Specific to Pennsylvania Regulated Segment

(PPL and PPL Electric)

We plan to selectively pursue growth of our transmission capacity, which involves a number of uncertainties and may not achieve the desired financial results.

We plan to pursue expansion of our transmission capacity over the next several years. We plan to do this through the potential construction or acquisition of transmission projects and capital investments to upgrade transmission infrastructure. These types of projects involve numerous risks. With respect to the construction or acquisition of transmission projects, we may be required to expend significant sums for preliminary engineering, permitting, resource exploration, legal and other expenses before it can be established whether a project is feasible, economically attractive or capable of being financed. Expansion in our regulated businesses is dependent on future load or service requirements and subject to applicable regulatory processes. The success of both a new or acquired project would likely be contingent, among other things, upon the negotiation of satisfactory construction contracts, obtaining acceptable financing and maintaining acceptable credit ratings, as well as receipt of required and appropriate governmental approvals. If we were unable to complete construction or expansion of a project, we may not be able to recover our investment in the project.

We face competition for transmission projects, which could adversely affect our rate base growth.

FERC Order 1000, issued in July 2011, establishes certain procedural and substantive requirements relating to participation, cost allocation and non-incumbent developer aspects of regional and inter-regional electric transmission planning activities. The PPL Electric transmission business, operating under a FERC-approved PJM Open Access Transmission Tariff (OATT), is subject to competition pursuant to FERC Order 1000 from entities that are not incumbent PJM transmission owners with respect to the construction and ownership of transmission facilities within PJM. Increased competition can result in lower rate base growth.

We could be subject to higher costs and/or penalties related to Pennsylvania Conservation and Energy Efficiency Programs.

PPL Electric is subject to Act 129 which contains requirements for energy efficiency and conservation programs and for the use of smart metering technology, imposes PLR electricity supply procurement rules, provides remedies for market misconduct, and made changes to the existing Alternative Energy Portfolio Standard. The law also requires electric utilities to meet specified goals for reduction in customer electricity usage and peak demand. Utilities not meeting these Act 129 requirements are subject to significant penalties that cannot be recovered in rates. Numerous factors outside of our control could prevent compliance with these requirements and result in penalties to us.

We are or may be subject to costs of remediation of environmental contamination at facilities owned or operated by PPL Electric or its former subsidiaries.

We may be subject to liability for the costs of environmental remediation of property now or formerly owned by us with respect to substances that we may have generated regardless of whether the liabilities arose before, during or after the time we owned or operated the facilities. We also have current or previous ownership interests in sites associated with the production of manufactured gas for which we may be liable for additional costs related to investigation, remediation and monitoring of these sites. Remediation activities associated with our former manufactured gas plant operations are one source of such costs. Citizen groups or others may bring litigation regarding environmental issues including claims of various types, such as property damage, personal injury and citizen challenges to compliance decisions on the enforcement of environmental requirements, which could subject us to penalties, injunctive relief and the cost of litigation. We cannot predict the amount and timing of all future expenditures (including the potential or magnitude of fines or penalties) related to such environmental matters, although they could be material.

Risks Related to All Segments

(*All Registrants*)

Increases in electricity prices and/or a weak economy, can lead to changes in legislative and regulatory policy, including the promotion of energy efficiency, conservation and distributed generation or self-generation, which may adversely impact our business.

Energy consumption is significantly impacted by overall levels of economic activity and costs of energy supplies. Economic downturns or periods of high energy supply costs can lead to changes in or the development of legislative and regulatory policy designed to promote reductions in energy consumption and increased energy efficiency, alternative and renewable energy sources, and distributed or self-generation by customers. This focus on conservation, energy efficiency and self-generation may result in a decline in electricity demand, which could in turn adversely affect our business.

We could be negatively affected by rising interest rates, downgrades to our credit ratings, adverse credit market conditions or other negative developments in our ability to access capital markets.

In the ordinary course of business, we are reliant upon adequate long-term and short-term financing to fund our significant capital expenditures, debt service and operating needs. As a capital-intensive business, we are sensitive to developments in interest rates, credit rating considerations, insurance, security or collateral requirements, market liquidity and credit availability and refinancing opportunities necessary or advisable to respond to credit market changes. Changes in these conditions could result in increased costs and decreased availability of credit.

A downgrade in our credit ratings could negatively affect our ability to access capital and increase the cost of maintaining our credit facilities and any new debt.

Credit ratings assigned by Moody's and S&P to our businesses and their financial obligations have a significant impact on the cost of capital incurred by our businesses. A ratings downgrade could increase our short-term borrowing costs and negatively affect our ability to fund liquidity needs and access new long-term debt at acceptable interest rates. See "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations - Financial Condition - Liquidity and Capital Resources - Ratings Triggers" for additional information on the financial impact of a downgrade in our credit ratings.

Disruption in financial markets could adversely affect our financial condition and results of operations.

Our businesses are heavily dependent on credit and access to capital, among other things, for financing capital expenditures. Regulations under the Dodd-Frank Act in the U.S. and Basel III in Europe may impose costly additional requirements on the businesses of others with whom we contract, such as banks or other counterparties, or simply result in increased costs to conduct our business or access sources of capital and liquidity upon which the conduct of our businesses is dependent.

Our operating revenues could fluctuate on a seasonal basis, especially as a result of extreme weather conditions.

Our businesses are subject to seasonal demand cycles. For example, in some markets demand for, and market prices of, electricity peak during hot summer months, while in other markets such peaks occur in cold winter months. As a result, our overall operating results may fluctuate substantially on a seasonal basis if weather conditions such as heat waves, extreme cold, unseasonably mild weather or severe storms occur. The patterns of these fluctuations may change depending on the type and location of our facilities.

Operating expenses could be affected by weather conditions, including storms, as well as by significant man-made or accidental disturbances, including terrorism or natural disasters.

Weather and these other factors can significantly affect our profitability or operations by causing outages, damaging infrastructure and requiring significant repair costs. Storm outages and damage often directly decrease revenues and increase expenses, due to reduced usage and restoration costs.

Our businesses are subject to physical, market and economic risks relating to potential effects of climate change.

Climate change may produce changes in weather or other environmental conditions, including temperature or precipitation levels, and thus may impact consumer demand for electricity. In addition, the potential physical effects of climate change, such as increased frequency and severity of storms, floods, and other climatic events, could disrupt our operations and cause us to incur significant costs to prepare for or respond to these effects. These or other meteorological changes could lead to increased operating costs, capital expenses or power purchase costs. Greenhouse gas regulation could increase the cost of electricity, particularly power generated by fossil fuels, and such increases could have a depressive effect on regional economies. Reduced economic and consumer activity in our service areas -- both generally and specific to certain industries and consumers accustomed to previously lower cost power -- could reduce demand for the power we generate, market and deliver. Also, demand for our energy-related services could be similarly lowered by consumers' preferences or market factors favoring energy efficiency, low-carbon power sources or reduced electricity usage.

We cannot predict the outcome of the legal proceedings and investigations currently being conducted with respect to our current and past business activities. An adverse determination could have a material adverse effect on our financial condition, results of operations or cash flows.

We are involved in legal proceedings, claims and litigation and subject to ongoing state and federal investigations arising out of our business operations, the most significant of which are summarized in "Federal Matters" in Note 6 and "Legal Matters," "Regulatory Issues" and "Environmental Matters - Domestic" in Note 13 to the Financial Statements. We cannot predict the ultimate outcome of these matters, nor can we reasonably estimate the costs or liabilities that could potentially result from a negative outcome in each case.

Significant increases in our operation and maintenance expenses, including health care and pension costs, could adversely affect our future earnings and liquidity.

We continually focus on limiting and reducing our operation and maintenance expenses. However, we expect to continue to face increased cost pressures in our operations. Increased costs of materials and labor may result from general inflation, increased regulatory requirements (especially in respect of environmental regulations), the need for higher-cost expertise in the workforce or other factors. In addition, pursuant to collective bargaining agreements, we are contractually committed to provide specified levels of health care and pension benefits to certain current employees and retirees. We provide a similar level of benefits to our management employees. These benefits give rise to significant expenses. Due to general inflation with respect to such costs, the aging demographics of our workforce and other factors, we have experienced significant health care cost inflation in recent years, and we expect our health care costs, including prescription drug coverage, to continue to increase despite measures that we have taken and expect to take to require employees and retirees to bear a higher portion of the costs of their health care benefits. In addition, we expect to continue to incur significant costs with respect to the defined benefit pension plans for our employees and retirees. The measurement of our expected future health care and pension obligations, costs and liabilities is highly dependent on a variety of assumptions, most of which relate to factors beyond our control. These assumptions include investment returns, interest rates, health care cost trends, inflation rates, benefit improvements, salary increases and the demographics of plan participants. If our assumptions prove to be inaccurate, our future costs and cash contribution requirements to fund these benefits could increase significantly.

We may be required to record impairment charges in the future for certain of our investments, which could adversely affect our earnings.

Under GAAP, we are required to test our recorded goodwill and indefinite-lived intangible assets for impairment on an annual basis, or more frequently if events or circumstances indicate that these assets may be impaired. Although no impairments were recorded based on our annual review in the fourth quarter of 2015, we are unable to predict whether future impairment charges may be necessary.

We also review our long-lived tangible and finite-lived intangible assets, including equity investments, for impairment when events or circumstances indicate that the carrying value of these assets may not be recoverable. Although no impairment charges have been recorded related to the Company's continuing operations during the reporting periods, we are unable to predict whether impairment charges, or other losses on sales of other assets or businesses, may occur in future years.

We may incur liabilities in connection with discontinued operations.

In connection with various divestitures, and certain other transactions, we have indemnified or guaranteed parties against certain liabilities. These indemnities and guarantees relate, among other things, to liabilities which may arise with respect to the period during which we or our subsidiaries operated a divested business, and to certain ongoing contractual relationships and entitlements with respect to which we or our subsidiaries made commitments in connection with the divestiture. See "Guarantees and Other Assurances" in Note 13 to the Financial Statements.

We are subject to liability risks relating to our generation, transmission and distribution operations.

The conduct of our physical and commercial operations subjects us to many risks, including risks of potential physical injury, property damage or other financial liability, caused to or by employees, customers, contractors, vendors, contractual or financial counterparties and other third parties.

Our facilities may not operate as planned, which may increase our expenses and decrease our revenues and have an adverse effect on our financial performance.

Operation of power plants, transmission and distribution facilities, information technology systems and other assets and activities subjects us to a variety of risks, including the breakdown or failure of equipment, accidents, security breaches, viruses or outages affecting information technology systems, labor disputes, obsolescence, delivery/transportation problems and disruptions of fuel supply and performance below expected levels. These events may impact our ability to conduct our businesses efficiently and lead to increased costs, expenses or losses. Operation of our delivery systems below our expectations may result in lost revenue and increased expense, including higher maintenance costs which may not be recoverable from customers. Planned and unplanned outages at our power plants may require us to purchase power at then-current market prices to satisfy our commitments or, in the alternative, pay penalties and damages for failure to satisfy them.

Although we maintain customary insurance coverage for certain of these risks, no assurance can be given that such insurance coverage will be sufficient to compensate us in the event losses occur.

We are subject to risks associated with federal and state tax laws and regulations.

Changes in tax law as well as the inherent difficulty in quantifying potential tax effects of business decisions could negatively impact our results of operations. We are required to make judgments in order to estimate our obligations to taxing authorities. These tax obligations include income, property, gross receipts and franchise, sales and use, employment-related and other taxes. We also estimate our ability to utilize tax benefits and tax credits. Due to the revenue needs of the jurisdictions in which our businesses operate, various tax and fee increases may be proposed or considered. We cannot predict whether such tax legislation or regulation will be introduced or enacted or the effect of any such changes on our businesses. If enacted, any changes could increase tax expense and could have a significant negative impact on our results of operations and cash flows.

We are required to obtain, and to comply with, government permits and approvals.

We are required to obtain, and to comply with, numerous permits, approvals, licenses and certificates from governmental agencies. The process of obtaining and renewing necessary permits can be lengthy and complex and can sometimes result in the establishment of permit conditions that make the project or activity for which the permit was sought unprofitable or otherwise unattractive. In addition, such permits or approvals may be subject to denial, revocation or modification under various circumstances. Failure to obtain or comply with the conditions of permits or approvals, or failure to comply with any applicable laws or regulations, may result in the delay or temporary suspension of our operations and electricity sales or the curtailment of our power delivery and may subject us to penalties and other sanctions. Although various regulators routinely renew existing licenses, renewal could be denied or jeopardized by various factors, including failure to provide adequate financial assurance for closure; failure to comply with environmental, health and safety laws and regulations or permit conditions; local community, political or other opposition; and executive, legislative or regulatory action.

Our cost or inability to obtain and comply with the permits and approvals required for our operations could have a material adverse effect on our operations and cash flows. In addition, new environmental legislation or regulations, if enacted, or changed interpretations of existing laws may elicit claims that historical routine modification activities at our facilities violated applicable laws and regulations. In addition to the possible imposition of fines in such cases, we may be required to undertake significant capital investments in pollution control technology and obtain additional operating permits or approvals, which could have an adverse impact on our business, results of operations, cash flows and financial condition.

War, other armed conflicts or terrorist attacks could have a material adverse effect on our business.

War, terrorist attacks and unrest have caused and may continue to cause instability in the world's financial and commercial markets and have contributed to high levels of volatility in prices for oil and gas. In addition, unrest in the Middle East could lead to acts of terrorism in the United States or elsewhere, and acts of terrorism could be directed against companies such as ours. Armed conflicts and terrorism and their effects on us or our markets may significantly affect our business and results of operations in the future. In addition, we may incur increased costs for security, including additional physical plant security and security personnel or additional capability following a terrorist incident.

We are subject to counterparty performance, credit or other risk in their provision of goods or services to us, which could adversely affect our ability to operate our facilities or conduct business activities.

We purchase from a variety of suppliers energy, capacity, fuel, natural gas, transmission service and certain commodities used in the physical operation of our businesses, as well as goods or services, including information technology rights and services, used in the administration of our businesses. Delivery of these goods and services is dependent on the continuing operational performance and financial viability of our contractual counterparties and also the markets, infrastructure or third-parties they use to provide such goods and services to us. As a result, we are subject to the risks of disruptions, curtailments or increased costs in the operation of our businesses if such goods or services are unavailable or become subject to price spikes or if a counterparty fails to perform. Such disruptions could adversely affect our ability to operate our facilities or deliver our services and collect our revenues, which could result in lower sales and/or higher costs and thereby adversely affect our results of operations. The performance of coal markets and producers may be the subject of increased counterparty risk to LKE, LG&E and KU currently due to weaknesses in such markets and suppliers. The coal industry is subject to increasing competitive pressures from natural gas markets and new or more stringent environmental regulation, including greenhouse gases or other air emissions, combustion byproducts and water inputs or discharges. Consequently, the coal industry faces raised production costs or closed customer markets.

ITEM 1B. UNRESOLVED STAFF COMMENTS

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

None.

ITEM 2. PROPERTIES

U.K. Regulated Segment *(PPL)*

For a description of WPD's service territory, see "Item 1. Business - General - Segment Information - U.K. Regulated Segment." WPD has electric distribution lines in public streets and highways pursuant to legislation and rights-of-way secured from property owners. At December 31, 2015, WPD's distribution system in the U.K. includes 1,748 substations with a total capacity of 71 million kVA, 56,562 circuit miles of overhead lines and 81,824 underground cable miles.

Kentucky Regulated Segment *(PPL, LKE, LG&E and KU)*

LG&E's and KU's properties consist primarily of regulated generation facilities, electric transmission and distribution assets and natural gas transmission and distribution assets in Kentucky. The capacity of generation units is based on a number of factors, including the operating experience and physical condition of the units, and may be revised periodically to reflect changed circumstances. The electric generating capacity at December 31, 2015 was:

		LKE	LG&E		KU	
Primary Fuel/Plant	Total MW Capacity Summer	Ownership or Other Interest in MW	% Ownership or Other Interest	Ownership or Other Interest in MW	% Ownership or Other Interest	Ownership or Other Interest in MW
Coal						
Ghent - Units 1- 4	1,919	1,919			100.00	1,919
Mill Creek - Units 1- 4	1,465	1,465	100.00	1,465		
E.W. Brown - Units 1-3	682	682			100.00	682
Trimble County - Unit 1 (a)	511	383	75.00	383		
Trimble County - Unit 2 (a)	732	549	14.25	104	60.75	445
OVEC - Clifty Creek (b)	1,164	95	5.63	66	2.50	29
OVEC - Kyger Creek (b)	956	78	5.63	54	2.50	24
	7,429	5,171		2,072		3,099
Natural Gas/Oil						
E.W. Brown Unit 5 (c)	130	130	53.00	69	47.00	61
E.W. Brown Units 6 - 7	292	292	38.00	111	62.00	181
E.W. Brown Units 8 - 11 (c)	484	484			100.00	484
Trimble County Units 5 - 6	318	318	29.00	92	71.00	226
Trimble County Units 7 - 10	636	636	37.00	235	63.00	401
Paddy's Run Units 11 - 12	35	35	100.00	35		
Paddy's Run Unit 13	147	147	53.00	78	47.00	69
Haefling - Units 1 - 2	24	24			100.00	24
Zorn Unit	14	14	100.00	14		
Cane Run Unit 7	642	642	22.00	141	78.00	501
Cane Run Unit 11	14	14	100.00	14		
	2,736	2,736		789		1,947
Hydro						
Ohio Falls - Units 1-8	58	58	100.00	58		
Dix Dam - Units 1-3	32	32			100.00	32
	90	90		58		32
Total	10,255	7,997		2,919		5,078

(a) Trimble County Unit 1 and Trimble County Unit 2 are jointly owned with Illinois Municipal Electric Agency and Indiana Municipal Power Agency. Each owner is entitled to its proportionate share of the units' total output and funds its proportionate share of capital, fuel and other operating costs. See Note 12 to the Financial Statements for additional information.

(b) These units are owned by OVEC. LG&E and KU have a power purchase agreement that entitles LG&E and KU to their proportionate share of these unit's total output and LG&E and KU fund their proportionate share of fuel and other operating costs. Clifty Creek is located in Indiana and Kyger Creek is located in Ohio. See Note 13 to the Financial Statements for additional information.

(c) There is an inlet air cooling system attributable to these units. This inlet air cooling system is not jointly owned; however, it is used to increase production on the units to which it relates, resulting in an additional 10 MW of capacity for LG&E and an additional 88 MW of capacity for KU.

For a description of LG&E's and KU's service areas, see "Item 1. Business - General - Segment Information - Kentucky Regulated Segment." At December 31, 2015, LG&E's transmission system included in the aggregate, 46 substations (32 of which are shared with the distribution system) with a total capacity of 8 million kVA and 677 pole miles of lines. LG&E's distribution system included 97 substations (32 of which are shared with the transmission system) with a total capacity of 5 million kVA, 3,899 circuit miles of overhead lines and 2,482 underground cable miles. KU's transmission system included 138 substations (58 of which are shared with the distribution system) with a total capacity of 14 million kVA and 4,078 pole miles of lines. KU's distribution system included 479 substations (58 of which are shared with the transmission system) with a total capacity of 7 million kVA, 14,049 circuit miles of overhead lines and 2,408 underground cable miles.

LG&E's natural gas transmission system includes 4,337 miles of gas distribution mains and 398 miles of gas transmission mains, consisting of 265 miles of gas transmission pipeline, 120 miles of gas transmission storage lines, 14 miles of gas combustion turbine lines and one mile of gas transmission pipeline in regulator facilities. Five underground natural gas storage fields, with a total working natural gas capacity of approximately 15 Bcf, are used in providing natural gas service to ultimate consumers. KU's service area includes an additional 11 miles of gas transmission pipeline providing gas supply to natural gas combustion turbine electricity generating units.

Substantially all of LG&E's and KU's respective real and tangible personal property located in Kentucky and used or to be used in connection with the generation, transmission and distribution of electricity and, in the case of LG&E, the storage and distribution of natural gas, is subject to the lien of either the LG&E 2010 Mortgage Indenture or the KU 2010 Mortgage Indenture. See Note 7 to the Financial Statements for additional information.

LG&E and KU continuously reexamine development projects based on market conditions and other factors to determine whether to proceed with the projects, sell, cancel or expand them or pursue other options. LG&E and KU received approval from the KPSC to build a 10 MW (4 MW for LG&E and 6 MW for KU) solar generating unit at the existing E.W. Brown site, which is expected to begin commercial operation in June 2016.

Pennsylvania Regulated Segment *(PPL and PPL Electric)*

For a description of PPL Electric's service territory, see "Item 1. Business - General - Segment Information - Pennsylvania Regulated Segment." PPL Electric has electric transmission and distribution lines in public streets and highways pursuant to franchises and rights-of-way secured from property owners. At December 31, 2015, PPL Electric's transmission system includes 46 substations with a total capacity of 25 million kVA and 5,297 circuit miles in service. PPL Electric's distribution system includes 353 substations with a total capacity of 13 million kVA, 37,256 circuit miles of overhead lines and 8,410 underground circuit miles. All of PPL Electric's facilities are located in Pennsylvania. Substantially all of PPL Electric's distribution properties and certain transmission properties are subject to the lien of the PPL Electric 2001 Mortgage Indenture. See Note 7 to the Financial Statements for additional information.

See Note 8 to the Financial Statements for information on the Regional Transmission Line Expansion Plan.

ITEM 3. LEGAL PROCEEDINGS

See Notes 5, 6 and 13 to the Financial Statements for information regarding legal, tax litigation, regulatory and environmental proceedings and matters.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

See "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations - Financial Condition - Liquidity and Capital Resources - Forecasted Uses of Cash" for information regarding certain restrictions on the ability to pay dividends for all Registrants.

PPL Corporation

Additional information for this item is set forth in the sections entitled "Quarterly Financial, Common Stock Price and Dividend Data," "Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" and "Shareowner and Investor Information" of this report. At January 31, 2016, there were 60,137 common stock shareowners of record.

There were no purchases by PPL of its common stock during the fourth quarter of 2015.

PPL Electric Utilities Corporation

There is no established public trading market for PPL Electric's common stock, as PPL owns 100% of the outstanding common shares. Dividends paid to PPL on those common shares are determined by PPL Electric's Board of Directors. PPL Electric paid common stock dividends to PPL of $181 million in 2015 and $158 million in 2014.

LG&E and KU Energy LLC

There is no established public trading market for LKE's membership interests. PPL owns all of LKE's outstanding membership interests. Distributions on the membership interests will be paid as determined by LKE's Board of Directors. LKE made cash distributions to PPL of $219 million in 2015 and $436 million in 2014.

Louisville Gas and Electric Company

There is no established public trading market for LG&E's common stock, as LKE owns 100% of the outstanding common shares. Dividends paid to LKE on those common shares are determined by LG&E's Board of Directors. LG&E paid common stock dividends to LKE of $119 million in 2015 and $112 million in 2014.

Kentucky Utilities Company

There is no established public trading market for KU's common stock, as LKE owns 100% of the outstanding common shares. Dividends paid to LKE on those common shares are determined by KU's Board of Directors. KU paid common stock dividends to LKE of $153 million in 2015 and $148 million in 2014.

ITEM 6. SELECTED FINANCIAL AND OPERATING DATA

PPL Corporation (a) (b)	2015	2014	2013	2012	2011 (c)
Income Items (in millions)					
Operating revenues	$ 7,669	$ 7,852	$ 7,263	$ 6,856	$ 6,329
Operating income	2,831	2,867	2,561	2,228	1,659
Income from continuing operations after income taxes attributable to PPL shareowners	1,603	1,437	1,368	1,114	683
Income (loss) from discontinued operations (net of income taxes) (h)	(921)	300	(238)	412	812
Net income attributable to PPL shareowners (h)	682	1,737	1,130	1,526	1,495
Balance Sheet Items (in millions)					
Total assets (d)(f)	39,301	48,606	45,889	43,509	42,536
Short-term debt (f)	916	836	701	296	178
Long-term debt (d)(f)	19,048	18,054	18,269	16,120	14,879
Noncontrolling interests				18	268
Common equity (f)	9,919	13,628	12,466	10,480	10,828
Total capitalization (f)	29,883	32,518	31,436	26,914	26,153
Financial Ratios					
Return on common equity - % (f)(h)	5.8	13.0	9.8	13.8	14.9
Ratio of earnings to fixed charges (e)	2.8	2.8	2.4	2.1	1.7
Common Stock Data					
Number of shares outstanding - Basic (in thousands)					
Year-end	673,857	665,849	630,321	581,944	578,405
Weighted-average	669,814	653,504	608,983	580,276	550,395
Income from continuing operations after income taxes available to PPL common shareowners - Basic EPS	$ 2.38	$ 2.19	$ 2.24	$ 1.91	$ 1.24
Income from continuing operations after income taxes available to PPL common shareowners - Diluted EPS	$ 2.37	$ 2.16	$ 2.12	$ 1.90	$ 1.23
Net income available to PPL common shareowners - Basic EPS	$ 1.01	$ 2.64	$ 1.85	$ 2.61	$ 2.71
Net income available to PPL common shareowners - Diluted EPS	$ 1.01	$ 2.61	$ 1.76	$ 2.60	$ 2.70
Dividends declared per share of common stock	$ 1.50	$ 1.49	$ 1.47	$ 1.44	$ 1.40
Book value per share (f)	$ 14.72	$ 20.47	$ 19.78	$ 18.01	$ 18.72
Market price per share	$ 34.13	$ 36.33	$ 30.09	$ 28.63	$ 29.42
Dividend payout ratio - % (g)(h)	149	57	84	55	52
Dividend yield - % (i)	4.4	4.1	4.9	5.0	4.8
Price earnings ratio (g)(h)(i)	33.8	13.9	17.1	11.0	10.9
Sales Data - GWh					
Domestic - Electric energy supplied - wholesale	2,241	2,365	2,383	2,304	3,550
Domestic - Electric energy delivered - retail	67,798	68,569	67,848	66,931	67,806
U.K. - Electric energy delivered	75,907	75,813	78,219	77,467	58,245

(a) The earnings each year were affected by several items that management considers special. See "Results of Operations - Segment Earnings" in "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" for a description of special items in 2015, 2014 and 2013. The earnings were also affected by the spinoff of PPL Energy Supply and the sale of the Montana hydroelectric generating facilities. See Note 8 to the Financial Statements for a discussion of discontinued operations in 2015, 2014 and 2013.
(b) See "Item 1A. Risk Factors" and Notes 1, 6 and 13 to the Financial Statements for a discussion of uncertainties that could affect PPL's future financial condition.
(c) 2011 includes eight months of WPD Midlands activity following the April 1, 2011 acquisition, as PPL consolidates on a one-month lag.
(d) All years reflect the retrospective adoption of new accounting guidance related to the presentation of debt issuance costs and deferred taxes. See Note 1 to the Financial Statements for additional information.
(e) Computed using earnings and fixed charges of PPL and its subsidiaries. Fixed charges consist of interest of on short and long-term debt, amortization of debt discount, expense and premium-net, other interest charges, the estimated interest component of operating rentals and preferred securities distributions of subsidiaries. See Exhibit 12(a) for additional information.
(f) 2015 reflects the impact of the spinoff of PPL Energy Supply and a $3.2 billion related dividend.
(g) Based on diluted EPS.
(h) 2015 includes an $879 million loss on the spinoff of PPL Energy Supply, reflecting the difference between PPL's recorded value for the Supply segment and the estimated fair value determined in accordance with the applicable accounting rules under GAAP. 2015 also includes five months of Supply segment earnings, compared to 12 months in 2014.
(i) Based on year-end market prices.

ITEM 6. SELECTED FINANCIAL AND OPERATING DATA

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

Item 6 is omitted as PPL Electric, LKE, LG&E and KU meet the conditions set forth in General Instructions (I)(1)(a) and (b) of Form 10-K.

Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations

(All Registrants)

This "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" is separately filed by PPL Corporation, PPL Electric, LKE, LG&E and KU. Information contained herein relating to any individual Registrant is filed by such Registrant solely on its own behalf, and no Registrant makes any representation as to information relating to any other Registrant. The specific Registrant to which disclosures are applicable is identified in parenthetical headings in italics above the applicable disclosure or within the applicable disclosure for each Registrant's related activities and disclosures. Within combined disclosures, amounts are disclosed for any Registrant when significant.

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

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

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

- "Results of Operations" for PPL provides a detailed analysis of earnings by segment, and for PPL Electric, LKE, LG&E and KU, includes a summary of earnings. For all Registrants, "Non-GAAP Financial Measures", "Earnings from Ongoing Operations" and "Margins" provide explanations of non-GAAP measures used and reconciliations to the most directly comparable GAAP measure. "Statement of Income Analysis" addresses significant changes in principal line items on the Statements of Income, comparing 2015 with 2014 and 2014 with 2013.

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

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

- "Application of Critical Accounting Policies" provides an overview of the accounting policies that are particularly important to the results of operations and financial condition of the Registrants and that require their management to make significant estimates, assumptions and other judgments of inherently uncertain matters.

Overview

For a description of the Registrants and their businesses, see "Item 1. Business."

In June 2014, PPL and PPL Energy Supply executed definitive agreements with affiliates of Riverstone to spin off PPL Energy Supply and immediately combine it with Riverstone's competitive power generation businesses to form a new, stand-alone, publicly traded company named Talen Energy. On June 1, 2015, the spinoff was completed. See "Financial and Operational Developments - Other Financial and Operational Developments - Spinoff of PPL Energy Supply" below for additional information.

Business Strategy

(All Registrants)

Following the June 1, 2015 spinoff of PPL Energy Supply, PPL completed its strategic transformation to a fully regulated business model consisting of seven diverse, high-performing utilities. These utilities are located in the U.K., Pennsylvania and Kentucky and each jurisdiction has different regulatory structures and customer classes. The Company believes this diverse portfolio provides strong earnings and dividend growth potential that will create significant value for its shareowners and positions PPL well for continued growth and success.

PPL's businesses of WPD, PPL Electric, LG&E and KU plan to achieve this growth by providing efficient, reliable and safe operations and strong customer service, maintaining constructive regulatory relationships and achieving timely recovery of costs. These businesses are expected to achieve strong, long-term growth in rate base and RAV, as applicable, driven by planned significant capital expenditures to maintain existing assets and improve system reliability and, for LKE, LG&E and KU, to comply with federal and state environmental regulations related to coal-fired electricity generation facilities. Additionally, significant transmission rate base growth is expected through 2020 at PPL Electric.

For the U.S. businesses, our strategy is to recover capital project costs efficiently through various rate-making mechanisms, including periodic base rate case proceedings using forward test years, annual FERC formula rate mechanisms and other regulatory agency-approved recovery mechanisms designed to limit regulatory lag. In Kentucky, the KPSC has adopted a series of regulatory mechanisms (ECR, DSM, GLT, fuel adjustment clause, gas supply clause and recovery on construction work-in-progress) that reduce regulatory lag and provide timely recovery of and return on, as appropriate, prudently incurred costs. In addition, the KPSC requires a utility to obtain a CPCN prior to constructing a facility, unless the construction is an ordinary extension of existing facilities in the usual course of business or does not involve sufficient capital outlay to materially affect the utility's financial condition. Although such KPSC proceedings do not directly address cost recovery issues, the KPSC, in awarding a CPCN, concludes that the public convenience and necessity require the construction of the facility on the basis that the facility is the lowest reasonable cost alternative for addressing the need. In Pennsylvania, the FERC transmission formula rate, DSIC mechanism, Smart Meter Rider and other recovery mechanisms are in place to reduce regulatory lag and provide for timely recovery of and a return on prudently incurred costs.

Although rate base growth in the domestic utilities is expected to result in strong earnings growth for the foreseeable future, PPL does not expect significant earnings growth from the U.K. Regulated segment under the RIIO-ED1 price control period, which began on April 1, 2015. Although the U.K. Regulated segment also projects strong RAV growth, earnings from this segment are expected to be relatively flat from 2015 to 2017 during the transition to RIIO-ED1. Higher revenues resulting from the fast-track bonus are partially offset by higher levels of revenue profiling in the prior price control period (DPCR5) and a lower return on regulatory equity. In addition, starting in 2017, the amount of incentive revenues WPD is able to earn is expected to decline as a result of more stringent reliability and customer service targets established by Ofgem under RIIO-ED1. See "Item 1. Business - General - Segment Information - U.K. Regulated Segment" for additional information on revenues under RIIO-ED1.

To manage financing costs and access to credit markets, and to fund capital expenditures, a key objective of the Registrants is to maintain their investment grade credit ratings and adequate liquidity positions. In addition, the Registrants have financial and operational risk management programs that, among other things, are designed to monitor and manage exposure to earnings and cash flow volatility, as applicable, related to changes in interest rates, foreign currency exchange rates and counterparty credit quality. To manage these risks, PPL generally uses contracts such as forwards, options, and swaps.

As discussed above, a key component of this strategy is to maintain constructive relationships with our regulators in all jurisdictions in which we operate (U.K., U.S. federal and state). This is supported by our strong culture of integrity and delivering on commitments to our customers, regulators and shareowners, and a commitment to continue to improve our customer service, reliability and efficiency of operations.

(PPL)

Earnings generated by PPL's U.K. subsidiaries are subject to foreign currency translation risk. The U.K. subsidiaries also have currency exposure to the U.S. dollar to the extent of their U.S. dollar denominated debt. To manage these risks, PPL generally uses contracts such as forwards, options and cross currency swaps that contain characteristics of both interest rate and foreign currency exchange contracts.

Following the June 1, 2015 spinoff of PPL Energy Supply, PPL has no continuing ownership interest in or control of Talen Energy and Talen Energy Supply (formerly, PPL Energy Supply).

See "Item 1. Business," "Item 1A. Risk Factors" and "Financial and Operational Developments - Other Financial and Operational Developments - Cost of Spinoff" and "Loss on Spinoff" below for additional information.

Financial and Operational Developments

Earnings *(PPL)*

PPL's earnings by reportable segment were as follows:

	2015	2014	2013	$ Change 2015 vs. 2014	$ Change 2014 vs. 2013
U.K. Regulated	$ 1,121	$ 982	$ 922	$ 139	$ 60
Kentucky Regulated	326	312	307	14	5
Pennsylvania Regulated	252	263	209	(11)	54
Corporate and Other (a)	(96)	(120)	(68)	24	(52)
Discontinued Operations (b)	(921)	300	(240)	(1,221)	540
Net Income	$ 682	$ 1,737	$ 1,130	$ (1,055)	$ 607

(a) Primarily represents financing and certain other costs incurred at the corporate level that have not been allocated or assigned to the segments, which are presented to reconcile segment information to PPL's consolidated results. 2015 and 2014 include costs related to the spinoff of PPL Energy Supply. See Note 8 to the Financial Statements for additional information.

(b) As a result of the spinoff of PPL Energy Supply, substantially representing PPL's Supply segment, the earnings of the Supply segment are included in Discontinued Operations. 2015 includes an $879 million charge reflecting the difference between PPL's recorded value for the Supply segment and its estimated fair value as of the spinoff date, determined in accordance with the applicable accounting rules under GAAP. See Note 8 to the Financial Statements for additional information. 2013 excludes $2 million which has been classified as discontinued operations in the Kentucky Regulated segment.

PPL's Earnings from Ongoing Operations by reportable segment were as follows:

	2015	2014	2013	$ Change 2015 vs. 2014	$ Change 2014 vs. 2013
U.K. Regulated	$ 968	$ 907	$ 855	$ 61	$ 52
Kentucky Regulated	343	312	304	31	8
Pennsylvania Regulated	252	265	209	(13)	56
Corporate and Other (a)(b)	(74)	(135)	(118)	61	(17)
Earnings from Ongoing Operations	$ 1,489	$ 1,349	$ 1,250	$ 140	$ 99

(a) 2014 and 2013 were adjusted to include costs that were previously allocated to the Supply segment that would remain with PPL after the completion of the transaction, if left unmitigated. See "Non-GAAP Financial Measures - Reconciliation of Earnings from Ongoing Operations" below for an itemization of special items impacting Corporate and Other.

(b) Costs were lower in 2015 compared with 2014, primarily due to the benefits of corporate restructuring. Costs were higher in 2014 compared with 2013, primarily due to higher long-term debt interest expense.

See "Non-GAAP Financial Measures" below for PPL's definition of Earnings from Ongoing Operations as well as a reconciliation of this non-GAAP financial measure to Net Income.

See "Results of Operations" below for further discussion of PPL's results of operations, details of special items by reportable segments and analysis of the consolidated results of operations.

2016 Outlook

(PPL)

Excluding special items, higher earnings are expected in 2016 compared with 2015. This increase is primarily attributable to increases in the Kentucky Regulated and Pennsylvania Regulated segments. The following projections and factors underlying these projections (on an after-tax basis) are provided for PPL's segments and the Corporate and Other category and the related Registrants.

(PPL's U.K. Regulated Segment)

Excluding special items, relatively flat earnings are projected in 2016 compared with 2015, due to higher financing costs, depreciation expense, currency, taxes and other expenses, partially offset by lower operation and maintenance expense, including pension expense, and higher gross margins. The 2016 foreign currency exposure for this segment is 95% hedged at an average rate of $1.56 per pound.

(PPL's Kentucky Regulated Segment and LKE, LG&E and KU)

Excluding special items, higher earnings are projected in 2016 compared with 2015, primarily driven by electric and gas base rate increases effective July 1, 2015, and higher returns on additional environmental capital investments, partially offset by higher depreciation expense and higher financing costs.

(PPL's Pennsylvania Regulated Segment and PPL Electric)

Excluding special items, higher earnings are projected in 2016 compared with 2015, primarily driven by a distribution base rate increase effective January 1, 2016, and higher transmission margins, partially offset by higher depreciation expense, higher financing costs and a benefit received in 2015 from the release of a gross receipts tax reserve.

(PPL's Corporate and Other Category)

Excluding special items, costs are projected to be relatively flat in 2016 compared with 2015.

(All Registrants)

Earnings in future periods are subject to various risks and uncertainties. See "Forward-Looking Information," "Item 1. Business," "Item 1A. Risk Factors," the rest of this Item 7, and Notes 1, 6 and 13 to the Financial Statements (as applicable) for a discussion of the risks, uncertainties and factors that may impact future earnings.

Other Financial and Operational Developments

Regulatory Requirements

(PPL, LKE, LG&E and KU)

The businesses of LKE, LG&E and KU are subject to extensive federal, state and local environmental laws, rules and regulations, including those pertaining to CCRs, GHG, ELGs, MATS and the Clean Power Plan. See "Financial Condition - Environmental Matters" below for additional information on the CCRs requirements and Note 13 to the Financial Statements for a discussion of the other significant environmental matters. These and other stringent environmental requirements have led PPL, LKE, LG&E and KU to retire approximately 800 megawatts of coal-fired generating plants in Kentucky. In September 2015, KU retired two coal-fired units, with a combined summer capacity rating of 161 MW, at the Green River plant. LG&E retired a 240 MW coal-fired unit in March 2015 and two additional coal-fired units, with a combined summer capacity rating of 323 MW, in June 2015 at the Cane Run plant. KU retired a 71 MW coal-fired unit at the Tyrone plant in 2013. The retirement of these units is not expected to have a material impact on the financial condition or results of operations of PPL, LKE, LG&E and KU.

Also as a result of the environmental requirements discussed above, LKE projects $1.9 billion ($1.0 billion at KU and $0.9 billion at LG&E) in environmental capital investment over the next five years. See PPL's "Financial Condition - Forecasted Uses of Cash - Capital Expenditures", Note 6 and Note 13 for additional information.

(All Registrants)

The Registrants cannot predict the impact that future regulatory requirements may have on their financial condition or results of operations.

(PPL)

Spinoff of PPL Energy Supply

In June 2014, PPL and PPL Energy Supply executed definitive agreements with affiliates of Riverstone to spin off PPL Energy Supply and immediately combine it with Riverstone's competitive power generation businesses to form a new, stand-alone, publicly traded company named Talen Energy. In June 2015, the spinoff was completed. See Note 8 to the Financial Statements for additional information relating to the transaction.

Loss on Spinoff

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 market value of Talen Energy 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 limit the appropriateness of 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 publically 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 last 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 recent Talen Energy business planning process 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 reflected in discontinued operations and is nondeductible for tax purposes. This amount served to reduce the basis of the net assets accounted for as a dividend at the June 1, 2015 spinoff date.

Costs of Spinoff

Following the announcement of the transaction to form Talen Energy, efforts were initiated to identify the appropriate staffing for Talen Energy and for PPL and its subsidiaries following completion of the spinoff. Organizational plans were substantially completed in 2014. The new organizational plans identified the need to resize and restructure the organizations and as a result, in 2014, estimated charges of $36 million for employee separation benefits were recorded related to 306 positions. Of this amount, $16 million related to 112 Energy Supply positions and is reflected in discontinued operations. The remaining $20 million is primarily reflected in "Other operation and maintenance" on the PPL Consolidated Statements of Income. In 2015, the organizational structures were finalized for both PPL and Talen Energy which resulted in an additional charge of $10 million for employee separation benefits. Of this amount, $2 million related to Energy Supply positions and is reflected in discontinued operations. The remaining $8 million is reflected in "Other operation and maintenance" on the PPL Consolidated Statements of Income. The separation benefits include cash severance compensation, lump sum COBRA reimbursement payments and outplacement services. At December 31, 2015 and 2014, the recorded liabilities related to the separation benefits were $13 million and $20 million, which are included in "Other current liabilities" on the Balance Sheets.

Additional employee-related costs incurred primarily included accelerated stock-based compensation and prorated 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 in 2015, which are reflected in discontinued operations.

PPL recorded $45 million and $27 million of third-party costs related to this transaction in 2015 and 2014. Of these costs, $32 million and $19 million were primarily for bank advisory, legal and accounting fees to facilitate the transaction, and are reflected in discontinued operations. An additional $13 million and $8 million of consulting and other costs were incurred in 2015 and 2014, related to the formation of the Talen Energy organization and to reconfigure the remaining PPL service functions. These costs are recorded primarily in "Other operation and maintenance" on the Statements of Income. No significant additional third-party costs are expected to be incurred.

At the close of the transaction in 2015, $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 interest expense and reflected in discontinued operations.

As a result of the June 2014 spinoff announcement, PPL recorded $50 million of deferred income tax expense in 2014, to adjust valuation allowances on deferred tax assets primarily for state net operating loss carryforwards that were previously supported by the future earnings of PPL Energy Supply.

Discontinued Operations

The operations of PPL's Supply segment are included in "Income (Loss) from Discontinued Operations (net of income taxes)" on the Statements of Income.

The assets and liabilities of PPL's Supply segment for all periods prior to the spinoff are included in "Current assets of discontinued operations", "Noncurrent assets of discontinued operations", "Current liabilities of discontinued operations" and "Noncurrent liabilities of discontinued operations" on PPL's Balance Sheet.

Net assets, after recognition of the loss on spinoff, of $3.2 billion were distributed to PPL shareowners in the June 1, 2015 spinoff of PPL Energy Supply.

See Note 8 to the Financial Statements for additional information related to the spinoff of PPL Energy Supply, including the components of Discontinued Operations.

(PPL)

RIIO-ED1

On April 1, 2015, the RIIO-ED1 eight-year price control period commenced for WPD's four DNOs. In February 2014, Ofgem published formal confirmation that WPD's Business Plans submitted by its four DNOs under RIIO-ED1 were accepted as submitted, or "fast-tracked." Fast tracking afforded several benefits to the WPD DNOs including the ability to collect additional revenue equivalent to 2.5% of Totex during the eight-year price control period (approximately $43 million annually), greater revenue certainty and a higher level of cost savings retention. See "Item 1. Business - Segment Information - U.K. Regulated Segment" for additional information on RIIO-ED1.

U.K. Depreciation

Effective January 1, 2015, after completing a review of the useful lives of its distribution network assets, WPD extended the weighted average useful lives of these assets to 69 years from 55 years for GAAP reporting of depreciation expense. For 2015, this change in useful lives resulted in lower depreciation expense of $84 million ($66 million after-tax or $0.10 per share).

U.K. Distribution Revenue Reduction

In December 2013, WPD and other U.K. DNOs announced agreements with the U.K. Department of Energy and Climate Change and Ofgem to a reduction of £5 per residential customer of electricity distribution revenues that otherwise would have been collected in the regulatory year beginning April 1, 2014. Full recovery of the revenue reduction, together with the associated carrying cost will occur in the regulatory year beginning April 1, 2016. Under GAAP, WPD does not record a receivable for under recovery of regulated income (which this reduction represents), as a result earnings for the U.K. Regulated segment were adversely affected by $15 million in 2015 and $31 million in 2014. PPL projects earnings in 2016 will be positively affected by $32 million and earnings for 2017 will be positively affected by $17 million.

U.K. Tax Rate Change

In November 2015, the U.K. Summer 2015 Budget was enacted, which reduces the U.K.'s statutory income tax rate from 20% to 19% effective April 1, 2017 and from 19% to 18% effective April 1, 2020. As a result of these changes, PPL reduced its net deferred tax liabilities and recognized a deferred tax benefit of approximately $90 million (4% effective tax rate impact) in 2015.

Discount Rate Change for U.K. Pension Plans

In selecting the discount rate for its U.K. pension plans, WPD historically used a single weighted-average discount rate in the calculation of net periodic defined benefit cost. WPD will begin using individual spot rates to measure service cost and interest cost beginning with the calculation of 2016 net periodic defined benefit cost. Based on current estimates, PPL expects this change to reduce net periodic defined benefit costs by $44 million ($36 million after-tax or $0.05 per share) in 2016. Assuming interest rates continue to rise, the benefit is highest in the initial year and then falls over time as the additional actuarial losses on liabilities are amortized. See "Application of Critical Accounting Policies-Defined Benefits" for additional information.

(PPL and PPL Electric)

Rate Case Proceedings

On March 31, 2015, PPL Electric filed a request with the PUC to increase its annual distribution revenue requirement by approximately $167.5 million. The application is based on a fully projected future test year of January 1, 2016 through December 31, 2016. On September 3, 2015, PPL Electric filed with the PUC Administrative Law Judge a petition for approval of a settlement agreement resolving all issues in the case. On November 19, 2015, the PUC issued its final order approving the settlement agreement. Under that agreement, PPL Electric was permitted to increase its annual distribution rates by $124 million, effective January 1, 2016.

On March 31, 2015, PPL Electric filed a petition requesting a waiver of the DSIC cap of 5% of billed revenues and approval to increase the maximum allowable DSIC from 5% to 7.5% for service rendered after January 1, 2016. PPL Electric filed the petition concurrently with its 2015 rate case and the Administrative Law Judge granted PPL Electric's request to consolidate these two proceedings. Under the terms of the settlement agreement discussed above, PPL Electric agreed to withdraw the petition without prejudice to filing it at a later date.

Regional Transmission Expansion Plan

In July 2014, PPL Electric announced Project Compass, a proposal to construct a new multi-state transmission line. On October 27, 2015, PPL Electric filed an interconnection application with the New York Independent System Operator for the first segment of the project which contains a proposed 95-mile, $500 million to $600 million line between Blakely, Pennsylvania, and Ramapo, New York. The proposed line is intended to provide significant economic benefits for electricity customers in New York and also to provide grid reliability and grid security benefits for electricity customers in both states. The construction is proposed to begin in 2019 and be in operation by 2023. There will be numerous approvals required, including, among others, the public utility commissions of Pennsylvania and New York, the New York Independent System Operator, PJM, and FERC. As originally proposed in 2014, Project Compass would have run from western Pennsylvania into New York and New Jersey and also south into Maryland, covering approximately 725 miles at an estimated cost of $4 billion to $6 billion. The project has been revised to include about 475 miles of transmission line in Pennsylvania and New York at an estimated cost of $3 billion to $4 billion. Beyond this segment, no schedule is proposed for the rest of the project. There can be no assurance that this segment of Project Compass will be approved as proposed. Additionally, PPL Electric is continuing to study the project and may modify it in the future. The capital expenditures related to this project are excluded from the Capital Expenditures table included in "Liquidity and Capital Resources-Forecasted Uses of Cash" below.

FERC Wholesale Formula Rates (LKE and KU)

In September 2013, KU filed an application with the FERC to adjust the formula rate under which KU provided wholesale requirements power sales to 12 municipal customers. Among other changes, the application requests an amended formula whereby KU would charge cost-based rates with a subsequent true-up to actual costs, replacing the current formula which does not include a true-up. KU's application proposed an authorized return on equity of 10.7%. Certain elements, including the new formula rate, became effective April 23, 2014, subject to refund. In April 2014, nine municipalities submitted notices of termination, under the original notice period provisions, to cease taking power under the wholesale requirements contracts. Such terminations are to be effective in 2019, except in the case of one municipality with a 2017 effective date. In addition, a tenth municipality has become a transmission-only customer as of June 2015. In July 2014, KU agreed on settlement terms with the two municipal customers that did not provide termination notices and filed the settlement proposal with the FERC for its approval. In August 2014, the FERC issued an order on the interim settlement agreement allowing the proposed rates to become effective pending a final order. During the fourth quarter of 2015, the FERC approved the settlement agreement resolving the rate case with respect to these two municipalities, including approval of the formula rate with a true-up provision and authorizing a return on equity of 10% or the return on equity awarded to other parties in this case, whichever is lower. In August 2015, KU filed a partial settlement agreement with the nine terminating municipalities, resolving all but one open matter with one municipality. The settlement was approved by FERC in the fourth quarter of 2015, including authorizing the agreed-upon refunds, approving the formula rate with a true-up provision, and authorizing a 10.25% return on equity. Refunds to both the remaining municipals and the departing municipals were issued during the fourth quarter of 2015 totaling $3.4 million. A single remaining unresolved issue with one terminating municipality is in FERC litigation proceedings. Hearings on the dispute were conducted in January 2016 and preliminary rulings on the matter may occur in mid- or late-2016. KU cannot predict the ultimate outcome of this remaining FERC proceeding, but the amounts under continuing dispute are not estimated to be significant.

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

On June 30, 2015, the KPSC approved a rate case settlement agreement providing for increases in the annual revenue requirements associated with KU base electricity rates of $125 million and LG&E base gas rates of $7 million. The annual revenue requirement associated with base electricity rates at LG&E was not changed. Although the settlement did not establish a specific return on equity with respect to the base rates, an authorized 10% return on equity will be utilized in the ECR and GLT mechanisms. The settlement agreement provides for deferred recovery of costs associated with KU's retirement of Green River Units 3 and 4. The new regulatory asset will be amortized over three years. The settlement also provides regulatory asset treatment for the difference between pension expense calculated in accordance with LG&E and KU's pension accounting policy and pension expense using a 15 year amortization period for actuarial gains and losses. The new rates and all elements of the settlement became effective July 1, 2015.

On June 30, 2015, KU filed an application with the VSCC to increase annual Virginia base electricity revenue by approximately $7 million, representing an increase of 10.1%. On December 3, 2015, KU and other parties filed a proposed settlement with the VSCC. On February 2, 2016, the VSCC issued an order approving the settlement. The settlement provides for annual electric base revenues of $6 million and establishes an authorized return on equity range of 9.5% to 10.5% for annual rate review purposes. The new rates became effective February 15, 2016.

Results of Operations

(PPL)

The discussion for PPL provides a review of results by reportable segment. The "Non-GAAP Financial Measures" discussion provides explanations of non-GAAP financial measures and a reconciliation of non-GAAP financial measures to the most comparable GAAP measure. The "Statement of Income Analysis" discussion addresses significant changes in principal line items on PPL's Statements of Income, comparing year-to-year changes. "Segment Earnings, Non-GAAP Financial Measures and Statement of Income Analysis" is presented separately for PPL.

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

(Subsidiary Registrants)

The discussion for each of PPL Electric, LKE, LG&E and KU provides a summary of earnings. The "Margins" discussion includes a reconciliation of non-GAAP financial measures to "Operating Income" and "Statement of Income Analysis" addresses significant changes in principal line items on the Statements of Income comparing year-to-year changes. "Earnings, Margins and Statement of Income Analysis" are presented separately for PPL Electric, LKE, LG&E and KU.

PPL Segment Earnings, Non-GAAP Financial Measures and Statement of Income Analysis

Segment Earnings

U.K. Regulated Segment

The U.K. Regulated segment consists of PPL Global which primarily includes WPD's regulated electricity distribution operations, the results of hedging the translation of WPD's earnings from British pound sterling to U.S. dollars, and certain costs, such as U.S. income taxes, administrative costs, and allocated financing costs. The U.K. Regulated segment represents 70% of PPL's Income from Continuing Operations After Income Taxes for 2015 and 42% of PPL's assets at December 31, 2015.

Net Income and Earnings from Ongoing Operations include the following results.

	2015	2014	2013	Change 2015 vs. 2014	Change 2014 vs. 2013
Operating revenues	$ 2,410	$ 2,621	$ 2,403	$ (211)	$ 218
Other operation and maintenance	477	482	499	(5)	(17)
Depreciation	242	337	300	(95)	37
Taxes, other than income	148	157	147	(9)	10
Total operating expenses	867	976	946	(109)	30
Other Income (Expense) - net	123	127	(39)	(4)	166
Interest Expense	417	461	425	(44)	36
Income Taxes	128	329	71	(201)	258
Net Income	1,121	982	922	139	60
Less: Special Items	153	75	67	78	8
Earnings from Ongoing Operations	$ 968	$ 907	$ 855	$ 61	$ 52

The following after-tax gains (losses), which management considers special items, impacted the U.K. Regulated segment's results and are excluded from Earnings from Ongoing Operations.

	Income Statement Line Item	2015	2014	2013
Foreign currency-related economic hedges, net of tax of ($30), ($68), $15 (a)	Other Income (Expense) - net	$ 55	$ 127	$ (29)
WPD Midlands acquisition-related adjustments:				
Separation benefits, net of tax of $0, $0, $1	Other operation and maintenance			(4)
Other acquisition-related adjustments, net of tax of ($1), $0, ($2)		2		8
Other:				
Change in U.K. tax rate (b)	Income Taxes	78		84
Windfall Profits Tax litigation (c)	Income Taxes			43
Settlement of certain income tax positions (d)	Income Taxes	18		
Change in WPD line loss accrual, net of tax of $0, $13, $10 (e)	Operating Revenues		(52)	(35)
Total		$ 153	$ 75	$ 67

(a) Represents unrealized gains (losses) on contracts that economically hedge anticipated GBP-denominated earnings.
(b) The U.K. Finance Acts of 2015 and 2013 reduced the U.K.'s statutory income tax rates. As a result, PPL reduced its net deferred tax liability and recognized a deferred tax benefit in 2015 and 2013. See Note 5 to the Financial Statements for additional information.
(c) In May 2013, the U.S. Supreme Court reversed the December 2011 ruling by the U.S. Court of Appeals for the Third Circuit concerning the creditability of the U.K. Windfall Profits Tax for U.S. Federal income tax purposes. As a result, PPL recorded an income tax benefit in 2013. See Note 5 to the Financial Statements for additional information.
(d) Relates to the 2015 settlement of the IRS audit for the tax years 1998-2011. See Note 5 to the Financial Statements for additional information.

(e) In 2013, WPD Midlands increased its line loss liability for DCPR4 based on additional information provided by Ofgem regarding the calculation. In March 2014, Ofgem issued its final decision on the DPCR4 line loss incentives and penalties mechanism. As a result, WPD increased its existing liability for over-recovery of line losses. See Note 6 to the Financial Statements for additional information.

The changes in the components of the U.K. Regulated segment's results between these periods were due to the factors set forth below, which reflect amounts classified as U.K. Gross Margins, the items that management considers special and the effects of movements in foreign currency exchange, including the effects of foreign currency hedge contracts, on separate lines and not in their respective Statement of Income line items.

	2015 vs. 2014	2014 vs. 2013
U.K.		
Gross margins	$ (110)	$ 94
Other operation and maintenance	(14)	44
Depreciation	76	(19)
Interest expense	3	(15)
Other	(5)	4
Income taxes	48	(24)
U.S.		
Interest expense and other	12	4
Income taxes	55	(41)
Foreign currency exchange, after-tax	(4)	5
Earnings from Ongoing Operations	61	52
Special items, after-tax	78	8
Net Income	$ 139	$ 60

U.K.

- See "Non-GAAP Financial Measures - Margins - Changes in Margins" for an explanation of U.K. Gross Margins.
- Lower other operation and maintenance in 2014 compared with 2013 primarily due to $38 million from lower pension expense.
- Lower depreciation expense in 2015 compared with 2014 primarily due to an $84 million impact of an extension of the network asset lives. See Note 1 to the Financial Statements for additional information.
- Higher depreciation expense in 2014 compared with 2013 primarily due to PP&E additions, net.
- Higher interest expense in 2014 compared with 2013 primarily due to an October 2013 debt issuance.
- Lower income taxes in 2015 compared with 2014 primarily due to $25 million from lower U.K. tax rates and $11 million from lower pre-tax income.
- Higher income taxes in 2014 compared with 2013 primarily due to higher pre-tax income.

U.S.

- Lower income taxes in 2015 compared with 2014 primarily due to decreases in taxable dividends.
- Higher income taxes in 2014 compared with 2013 primarily due to a $19 million increase primarily in taxable dividends and a $19 million benefit in 2013 related to an IRS ruling regarding 2010 U.K. earnings and profits calculations.

Kentucky Regulated Segment

The Kentucky Regulated segment consists primarily of LKE's regulated electricity generation, transmission and distribution operations of LG&E and KU, as well as LG&E's regulated distribution and sale of natural gas. In addition, certain financing costs are allocated to the Kentucky Regulated segment. The Kentucky Regulated segment represents 20% of PPL's Income from Continuing Operations After Income Taxes for 2015 and 35% of PPL's assets at December 31, 2015.

Net Income and Earnings from Ongoing Operations include the following results.

	2015	2014	2013	Change 2015 vs. 2014	Change 2014 vs. 2013
Operating revenues	$ 3,115	$ 3,168	$ 2,976	$ (53)	$ 192
Fuel	863	965	896	(102)	69
Energy purchases	184	253	217	(69)	36
Other operation and maintenance	837	815	778	22	37
Depreciation	382	354	334	28	20
Taxes, other than income	57	52	48	5	4
Total operating expenses	2,323	2,439	2,273	(116)	166
Other Income (Expense) - net	(13)	(9)	(7)	(4)	(2)
Interest Expense	232	219	212	13	7
Income Taxes	221	189	179	32	10
Income (Loss) from Discontinued Operations (net of income taxes)			2		(2)
Net Income	326	312	307	14	5
Less: Special Items	(17)		3	(17)	(3)
Earnings from Ongoing Operations	$ 343	$ 312	$ 304	$ 31	$ 8

The following after-tax gains (losses), which management considers special items, impacted the Kentucky Regulated segment's results and are excluded from Earnings from Ongoing Operations.

	Income Statement Line Item	2015	2014	2013
Certain valuation allowances (a)	Income Taxes	$ (12)		
Acquisition-related adjustment, net of tax of $0, $0, $0 (b)	Other Income (Expense) - net	(5)		
Discontinued operations (c)	Discontinued Operations			$ 2
Adjustment to investment, net of tax of $0, $0, $0 (d)	Other Income (Expense) - net			1
Total		$ (17)		$ 3

(a) Recorded at LKE and represents a valuation allowance against tax credits expiring in 2016 through 2020 that are more likely than not to expire before being utilized.

(b) Recorded at PPL and allocated to the Kentucky Regulated segment. The amount represents a settlement between E.ON AG (a German corporation and the indirect parent of E.ON US Investments Corp., the former parent of LKE) and PPL for a tax matter.

(c) Recorded at LKE.

(d) Recorded by KU.

The changes in the components of the Kentucky Regulated segment's results between these periods were due to the factors set forth below, which reflect amounts classified as Kentucky Gross Margins and the items that management considers special on separate lines and not in their respective Statement of Income line item.

	2015 vs. 2014	2014 vs. 2013
Kentucky Gross Margins	$ 88	$ 78
Other operation and maintenance	(21)	(35)
Depreciation	(1)	(14)
Taxes, other than income	(3)	(3)
Other Income (Expense) - net	1	(1)
Interest Expense	(13)	(7)
Income Taxes	(20)	(10)
Earnings from Ongoing Operations	31	8
Special Items, after-tax	(17)	(3)
Net Income	$ 14	$ 5

- See "Non-GAAP Financial Measures - Margins - Changes in Margins" for an explanation of Kentucky Gross Margins.

- Higher other operation and maintenance in 2015 compared with 2014 primarily due to $14 million of higher pension expense and $11 million of higher costs related to the Cane Run units' retirements consisting of an inventory write-down and separation benefits, partially offset by $7 million of lower storm costs and lower bad debt expense of $6 million.

- Higher other operation and maintenance in 2014 compared with 2013 primarily due to $14 million of higher expenses due to the timing and scope of scheduled generation maintenance outages, $9 million of higher bad debt expense and higher storm expenses of $8 million.

- Higher depreciation in 2014 compared with 2013 due to additions to PP&E, net.

- Higher interest expense in 2015 compared with 2014 primarily due to the issuance of $550 million of incremental First Mortgage Bonds by LG&E and KU in September 2015 and higher interest rates on $500 million of First Mortgage Bonds refinanced by LG&E and KU.

- Higher interest expense in 2014 compared with 2013 primarily due to $22 million of higher expense resulting from the issuance of $500 million of First Mortgage Bonds in November 2013 and higher short-term debt balances partially offset by a $10 million loss on extinguishment of debt in 2013 related to the remarketing of the PPL Capital Funding Junior Subordinated Notes component of the 2010 Equity Units and simultaneous exchange into Senior Notes in the second quarter of 2013, and a $5 million decrease due to lower rates on the related Senior Notes as compared with the Junior Subordinated Notes.

- Higher income taxes in 2015 compared with 2014 primarily due to higher pre-tax income.

Pennsylvania Regulated Segment

The Pennsylvania Regulated segment includes the regulated electricity transmission and distribution operations of PPL Electric. The Pennsylvania Regulated segment represents 16% of PPL's Income from Continuing Operations After Income Taxes for 2015 and 22% of PPL's assets at December 31, 2015.

Net Income and Earnings from Ongoing Operations include the following results.

	2015	2014	2013	Change 2015 vs. 2014	Change 2014 vs. 2013
Operating revenues	$ 2,124	$ 2,044	$ 1,870	$ 80	$ 174
Energy purchases					
External	657	587	588	70	(1)
Intersegment	14	84	51	(70)	33
Other operation and maintenance	607	543	531	64	12
Depreciation	214	185	178	29	7
Taxes, other than income	94	107	103	(13)	4
Total operating expenses	1,586	1,506	1,451	80	55
Other Income (Expense) - net	8	7	6	1	1
Interest Expense	130	122	108	8	14
Income Taxes	164	160	108	4	52
Net Income	252	263	209	(11)	54
Less: Special Items		(2)		2	(2)
Earnings from Ongoing Operations	$ 252	$ 265	$ 209	$ (13)	$ 56

The following after-tax loss, which management considers a special item, impacted the Pennsylvania Regulated segment's results and is excluded from Earnings from Ongoing Operations.

	Income Statement Line Item	2015	2014	2013
Separation benefits, net of tax of $0, $1, $0 (a)	Other operation and maintenance		$ (2)	

(a) In June 2014, PPL Electric's largest IBEW local ratified a new three-year labor agreement. In connection with the new agreement, bargaining unit one-time voluntary retirement benefits were recorded.

The changes in the components of the Pennsylvania Regulated segment's results between these periods were due to the factors set forth below, which reflect amounts classified as Pennsylvania Gross Delivery Margins and the item that management considers special on separate lines and not in their respective Statement of Income line item.

		2015 vs. 2014		2014 vs. 2013
Pennsylvania Gross Delivery Margins	$	65	$	118
Other operation and maintenance		(58)		13
Depreciation		(29)		(7)
Taxes, other than income		18		
Other Income (Expense) - net		1		1
Interest Expense		(8)		(14)
Income Taxes		(2)		(55)
Earnings from Ongoing Operations		(13)		56
Special Item, after-tax		2		(2)
Net Income	$	(11)	$	54

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

- Higher other operation and maintenance for 2015 compared with 2014 primarily due to $30 million of higher corporate service costs allocated to PPL Electric, $11 million of higher vegetation management expenses and related costs for additional work done by outside vendors and $5 million of higher bad debt expenses.

- Lower other operation and maintenance for 2014 compared with 2013 primarily due to $16 million of lower payroll related expenses due to lower headcount, less maintenance projects and more focus on capital work in 2014.

- Higher depreciation for both periods primarily due to transmission and distribution additions to PP&E, net, related to the ongoing efforts to improve reliability and replace aging infrastructure.

- Higher interest expense in 2014 compared with 2013 primarily due to the issuance of First Mortgage Bonds in July 2013 and June 2014.

- Lower taxes, other than income for 2015 compared with 2014 primarily due to the settlement of a 2011 gross receipts tax audit resulting in the reversal of $17 million of previously recognized reserves.

- Higher income taxes in 2014 compared with 2013, primarily due to higher pre-tax income which increased income taxes by $46 million and tax benefits related to federal and state income tax reserves of $8 million in 2013.

Non-GAAP Financial Measures

Management's Discussion and Analysis includes financial information prepared in accordance with GAAP, as well as non-GAAP financial measures including "Earnings from Ongoing Operations" and "Gross Margins" as further described below.

Earnings from Ongoing Operations

Management utilizes "Earnings from Ongoing Operations" as a non-GAAP financial measure and it should not be considered as an alternative to net income, which is an indicator of operating performance determined in accordance with GAAP. PPL believes that Earnings from Ongoing Operations is useful and meaningful to investors because it provides management's view of PPL's fundamental earnings performance as another criterion in making investment decisions. PPL's management also uses Earnings from Ongoing Operations in measuring certain corporate performance goals. Other companies may use different measures to present financial performance. Earnings from Ongoing Operations is adjusted for the impact of special items as described below, which for all years includes the Supply segment's earnings now reflected in discontinued operations. Also included in special items in 2015 is the loss on spinoff, reflecting the fair value of the Supply segment being less than PPL's recorded value as of the June 1, 2015 spinoff. Earnings from Ongoing Operations for 2014 and 2013 also reflects, within the Corporate and Other category, the impact of spinoff dissynergies that, if not mitigated, would remain with PPL after completion of the spinoff.

Earnings from Ongoing Operations is adjusted for the impact of special items. Special items include:

- Unrealized gains or losses on foreign currency-related economic hedges.
- Supply segment discontinued operations.
- Gains and losses on sales of assets not in the ordinary course of business.
- Impairment charges.
- Workforce reduction and other restructuring effects.
- Acquisition and divestiture-related adjustments.
- Other charges or credits that are, in management's view, not reflective of the company's ongoing operations.

Reconciliation of Earnings from Ongoing Operations

The following tables contain after-tax gains (losses), in total, which management considers special items, that are excluded from Earnings from Ongoing Operations and a reconciliation to PPL's "Net Income (Loss)" for the years ended December 31.

	2015					
	U.K. Regulated	KY Regulated	PA Regulated	Corporate and Other	Discontinued Operations	Total
Net Income (Loss)	$ 1,121	$ 326	$ 252	$ (96)	$ (921)	$ 682
Less: Special Items (expense) benefit:						
Foreign currency-related economic hedges	55					55
Spinoff of the Supply segment:						
Discontinued operations					(921)	(921)
Transition and transaction costs				(12)		(12)
Employee transitional services				(5)		(5)
Separation benefits				(5)		(5)
Other:						
Change in U.K. tax rate	78					78
Settlement of certain income tax positions	18					18
WPD Midlands acquisition-related adjustment	2					2
Certain valuation allowances		(12)				(12)
LKE acquisition-related adjustment		(5)				(5)
Total Special Items	153	(17)		(22)	(921)	(807)
Earnings from Ongoing Operations	$ 968	$ 343	$ 252	$ (74)	$	$ 1,489

	2014					
	U.K. Regulated	KY Regulated	PA Regulated	Corporate and Other	Discontinued Operations	Total
Net Income (Loss)	$ 982	$ 312	$ 263	$ (120)	$ 300	$ 1,737
Less: Special Items (expense) benefit:						
Foreign currency-related economic hedges	127					127
Spinoff of the Supply segment:						
Supply segment earnings					307	307
Discontinued operations adjustments				(5)	5	
Change in tax valuation allowances				(46)		(46)
Transition and transaction costs				(5)	(12)	(17)
Separation benefits				(12)		(12)
Other:						
Change in WPD line loss accrual	(52)					(52)
Separation benefits			(2)			(2)
Total Special Items	75		(2)	(68)	300	305
Dissynergies - spinoff of Supply segment expense (benefit):						
Indirect operation and maintenance				47		47
Interest expense				29		29
Depreciation				7		7
Total dissynergies - spinoff of Supply segment				83		83
Earnings from Ongoing Operations (adjusted)	$ 907	$ 312	$ 265	$ (135)	$	$ 1,349

	2013					
	U.K. Regulated	KY Regulated	PA Regulated	Corporate and Other	Discontinued Operations	Total
Net Income (Loss)	$ 922	$ 307	$ 209	$ (68)	$ (240)	$ 1,130
Less: Special Items (expense) benefit:						
Foreign currency-related economic hedges	(29)					(29)
Spinoff of the Supply segment:						
Supply segment earnings					(272)	(272)
Discontinued operations adjustments				(32)	32	
WPD Midlands acquisition-related adjustments:						
Separation benefits	(4)					(4)
Other acquisition-related adjustments	8					8
Other:						
LKE discontinued operations		2				2
Adjustment to investment		1				1
Windfall tax litigation	43					43
Change in WPD line loss accrual	(35)					(35)
Change in U.K. tax rate	84					84
Total Special Items	67	3		(32)	(240)	(202)
Dissynergies - spinoff of Supply segment expense (benefit):						
Indirect operation and maintenance				45		45
Interest expense				30		30
Depreciation				7		7
Total dissynergies - spinoff of Supply segment				82		82
Earnings from Ongoing Operations (adjusted)	$ 855	$ 304	$ 209	$ (118)	$	$ 1,250

Margins

Management also utilizes the following non-GAAP financial measures as indicators of performance for its businesses.

- "U.K. Gross Margins" is a single financial performance measure of the electricity distribution operations of the U.K. Regulated segment. In calculating this measure, direct costs such as National Grid connection charges and Ofgem license fees (recorded in "Other operations and maintenance expense" on the Statement of Income) are deducted from operating revenues as they are costs passed through to customers. As a result, this measure represents the net revenues from the delivery of electricity across WPD's distribution network in the U.K. and directly related activities.

- "Kentucky Gross Margins" is a single financial performance measure of the electricity generation, transmission and distribution operations of the Kentucky Regulated segment, LKE, LG&E and KU, as well as the Kentucky Regulated segment's, LKE's and LG&E's distribution and sale of natural gas. In calculating this measure, fuel, energy purchases and certain variable costs of production (recorded as "Other operation and maintenance" on the Statements of Income) are deducted from revenues. In addition, certain other expenses, recorded as "Other operation and maintenance", "Depreciation" and "Taxes, other than income" on the Statements of Income, associated with approved cost recovery mechanisms are offset against the recovery of those expenses, which are included in revenues. These mechanisms allow for direct recovery of these expenses and, in some cases, returns on capital investments and performance incentives. As a result, this measure represents the net revenues from electricity and gas operations.

- "Pennsylvania Gross Delivery Margins" is a single financial performance measure of the electricity transmission and distribution delivery operations of the Pennsylvania Regulated segment and PPL Electric. In calculating this measure, utility revenues and expenses associated with approved recovery mechanisms, including energy provided as a PLR, are offset with minimal impact on earnings. Costs associated with these mechanisms are recorded in "Energy purchases," "Other operation and maintenance," (which are primarily Act 129 and Universal Service program costs), and "Taxes, other than income," which is primarily gross receipts tax. This performance measure includes PLR energy purchases by PPL Electric from PPL EnergyPlus, which are reflected in "Energy purchases from affiliate" in the reconciliation tables. As a result of the June 2015 spinoff of PPL Energy Supply and the formation of Talen Energy, PPL EnergyPlus (renamed Talen Energy Marketing) is no longer an affiliate of PPL Electric. PPL Electric's purchases from Talen Energy Marketing subsequent to May 31, 2015 are reflected in "Energy Purchases" in the reconciliation tables. This measure represents the net revenues from the Pennsylvania Regulated segment's and PPL Electric's electricity delivery operations.

These measures are not intended to replace "Operating Income," which is determined in accordance with GAAP, as an indicator of overall operating performance. Other companies may use different measures to analyze and report their results of operations. Management believes these measures provide additional useful criteria to make investment decisions. These performance measures are used, in conjunction with other information, by senior management and PPL's Board of Directors to manage the operations and analyze actual results compared with budget.

Reconciliation of Margins

The following tables contain the components from the Statement of Income that are included in the non-GAAP financial measures and a reconciliation to PPL's "Operating Income" for the years ended December 31.

	2015					2014				
	U.K. Gross Margins	Kentucky Gross Margins	PA Gross Delivery Margins	Other (a)	Operating Income (b)	U.K. Gross Margins	Kentucky Gross Margins	PA Gross Delivery Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 2,364 (c)	$ 3,115	$ 2,124	$ 66	$ 7,669	$ 2,638 (c)	$ 3,168	$ 2,044	$ 2	$ 7,852
Operating Expenses										
Fuel		863			863		965			965
Energy purchases		184	657	14	855		253	587	84	924
Energy purchases from affiliate			14	(14)				84	(84)	
Other operation and maintenance	121	100	114	1,603	1,938	111	99	103	1,543	1,856
Depreciation		38		845	883		11		912	923
Taxes, other than income		4	102	193	299		2	98	217	317
Total Operating Expenses	121	1,189	887	2,641	4,838	111	1,330	872	2,672	4,985
Total	$ 2,243	$ 1,926	$ 1,237	$ (2,575)	$ 2,831	$ 2,527	$ 1,838	$ 1,172	$ (2,670)	$ 2,867

	2013				
	U.K. Gross Margins	Kentucky Gross Margins	PA Gross Delivery Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 2,404 (c)	$ 2,976	$ 1,870	$ 13	$ 7,263
Operating Expenses					
Fuel		896		(1)	895
Energy purchases		217	588	51	856
Energy purchases from affiliate			51	(51)	
Other operation and maintenance	107	97	82	1,524	1,810
Depreciation		5		838	843
Taxes, other than income		1	95	202	298
Total Operating Expenses	107	1,216	816	2,563	4,702
Total	$ 2,297	$ 1,760	$ 1,054	$ (2,550)	$ 2,561

(a) Represents amounts excluded from Margins.
(b) As reported on the Statements of Income.
(c) 2015, 2014 and 2013 exclude $46 million, $48 million and $44 million of ancillary activity revenues. 2014 and 2013 also exclude $65 million and $45 million of revenue reductions related to adjustments to WPD's line loss accrual related to DPCR4 which are considered special items.

Changes in Margins

The following table shows Margins by PPL's reportable segments and by component, as applicable, for the year ended December 31 as well as the changes between periods. The factors that gave rise to the changes are described following the table.

	2015	2014	2013	$ Change 2015 vs. 2014	$ Change 2014 vs. 2013
U.K.					
U.K. Gross Margins	$ 2,243	$ 2,527	$ 2,297	$ (284)	$ 230
Impact of changes in foreign currency exchange rates				(174)	136
U.K. Gross Margins excluding impact of foreign currency exchange rates				$ (110)	$ 94
Kentucky Regulated					
Kentucky Gross Margins					
LG&E	$ 867	$ 833	$ 791	$ 34	$ 42
KU	1,059	1,005	969	54	36
LKE	$ 1,926	$ 1,838	$ 1,760	$ 88	$ 78
Pennsylvania Regulated					
Pennsylvania Gross Delivery Margins					
Distribution	$ 842	$ 837	$ 803	$ 5	$ 34
Transmission	395	335	251	60	84
Total	$ 1,237	$ 1,172	$ 1,054	$ 65	$ 118

U.K. Gross Margins

U.K. Gross Margins excluding the impact of changes in foreign currency exchange rates, decreased in 2015 compared with 2014 primarily due to $171 million from the April 1, 2015 price decrease resulting from the commencement of RIIO-ED1, partially offset by $46 million from the April 1, 2014 price increase.

U.K. Gross Margins excluding the impact of changes in foreign currency exchange rates, increased in 2014 compared with 2013 primarily due to $194 million from the April 1, 2014 and 2013 price increases, partially offset by $88 million from lower volumes due primarily to weather.

Kentucky Gross Margins

Kentucky Gross Margins increased in 2015 compared with 2014, primarily due to higher base rates of $64 million ($61 million at KU and $3 million at LG&E) and returns on additional environmental capital investments of $53 million ($36 million at LG&E and $17 million at KU). The increases in base rates were the result of new rates approved by the KPSC effective July 1, 2015. These increases were partially offset by a decrease in volumes of $28 million ($23 million at KU and $5 million at LG&E) primarily due to milder weather during the fourth quarter of 2015.

Kentucky Gross Margins increased in 2014 compared with 2013, primarily due to returns on additional environmental capital investments of $55 million ($27 million at LG&E and $28 million at KU) and higher volumes of $13 million ($5 million at LG&E and $8 million at KU). The change in volumes was driven by unusually cold weather in the first quarter of 2014.

Pennsylvania Gross Delivery Margins

Distribution

Distribution margins increased in 2015 compared with 2014 primarily due to returns on additional distribution improvement capital investments of $17 million partially offset by a $12 million benefit recorded in the first quarter of 2014 as a result of a change in estimate of a regulatory liability.

Distribution margins increased in 2014 compared with 2013 primarily due to returns on additional distribution improvement capital investments of $18 million and a $12 million benefit from a change in estimate of a regulatory liability.

Transmission

Transmission margins increased for both periods, primarily due to returns on additional capital investments focused on replacing the aging infrastructure and improving reliability.

Statement of Income Analysis --

Certain Operating Revenues and Expenses Included in "Margins"

The following Statement of Income line items are included above within "Margins" and are not discussed separately.

	2015 vs. 2014	2014 vs. 2013
Operating Revenues	$ (183)	$ 589
Fuel	(102)	70
Energy purchases	(69)	68

Other Operation and Maintenance

The increase (decrease) in other operation and maintenance was due to:

	2015 vs. 2014	2014 vs. 2013
Domestic:		
LKE timing and scope of scheduled generation maintenance outages	$ (1)	$ 14
LKE Cane Run retired units (a)	11	
LKE pension expense (b)	14	(15)
PPL Electric Act 129 costs incurred	9	6
PPL Electric vegetation management	7	(4)
PPL Electric environmental costs	5	1
PPL Electric payroll-related costs (c)	2	(16)
Bad debts	7	13
Storm costs (d)	(18)	26
Separation benefits related to the spinoff of PPL Energy Supply (Note 8)	(12)	20
Third-party costs related to the spinoff of PPL Energy Supply (Note 8)	5	8
Stock compensation expense	3	5
Corporate costs previously included in discontinued operations (e)	27	
Other	26	7
U.K.:		
Third-party engineering	7	(9)
Pension expense (f)	(14)	(38)
Engineering management	19	3
Foreign currency exchange rates (g)	(33)	23
Acquisition-related adjustments	(3)	12
National Grid exit charges	11	7
Other	10	(17)
	$ 82	$ 46

(a) Represents an inventory write-down and separation benefits.
(b) The increase in 2015 compared with 2014 is attributed to the change in mortality tables and lower discount rates.
(c) The decrease in 2014 compared with 2013 was due to lower headcount, less maintenance work and more focus on capital projects in 2014.
(d) The increase in 2014 compared with 2013 was due to more storm events.
(e) The increase in 2015 compared with 2014 was due to the corporate costs allocated to PPL Energy Supply (and included in discontinued operations) prior to the spin. As a result of the spinoff on June 1, 2015, these corporate costs now remain in continuing operations.
(f) The decrease in 2014 compared with 2013 was primarily due to lower amortization of prior period losses and an increase in expected asset returns.
(g) The offsetting impacts from foreign currency hedging instruments are recorded in "Other Income (Expense)-net."

Depreciation

The increase (decrease) in depreciation was due to:

	2015 vs. 2014	2014 vs. 2013
Additions to PP&E, net	$ 77	$ 67
Foreign currency exchange rates	(19)	18
Network asset useful life extension (a)	(84)	
Other	(14)	(5)
Total	$ (40)	$ 80

(a) Effective January 1, 2015, after completion of a review of the useful lives of its distribution network assets, WPD extended the weighted average useful lives of these assets to 69 years from 55 years resulting in lower depreciation of $84 million ($66 million after-tax or $0.10 per share).

Taxes, Other Than Income

The increase (decrease) in taxes, other than income was due to:

	2015 vs. 2014	2014 vs. 2013
State gross receipts tax (a)	$ (14)	$ 4
Domestic property tax expense	5	4
Foreign currency exchange rates	(9)	10
Other		1
Total	$ (18)	$ 19

(a) The decrease in 2015 compared with 2014 was primarily due to the settlement of the 2011 gross receipts tax audit resulting in the reversal of $17 million of previously recognized reserves.

Other Income (Expense) - net

Other income (expense) - net increased $3 million in 2015 compared with 2014 and increased $160 million in 2014 compared with 2013, primarily due to changes in realized and unrealized gains on foreign currency contracts to economically hedge GBP denominated earnings from WPD.

Interest Expense

The increase (decrease) in interest expense was due to:

	2015 vs. 2014	2014 vs. 2013
Long-term debt interest expense (a)	$ 61	$ 65
Hedging activities and ineffectiveness	(4)	(11)
Loss on extinguishment of debt (b)	(9)	(1)
Foreign currency exchange rates	(26)	19
Other	6	(7)
Total	$ 28	$ 65

(a) The increase in 2015 compared with 2014 is primarily due to 2015 including interest expense related to certain PPL Energy Funding debt that was previously associated with PPL's Supply segment and included in "Income (Loss) from Discontinued Operations (net of income taxes) in 2014.

The increase in 2014 compared with 2013 was primarily due to debt issuances at WPD (West Midlands) in October 2013, LG&E and KU in November 2013 and PPL Electric in June 2014 and July 2013.

(b) In March 2014, a $9 million loss was recorded related to PPL Capital Funding's remarketing and debt exchange of the junior subordinated notes originally issued in April 2011 as a component of the 2011 Equity Units. In May 2013, a $10 million loss was recorded related to PPL Capital Funding's remarketing and exchange of the junior subordinated notes that were originally issued in June 2010 as a component of PPL's 2010 Equity Units.

Income Taxes

The increase (decrease) in income taxes was due to:

	2015 vs. 2014	2014 vs. 2013
Change in pre-tax income at current period tax rates	$ (18)	$ 151
Valuation allowance adjustments (a)	(31)	31
State deferred tax rate change (b)		(16)
Federal and state tax reserve adjustments (c)	(21)	48
Federal and state tax return adjustments	(4)	7
U.S. income tax on foreign earnings net of foreign tax credit (d)	(55)	42
U.K. Finance Act adjustments (e)	(90)	96
Impact of lower U.K. income tax rates (e)	4	(36)
Interest benefit on U.K. financing activities	(15)	2
Other	3	7
Total	$ (227)	$ 332

(a) During 2015, PPL recorded $24 million of deferred income tax expense related to deferred tax valuation allowances. PPL recorded state deferred income tax expense of $12 million primarily related to increased Pennsylvania net operating loss carryforwards expected to be unutilized and $12 million of federal deferred income tax expense primarily related to federal tax credit carryforwards that are expected to expire as a result of lower future taxable earnings due to the extension of bonus depreciation.

As a result of the PPL Energy Supply spinoff announcement, PPL recorded $50 million of deferred income tax expense during 2014 to adjust the valuation allowance on deferred tax assets primarily for state net operating loss carryforwards that were previously supported by the future earnings of PPL Energy Supply. See Note 8 for additional information on the spinoff.

During 2013, PPL recorded $23 million of state deferred income tax expense related to a deferred tax valuation allowance primarily due to a decrease in projected future taxable income at PPL Energy Supply over the remaining carryforward period of Pennsylvania net operating losses.

(b) Changes in state apportionment resulted in reductions to the future estimated state tax rate at December 31, 2014, and an increase to the future estimated state tax rate at December 31, 2013. PPL recorded an insignificant deferred tax benefit in 2014 and a $15 million deferred tax expense in 2013 related to its state deferred tax liabilities.

(c) During 2015, PPL recorded a $12 million tax benefit related to the settlement of the IRS audit for the tax years 1998-2011.

In 2013, the U.S. Supreme Court reversed the December 2011 ruling, by the U.S. Court of Appeals for the Third Circuit, concerning the creditability of U.K. Windfall Profits Tax for U.S. federal income tax purposes. As a result of this decision, PPL recorded a tax benefit of $44 million during 2013. See Note 5 to the Financial Statements for additional information.

PPL recorded a tax benefit of $7 million during 2013 to federal and state income tax reserves related to stranded cost securitization. The reserve balance at December 31, 2013 related to stranded costs securitization was zero.

(d) During 2015, PPL recorded lower income taxes primarily due to a decrease in taxable dividends.

During 2014, PPL recorded $47 million of income tax expense primarily attributable to taxable dividends.

During 2013, PPL recorded $28 million of income tax expense resulting from increased taxable dividends offset by a $19 million income tax benefit associated with a ruling obtained from the IRS impacting the recalculation of 2010 U.K. earnings and profits that was reflected on an amended 2010 U.S. tax return.

(e) The U.K.'s Finance Act 2015, enacted in November 2015, reduces the U.K. statutory income tax rate from 20% to 19% effective April 1, 2017 and from 19% to 18% effective April 1, 2020. As a result, PPL reduced its net deferred tax liabilities and recognized a $90 million deferred tax benefit in 2015 related to both rate decreases.

The U.K.'s Finance Act 2013, enacted in July 2013, reduced the U.K. statutory income tax rate from 23% to 21% effective April 1, 2014 and from 21% to 20% effective April 1, 2015. As a result, PPL reduced its net deferred tax liabilities and recognized a $97 million deferred tax benefit in 2013 related to both rate decreases.

See Note 5 to the Financial Statements for additional information on income taxes.

Income (Loss) from Discontinued Operations (net of income taxes)

Income (Loss) from Discontinued Operations (net of income taxes) for all periods presented, primarily includes the results of operations of PPL Energy Supply, which was spun off from PPL on June 1, 2015 and substantially represents PPL's former Supply segment. See "Discontinued Operations" in Note 8 to the Financial Statements for additional information.

PPL Electric: Earnings, Margins and Statement of Income Analysis

Earnings

	2015	2014	2013
Net Income	$ 252	$ 263	$ 209
Special item, gain (loss), after-tax		(2)	

Excluding a special item, earnings decreased for 2015 compared with 2014 primarily due to higher other operation and maintenance expense and higher depreciation expense, partially offset by returns on additional transmission and distribution improvement capital investments and the release of a gross receipts tax reserve.

Excluding a special item, earnings increased in 2014 compared with 2013 primarily due to returns on additional transmission and distribution improvement capital investments, lower other operation and maintenance expense and a benefit from a change in estimate of a regulatory liability, partially offset by higher interest expense and depreciation expense.

The table below quantifies the changes in the components of Net Income between these periods, which reflect amounts classified as Pennsylvania Gross Delivery Margins and an item that management considers special on separate lines within the table and not in their respective Statement of Income line items.

	2015 vs. 2014	2014 vs. 2013
Pennsylvania Gross Delivery Margins	$ 65	$ 118
Other operation and maintenance	(58)	13
Depreciation	(29)	(7)
Taxes, other than income	18	
Other Income (Expense) - net	1	1
Interest Expense	(8)	(14)
Income Taxes	(2)	(55)
Special Items, after-tax	2	(2)
Net Income	$ (11)	$ 54

Margins

"Pennsylvania Gross Delivery Margins" is a non-GAAP financial performance measure that management utilizes as an indicator of the performance of its business. See PPL's "Results of Operations - Margins" for information on why management believes this measure is useful and for explanations of the underlying drivers of the changes between periods.

The following tables contain the components from the Statements of Income that are included in this non-GAAP financial measure and a reconciliation to "Operating Income."

	2015			2014		
	PA Gross Delivery Margins	Other (a)	Operating Income (b)	PA Gross Delivery Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 2,124		$ 2,124	$ 2,044		$ 2,044
Operating Expenses						
Energy purchases	657		657	587		587
Energy purchases from affiliate	14		14	84		84
Other operation and maintenance	114	$ 493	607	103	$ 440	543
Depreciation		214	214		185	185
Taxes, other than income	102	(8)	94	98	9	107
Total Operating Expenses	887	699	1,586	872	634	1,506
Total	$ 1,237	$ (699)	$ 538	$ 1,172	$ (634)	$ 538

	2013		
	PA Gross Delivery Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 1,870		$ 1,870
Operating Expenses			
Energy purchases	588		588
Energy purchases from affiliate	51		51
Other operation and maintenance	82	$ 449	531
Depreciation		178	178
Taxes, other than income	95	8	103
Total Operating Expenses	816	635	1,451
Total	$ 1,054	$ (635)	$ 419

(a) Represents amounts excluded from Margins.
(b) As reported on the Statements of Income.

Statement of Income Analysis --

Certain Operating Revenues and Expenses Included in "Pennsylvania Gross Delivery Margins"

The following Statement of Income line items and their related increase (decrease) are included above within "Pennsylvania Gross Delivery Margins" and are not discussed separately.

	2015 vs. 2014	2014 vs. 2013
Operating revenues	$ 80	$ 174
Energy purchases	70	(1)
Energy purchases from affiliate	(70)	33

Other Operation and Maintenance

The increase (decrease) in other operation and maintenance was due to:

	2015 vs. 2014	2014 vs. 2013
Act 129 costs incurred	$ 9	$ 6
Vegetation management	7	(4)
Payroll-related costs (a)	2	(16)
Corporate service costs (b)	30	7
Storm costs (c)	(11)	18
Bad debts	13	4
Environmental costs	5	1
Other	9	(4)
Total	$ 64	$ 12

(a) The decrease in 2014 compared with 2013 was due to lower headcount, less maintenance work and more focus on capital projects in 2014.
(b) The increase in 2015 compared with 2014 was due to higher corporate support costs charged to Electric Utilities, primarily as a result of the spinoff of PPL Energy Supply.
(c) The increase in 2014 compared with 2013 was due to more storm events.

Depreciation

Depreciation increased by $29 million in 2015 compared with 2014, and by $7 million in 2014 compared with 2013, primarily due to additions to PP&E, net, related to the ongoing efforts to improve reliability and replace aging infrastructure.

Taxes, Other Than Income

Taxes, other than income decreased by $13 million in 2015 compared with 2014 primarily due to the settlement of a 2011 gross receipts tax audit resulting in the reversal of $17 million of previously recognized reserves.

Interest Expense

Interest expense increased by $8 million in 2015 compared with 2014, primarily due to debt issuances in October 2015 and June 2014. Interest expense increased by $14 million in 2014 compared with 2013, primarily due to debt issuances in June 2014 and July 2013.

Income Taxes

The increase (decrease) in income taxes was due to:

	2015 vs. 2014	2014 vs. 2013
Change in pre-tax income at current period tax rates	$ 1	$ 44
Federal and state tax reserve adjustments	3	8
Federal and state tax return adjustments	(3)	2
Depreciation not normalized	2	
Other	1	(2)
Total	$ 4	$ 52

See Note 5 to the Financial Statements for additional information on income taxes.

LKE: Earnings, Margins and Statement of Income Analysis

Earnings

	2015	2014	2013
Net Income	$ 364	$ 344	$ 347
Special items, gains (losses), after-tax	(12)		3

Excluding special items, earnings increased in 2015 compared with 2014 primarily due to higher base rates and returns on additional environmental capital investments partially offset by higher other operation and maintenance expense, income taxes, financing costs and lower sales volume. The increases in base rates were the result of new rates approved by the KPSC effective July 1, 2015. The change in sales volume was due to milder weather during the fourth quarter of 2015.

Earnings in 2014 compared with 2013 decreased primarily due to higher other operation and maintenance expense driven by the timing and scope of scheduled generation maintenance outages, higher bad debt expense, storm-related expenses, higher financing costs and higher depreciation expense partially offset by returns on additional environmental capital investments and higher sales volumes. The changes in sales volumes were driven by unusually cold weather in the first quarter of 2014.

The table below quantifies the changes in the components of Net Income between these periods, which reflect amounts classified as Margins and certain items that management considers special on separate lines within the table and not in their respective Statement of Income line items. See PPL's "Results of Operations - Segment Earnings - Kentucky Regulated segment" for details of the special items.

	2015 vs. 2014	2014 vs. 2013
Margins	$ 88	$ 78
Other operation and maintenance	(21)	(35)
Depreciation	(1)	(14)
Taxes, other than income	(3)	(3)
Other Income (Expense)-net	1	(1)
Interest Expense	(14)	(22)
Income Taxes	(18)	(3)
Special items, after-tax	(12)	(3)
Total	$ 20	$ (3)

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 underlying drivers of the changes between periods. Within PPL's discussion, LKE's Margins are referred to as "Kentucky Gross Margins."

The following tables contain the components from the Statements of Income that are included in this non-GAAP financial measure and a reconciliation to "Operating Income."

	2015			2014		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 3,115		$ 3,115	$ 3,168		$ 3,168
Operating Expenses						
Fuel	863		863	965		965
Energy purchases	184		184	253		253
Other operation and maintenance	100	$ 737	837	99	$ 716	815
Depreciation	38	344	382	11	343	354
Taxes, other than income	4	53	57	2	50	52
Total Operating Expenses	1,189	1,134	2,323	1,330	1,109	2,439
Total	$ 1,926	$ (1,134)	$ 792	$ 1,838	$ (1,109)	$ 729

	2013		
	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 2,976		$ 2,976
Operating Expenses			
Fuel	896		896
Energy purchases	217		217
Other operation and maintenance	97	$ 681	778
Depreciation	5	329	334
Taxes, other than income	1	47	48
Total Operating Expenses	1,216	1,057	2,273
Total	$ 1,760	$ (1,057)	$ 703

(a) Represents amounts excluded from Margins.
(b) As reported on the Statements of Income.

Statement of Income Analysis --

Certain Operating Revenues and Expenses Included in "Margins"

The following Statement of Income line items and their related increase (decrease) are included above within "Margins" and are not discussed separately.

	2015 vs. 2014	2014 vs. 2013
Operating Revenues	$ (53)	$ 192
Fuel	(102)	69
Energy purchases	(69)	36

Other Operation and Maintenance

The increase (decrease) in other operation and maintenance was due to:

	2015 vs. 2014	2014 vs. 2013
Pension (a)	$ 14	$ (15)
Cane Run retired units (b)	11	
Storm costs	(7)	8
Bad debts	(6)	9
Plant operations (c)	(2)	7
Timing and scope of scheduled generation maintenance outages	(1)	14
Other	13	14
Total	$ 22	$ 37

(a) The increase in 2015 compared with 2014 is attributed to the change in mortality tables and lower discount rates.
(b) Represents an inventory write-down and separation benefits.
(c) Includes $8 million reduction of costs in 2015 due to the retirement of Cane Run and Green River units partially offset by $6 million for Cane Run 7 operations.

Depreciation

Depreciation increased by $28 million in 2015 compared with 2014 and by $20 million in 2014 compared with 2013 primarily due to additions to PP&E, net.

Interest Expense

Interest expense increased by $14 million in 2015 compared with 2014 primarily due the issuance of $550 million of incremental First Mortgage Bonds by LG&E and KU in September 2015 and higher interest rates on $500 million of First Mortgage Bonds refinanced by LG&E and KU.

Interest expense increased by $22 million in 2014 compared with 2013 primarily due to the issuance of $500 million of First Mortgage Bonds in November 2013 and higher short-term debt balances in 2014.

Income Taxes

The increase (decrease) in income taxes was due to:

	2015 vs. 2014		2014 vs. 2013	
Higher pre-tax book income at current period tax rates	$	19	$	1
Certain Valuation Allowances (a)		12		
Other		(1)		2
Total	$	30	$	3

(a) Management considers this a special item. See PPL's "Results of Operations - Segment Earnings - Kentucky Regulated Segment" for details of this item.

See Note 5 to the Financial Statements for additional information on income taxes.

LG&E: Earnings, Margins and Statement of Income Analysis

Earnings

	2015		2014		2013	
Net Income	$	185	$	169	$	163

Earnings in 2015 compared with 2014 increased primarily due to returns on additional environmental capital investments partially offset by higher income taxes, financing costs and lower sales volume. The change in sales volume was due to milder weather during the fourth quarter of 2015.

Earnings in 2014 compared with 2013 increased primarily due to returns on additional environmental capital investments and higher sales volume partially offset by higher operation and maintenance driven by storm-related expenses, financing costs, depreciation and income tax expense. The changes in sales volume were driven by unusually cold weather in the first quarter of 2014.

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

	2015 vs. 2014		2014 vs. 2013	
Margins	$	34	$	42
Other operation and maintenance		(3)		(4)
Depreciation		9		(7)
Taxes, other than income		(2)		
Other Income (Expense) - net		(3)		(1)
Interest Expense		(8)		(15)
Income Taxes		(11)		(9)
Total	$	16	$	6

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 underlying drivers of the changes between periods. Within PPL's discussion, LG&E's Margins are included in "Kentucky Gross Margins."

The following tables contain the components from the Statements of Income that are included in this non-GAAP financial measure and a reconciliation to "Operating Income."

	2015 Margins	2015 Other (a)	2015 Operating Income (b)	2014 Margins	2014 Other (a)	2014 Operating Income (b)
Operating Revenues	$ 1,444		$ 1,444	$ 1,533		$ 1,533
Operating Expenses						
Fuel	329		329	404		404
Energy purchases	186		186	244		244
Other operation and maintenance	42	$ 335	377	47	$ 332	379
Depreciation	18	144	162	4	153	157
Taxes, other than income	2	26	28	1	24	25
Total Operating Expenses	577	505	1,082	700	509	1,209
Total	$ 867	$ (505)	$ 362	$ 833	$ (509)	$ 324

	2013 Margins	2013 Other (a)	2013 Operating Income (b)
Operating Revenues	$ 1,410		$ 1,410
Operating Expenses			
Fuel	367		367
Energy purchases	205		205
Other operation and maintenance	45	$ 328	373
Depreciation	2	146	148
Taxes, other than income		24	24
Total Operating Expenses	619	498	1,117
Total	$ 791	$ (498)	$ 293

(a) Represents amounts excluded from Margins.
(b) As reported on the Statements of Income.

Statement of Income Analysis --

Certain Operating Revenues and Expenses Included in "Margins"

The following Statement of Income line items and their related increase (decrease) are included above within "Margins" and are not discussed separately.

	2015 vs. 2014	2014 vs. 2013
Retail and wholesale	$ (38)	$ 94
Electric revenue from affiliate	(51)	29
Fuel	(75)	37
Energy purchases	(64)	35
Energy purchases from affiliate	6	4

Other Operation and Maintenance

The increase (decrease) in other operation and maintenance was due to:

	2015 vs. 2014	2014 vs. 2013
Cane Run retired units (a)	$ 11	
Pension (b)	6	$ (11)
Plant operations (c)	(12)	3
Storm costs	(4)	4
Bad debts	(3)	3
Other		7
Total	$ (2)	$ 6

(a) Represents an inventory write-down and separation benefits.
(b) The increase in 2015 compared with 2014 is attributed to the change in mortality tables and lower discount rates.
(c) Includes $6 million reduction of costs in 2015 due to the retirement of Cane Run units.

Depreciation

Depreciation increased by $5 million in 2015 compared with 2014 and by $9 million in 2014 compared with 2013 primarily due to additions to PP&E, net.

Interest Expense

Interest expense increased by $8 million in 2015 compared with 2014 primarily due to the issuance of $300 million of incremental First Mortgage Bonds in September 2015 and higher interest rates on $250 million of First Mortgage Bonds refinanced by LG&E.

Interest expense increased by $15 million in 2014 compared with 2013 primarily due to the issuance of $250 million of First Mortgage Bonds in November 2013 and amortization of a fair market value adjustment of $7 million in 2013.

Income Taxes

Income taxes increased by $11 million in 2015 compared with 2014 and increased by $9 million in 2014 compared with 2013 primarily due to the change in pre-tax income at current period tax rates.

See Note 5 to the Financial Statements for additional information on income taxes.

KU: Earnings, Margins and Statement of Income Analysis

Earnings

	2015	2014	2013
Net Income	$ 234	$ 220	$ 228
Special items, gains (losses), after tax			1

Earnings in 2015 compared with 2014 increased primarily due to higher base rates and returns on additional environmental capital investments partially offset by higher other operation and maintenance expense, depreciation and lower sales volume. The increases in base rates were the result of new rates approved by the KPSC effective July 1, 2015. The change in sales volume were due to milder weather during the fourth quarter of 2015.

Excluding special items, earnings in 2014 compared with 2013 decreased primarily due to higher other operation and maintenance expense driven by the timing and scope of scheduled generation maintenance outages, higher financing costs and higher depreciation expense partially offset by returns on additional environmental capital investments and higher sales volumes. The changes in sales volumes were driven by unusually cold weather in the first quarter of 2014.

The table below quantifies the changes in the components of Net Income between these periods, which reflect amounts classified as Margins and certain items that management considers special on separate lines within the table and not in their respective Statement of Income line items. See PPL's "Results of Operations - Segment Earnings - Kentucky Regulated segment" for details of these special items.

	2015 vs. 2014	2014 vs. 2013
Margins	$ 54	$ 36
Other operation and maintenance	(21)	(26)
Depreciation	(10)	(7)
Taxes, other than income	(1)	(3)
Other Income (Expense) - net	2	3
Interest Expense	(5)	(7)
Income Taxes	(5)	(3)
Special items, after-tax		(1)
Total	$ 14	$ (8)

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 underlying drivers of the changes between periods. Within PPL's discussion, KU's Margins are included in "Kentucky Gross Margins."

The following tables contain the components from the Statements of Income that are included in this non-GAAP financial measure and a reconciliation to "Operating Income."

	2015			2014		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 1,728		$ 1,728	$ 1,737		$ 1,737
Operating Expenses						
Fuel	534		534	561		561
Energy purchases	55		55	111		111
Other operation and maintenance	58	$ 377	435	52	$ 356	408
Depreciation	20	200	220	7	190	197
Taxes, other than income	2	27	29	1	26	27
Total Operating Expenses	669	604	1,273	732	572	1,304
Total	$ 1,059	$ (604)	$ 455	$ 1,005	$ (572)	$ 433

	2013		
	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 1,635		$ 1,635
Operating Expenses			
Fuel	529		529
Energy purchases	81		81
Other operation and maintenance	52	$ 330	382
Depreciation	3	183	186
Taxes, other than income	1	23	24
Total Operating Expenses	666	536	1,202
Total	$ 969	$ (536)	$ 433

(a) Represents amounts excluded from Margins.
(b) As reported on the Statements of Income.

Statement of Income Analysis --

Certain Operating Revenues and Expenses Included in "Margins"

The following Statement of Income line items and their related increase (decrease) are included above within "Margins" and are not discussed separately.

	2015 vs. 2014	2014 vs. 2013
Retail and wholesale	$ (15)	$ 98
Electric revenue from affiliate	6	4
Fuel	(27)	32
Energy purchases	(5)	1
Energy purchases from affiliate	(51)	29

Other Operation and Maintenance

The increase (decrease) in other operation and maintenance was due to:

	2015 vs. 2014	2014 vs. 2013
Pension (a)	$ 10	$ (9)
Plant operations (b)	10	4
Timing and scope of scheduled generation maintenance outages	2	14
Bad debts	(3)	5
Storm costs	(3)	4
Other	11	8
Total	$ 27	$ 26

(a) The increase in 2015 compared with 2014 is attributed to the change in mortality tables and lower discount rates.
(b) Includes $5 million of Cane Run 7 operations partially offset by $2 million reduction of costs in 2015 due to the retirement of Green River units.

Depreciation

Depreciation increased by $23 million in 2015 compared with 2014 and by $11 million in 2014 compared with 2013 primarily due to additions to PP&E, net.

Interest Expense

Interest expense increased by $5 million in 2015 compared with 2014 primarily due to the issuance of $250 million of incremental First Mortgage Bonds in September 2015 and higher interest rates on $250 million of First Mortgage Bonds refinanced by KU.

Interest expense increased by $7 million in 2014 compared with 2013 primarily due to the issuance of $250 million of First Mortgage Bonds in November 2013.

Income Taxes

Income taxes increased by $5 million in 2015 compared with 2014 primarily due to the change in pre-tax income at current period tax rates.

See Note 5 to the Financial Statements for additional information on income taxes.

Financial Condition

The remainder of this Item 7 in this Form 10-K is presented on a combined basis, providing information, as applicable, for all Registrants.

Liquidity and Capital Resources

(All Registrants)

The Registrants' cash flows from operations and access to cost effective bank and capital markets are subject to risks and uncertainties. See "Item 1A. Risk Factors" for a discussion of risks and uncertainties that could affect the Registrants' cash flows.

The Registrants had the following at:

	PPL (a)	PPL Electric	LKE	LG&E	KU
December 31, 2015					
Cash and cash equivalents	$ 836	$ 47	$ 30	$ 19	$ 11
Short-term debt	916		265	142	48
Notes payable with affiliates			54		
December 31, 2014					
Cash and cash equivalents	1,399	214	21	10	11
Short-term investments	120				
Short-term debt	836		575	264	236
Notes payable with affiliates			41		
December 31, 2013					
Cash and cash equivalents	863	25	35	8	21
Notes receivable from affiliates		150	70		
Short-term debt	701	20	245	20	150

(a) At December 31, 2015, $447 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 for additional information on undistributed earnings of WPD.

(PPL)

The Statements of Cash Flows separately report the cash flows of the discontinued operations. The "Operating Activities", "Investing Activities" and "Financing Activities" sections below include only the cash flows of continuing operations.

(All Registrants)

Net cash provided by (used in) operating, investing and financing activities for the years ended December 31 and the changes between periods were as follows.

	PPL	PPL Electric	LKE	LG&E	KU
2015					
Operating activities	$ 2,272	$ 602	$ 1,063	$ 554	$ 608
Investing activities	(3,439)	(1,108)	(1,203)	(689)	(512)
Financing activities	482	339	149	144	(96)
2014					
Operating activities	$ 2,941	$ 613	$ 999	$ 371	$ 566
Investing activities	(3,826)	(791)	(1,191)	(656)	(603)
Financing activities	262	367	178	287	27
2013					
Operating activities	$ 2,447	$ 523	$ 920	$ 366	$ 495
Investing activities	(3,664)	(1,080)	(1,502)	(577)	(853)
Financing activities	2,753	442	574	197	358
2015 vs. 2014 Change					
Operating activities	$ (669)	$ (11)	$ 64	$ 183	$ 42
Investing activities	387	(317)	(12)	(33)	91
Financing activities	220	(28)	(29)	(143)	(123)
2014 vs. 2013 Change					
Operating activities	$ 494	$ 90	$ 79	$ 5	$ 71
Investing activities	(162)	289	311	(79)	250
Financing activities	(2,491)	(75)	(396)	90	(331)

Operating Activities

The components of the change in cash provided by (used in) operating activities were as follows.

	PPL	PPL Electric	LKE	LG&E	KU
2015 vs. 2014					
Change - Cash Provided (Used):					
Net income	$ 166	$ (11)	$ 20	$ 16	$ 14
Non-cash components	(280)	181	(184)	21	(52)
Working capital	(341)	(148)	335	190	152
Defined benefit plan funding	(115)	(10)	(25)	(13)	(16)
Other operating activities	(99)	(23)	(82)	(31)	(56)
Total	$ (669)	$ (11)	$ 64	$ 183	$ 42
2014 vs. 2013					
Change - Cash Provided (Used):					
Net income	$ 69	$ 54	$ (3)	$ 6	$ (8)
Non-cash components	124	(53)	206	91	166
Working capital	438	7	(129)	(65)	(96)
Defined benefit plan funding	66	70	123	35	60
Other operating activities	(203)	12	(118)	(62)	(51)
Total	$ 494	$ 90	$ 79	$ 5	$ 71

(PPL)

PPL had a $669 million decrease in cash from operating activities from continuing operations in 2015 compared with 2014.

- Net income improved by $166 million between the periods, but included a decrease in net non-cash charges of $280 million. These net non-cash charges included a $238 million decrease in deferred income taxes and $65 million of changes to the WPD line loss accrual. These decreases in non-cash charges were partially offset by $110 million of lower unrealized gains on hedging activities. The net $114 million decrease from net income and non-cash adjustments between the periods was primarily due to lower margins from the U.K. Regulated segment, partially offset by higher margins from the Kentucky and Pennsylvania Regulated segments.
- The $341 million decrease in cash from changes in working capital was primarily due to a decrease in taxes payable (primarily due to a decrease in current income tax expense in 2015), a decrease in accounts payable (primarily due

to timing of fuel purchases and payments and unfavorable weather in 2015) partially offset by a decrease in accounts receivable (primarily due to unfavorable weather in 2015).
- The $99 million decrease in cash provided by other operating activities was primarily due to payments of $101 million for the settlement in 2015 of forward starting interest rate swaps.

PPL had a $494 million increase in cash provided by operating activities from continuing operations in 2014 compared with 2013.
- Net income improved by $69 million between the periods. This included an additional $124 million of net non-cash charges, including a $279 million increase in deferred income tax expense. These non-cash charges were partially offset by $243 million of higher unrealized gains on hedging activities.
- The $438 million increase in cash from changes in working capital was partially due to an increase in taxes payable (primarily due an increase in current income tax expense in 2014), a change in uncertain tax positions between the periods and lower growth in accounts receivable and a decline in unbilled revenue.
- The $166 million decrease in cash from other operating activities was partially due to net proceeds of $104 million for settlement in 2013 of forward starting interest rate swaps.

(PPL Electric)

PPL Electric had an $11 million decrease in cash provided by operating activities in 2015 compared with 2014.
- Net income decreased by $11 million between the periods and included an additional $181 million of net non-cash charges, primarily due to increases in deferred tax expense and depreciation.
- The $148 million decrease in cash from changes in working capital was partially due to a decrease in taxes payable (primarily due an increase in current income tax benefits in 2015) and a decrease in accounts payable (primarily due to milder weather and lower energy prices in December 2015), partially offset by a decrease in accounts receivable (primarily due to milder weather in 2015, improved collection performance and higher write-offs).
- Pension funding was $10 million higher in 2015.

PPL Electric had a $90 million increase in cash provided by operating activities in 2014 compared with 2013.
- Net income improved by $54 million between the periods. However, this included an additional $53 million of net non-cash benefits, primarily due to a decrease in deferred income tax expense.
- Pension funding was $70 million lower in 2014.

(LKE)

LKE had a $64 million increase in cash provided by operating activities in 2015 compared with 2014.
- LKE's non-cash components of net income included a $213 million decrease in deferred income táxes, partially offset by a $28 million increase in depreciation due to additional assets in service in 2015. Deferred income taxes were lower in 2015 as a large portion of the effect of accelerated tax depreciation did not result in cash as a result of the Federal net operating losses.
- The increase in cash from changes in working capital was driven primarily by a decrease in income tax receivable as a result of receiving payment from PPL in 2015 for the use of excess tax depreciation deductions in 2014, decreases in accounts receivable and unbilled revenues due to milder weather in December 2015, a decrease in coal inventory as a result of plant retirements, and a decrease in natural gas stored underground due to lower gas prices in 2015, partially offset by a decrease in accounts payable due to the timing of fuel purchases and payments.
- The decrease in cash from LKE's other operating activities was driven primarily by $88 million in payments for the settlement of interest rate swaps.

LKE had a $79 million increase in cash provided by operating activities in 2014 compared with 2013.
- LKE's non-cash components of net income included a $195 million increase in deferred income taxes primarily due to an increase in accelerated tax depreciation over book depreciation as a result of additional assets in service in 2014.
- The decrease in cash from working capital was driven primarily by an increase in income tax receivable and a decrease of income tax payable from PPL as a result of the use of excess tax depreciation deductions, and an increase in inventory due to increased coal purchases in anticipation of a cold December similar to that of 2013, partially offset by decreases in accounts receivable and unbilled revenues due to extended payment terms, higher rates and colder December weather in 2013.
- The decrease in cash from LKE's other operating activities was driven primarily by $86 million in proceeds from the settlement of interest rate swaps received in 2013.

(LG&E)

LG&E had a $183 million increase in cash provided by operating activities in 2015 compared with 2014.

- LG&E's non-cash components of net income included an $8 million increase in deferred income taxes and a $5 million increase in depreciation due to additional assets in service in 2015.
- The increase in cash from changes in working capital was driven primarily by a decrease in income tax receivable as a result of receiving payment from LKE in 2015 for the use of excess tax depreciation deductions in 2014, a decrease in accounts receivable from affiliates due to lower fuel costs for jointly owned units compared to an increase in the prior year, a decrease in accounts receivable due to milder weather in December 2015 compared to an increase in the prior year, a decrease in coal inventory as a result of the retirement of Cane Run coal units, and a decrease in natural gas stored underground due to lower gas prices in 2015, partially offset by a decrease in accounts payable due to the timing of fuel purchases and payments compared to an increase in the prior year.
- The decrease in cash from LG&E's other operating activities was driven primarily by $44 million in payments for the settlement of interest rate swaps.

LG&E had a $5 million increase in cash provided by operating activities in 2014 compared with 2013.

- LG&E's non-cash components of net income included a $92 million increase in deferred income taxes primarily due to an increase in accelerated tax depreciation over book depreciation as a result of additional assets in service in 2014.
- The decrease in cash from working capital was driven primarily by an increase in income tax receivable from LKE as a result of the use of excess tax depreciation deductions, and an increase in accounts receivable from affiliates, partially offset by decreases in accounts receivable and unbilled revenues due to extended payment terms, higher rates and colder December weather in 2013.
- The decrease in cash from LG&E's other operating activities was driven primarily by $43 million in proceeds from the settlement of interest rate swaps received in 2013.

(KU)

KU had a $42 million increase in cash provided by operating activities in 2015 compared with 2014.

- KU's non-cash components of net income included a $64 million decrease in deferred income taxes, partially offset by a $23 million increase in depreciation due to additional assets in service in 2015. Deferred income taxes were lower in 2015 as a large portion of the effect of accelerated tax depreciation did not result in cash as a result of the Federal net operating losses.
- The increase in cash from changes in working capital was driven primarily by a decrease in income tax receivable as a result of receiving payment from LKE in 2015 for the use of excess tax depreciation deductions in 2014, a decrease in coal inventory as a result of the retirement of Green River coal units, and decreases in accounts receivable and unbilled revenues due to milder weather in December 2015, partially offset by a decrease in accounts payable to affiliates compared to an increase in the prior year due to lower fuel costs for jointly owned units and a decrease in accounts payable due to the timing of fuel purchases and payments.
- The decrease in cash from KU's other operating activities was driven primarily by $44 million in payments for the settlement of interest rate swaps.

KU had a $71 million increase in cash provided by operating activities in 2014 compared with 2013.

- KU's non-cash components of net income included a $155 million increase in deferred income taxes primarily due to the utilization of net operating losses and an increase in accelerated tax depreciation over book depreciation as a result of additional assets in service in 2014.
- The decrease in cash from working capital was driven primarily by an increase in income tax receivable and a decrease of income tax payable from LKE as a result of the use of excess tax depreciation deductions, and an increase in inventory due to increased coal purchases in anticipation of a cold December similar to that of 2013, partially offset by decreases in accounts receivable and unbilled revenues due to extended payment terms, higher rates and colder December weather in 2013 and an increase in accounts payable to affiliates.
- The decrease in cash from KU's other operating activities was driven primarily by $43 million in proceeds from the settlement of interest rate swaps received in 2013.

Investing Activities

(All Registrants)

The components of the change in cash provided by (used in) investing activities were as follows.

	PPL	PPL Electric	LKE	LG&E	KU
2015 vs. 2014					
Change - Cash Provided (Used):					
Expenditures for PP&E	$ 141	$ (166)	$ 52	$ (33)	$ 85
Notes receivable with affiliates activity, net		(150)	(70)		
Restricted cash and cash equivalent activity	(11)				
Purchase and sale of investments, net	256				
Other investing activities	1	(1)	6		6
Total	$ 387	$ (317)	$ (12)	$ (33)	$ 91
2014 vs. 2013					
Change - Cash Provided (Used):					
Expenditures for PP&E	$ (45)	$ (28)	$ 172	$ (79)	$ 251
Notes receivable with affiliates activity, net		300	140		
Restricted cash and cash equivalent activity	17				
Investment activity, net	(120)				
Other investing activities	(14)	17	(1)		(1)
Total	$ (162)	$ 289	$ 311	$ (79)	$ 250

(PPL)

For PPL, lower project expenditures at WPD and KU were partially offset by higher project expenditures at PPL Electric and LG&E. 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 KU was related to lower expenditures for the construction of Cane Run Unit 7 which was put into commercial operation in June 2015, and lower expenditures for environmental air projects and CCR projects at KU's Ghent and E.W. Brown plants. The increase in expenditures for PPL Electric was primarily due to the Northeast Pocono reliability project, smart grid projects and other various projects, partially offset by the completion of the Susquehanna-Roseland transmission project. The increase in expenditures for LG&E was primarily due to environmental air projects at LG&E's Mill Creek plant, partially offset by lower expenditures for the construction of Cane Run Unit 7.

PPL received $136 million during 2015 from the sale of short-term investments.

For PPL, in 2014 compared with 2013, the increase in "Expenditures for PP&E" was partially due to expenditures made in 2014 at WPD (primarily due to projects to enhance system reliability and the effect of foreign currency exchange rates) partially offset by expenditures made in 2013 for the construction of Cane Run Unit 7 for both LG&E and KU.

PPL paid $120 million during 2014 from the purchase of short-term investments.

(PPL Electric)

For PPL Electric, in 2015 compared with 2014, the increase in expenditures was primarily due to the Northeast Pocono reliability project, smart grid projects and other various projects, partially offset by the completion of the Susquehanna-Roseland transmission project.

The changes in "Notes receivable with affiliates, net" resulted from proceeds of $150 million received in 2014 from repayments on a note extended in 2013.

(LKE)

In comparing 2015 with 2014, cash used by investing activities increased as a result of receiving payment from PPL in 2014 for the notes receivable issued in 2013, partially offset by lower PP&E

expenditures. An increase in expenditures for LG&E was primarily due to higher expenditures for environmental air projects at the Mill Creek plant, partially offset by lower expenditures for the construction of Cane Run Unit 7. A decrease in expenditures for KU was primarily due to lower expenditures for the construction of Cane Run Unit 7 which was put into commercial operation in June 2015, and lower expenditures for environmental air projects and CCR projects at the Ghent and the E.W. Brown plants.

In comparing 2014 with 2013, cash used by investing activities decreased as a result of the decrease in PP&E expenditures for KU, partially offset by the increase in PP&E expenditures for LG&E. The decrease in expenditures for KU was primarily due to lower expenditures for the construction of Cane Run Unit 7 and CCR projects at the Ghent and the E.W. Brown plants, partially offset by higher expenditures for environmental air projects at the Ghent and the E.W. Brown plants. The increase in expenditures for LG&E was primarily due to environmental air projects at the Mill Creek plant and the gas service riser program, partially offset by lower expenditures for the construction of Cane Run Unit 7.

(LG&E)

In comparing 2015 with 2014, cash used by investing activities increased primarily due to higher expenditures for environmental air projects at the Mill Creek plant, partially offset by lower expenditures for the construction of Cane Run Unit 7 which was put into commercial operation in June 2015.

In comparing 2014 with 2013, cash used by investing activities increased as a result of the increase in expenditures primarily due to environmental air projects at the Mill Creek plant and the gas service riser program, partially offset by lower expenditures for the construction of Cane Run Unit 7.

(KU)

In comparing 2015 with 2014, cash used by investing activities decreased primarily due to lower expenditures for the construction of Cane Run Unit 7 which was put into commercial operation in June 2015, and lower expenditures for environmental air projects and CCR projects at the Ghent and the E.W. Brown plants.

In comparing 2014 with 2013, cash used by investing activities decreased as a result of the decrease in expenditures primarily due to lower expenditures for the construction of Cane Run Unit 7 and CCR projects at the Ghent and the E.W. Brown plants, partially offset by higher expenditures for environmental air projects at the Ghent and the E.W. Brown plants.

(All Registrants)

See "Forecasted Uses of Cash" for detail regarding projected capital expenditures for the years 2016 through 2020.

Financing Activities

(All Registrants)

The components of the change in cash provided by (used in) financing activities were as follows.

	PPL	PPL Electric	LKE	LG&E	KU
2015 vs. 2014					
Change - Cash Provided (Used):					
Debt issuance/retirement, net	$ 1,177	$ (38)	$ 150	$ 300	$ 250
Debt issuance/retirement, affiliate			400		
Stock issuances/redemptions, net	(871)				
Dividends	(37)	(23)		(7)	(5)
Capital contributions/distributions, net		12	94	(67)	(91)
Changes in net short-term debt (a)	(53)	20	(668)	(366)	(274)
Other financing activities	4	1	(5)	(3)	(3)
Total	$ 220	$ (28)	$ (29)	$ (143)	$ (123)

	PPL	PPL Electric	LKE	LG&E	KU
2014 vs. 2013					
Change - Cash Provided (Used):					
Debt issuance/retirement, net	$ (1,979)	$ (62)	$ (496)	$ (248)	$ (248)
Stock issuances/redemptions, net	(263)				
Dividends	(89)	(31)		(13)	(24)
Capital contributions/distributions, net		58	(177)	71	(66)
Changes in net short-term debt (a)	(258)	(40)	276	279	6
Other financing activities	98		1	1	1
Total	$ (2,491)	$ (75)	$ (396)	$ 90	$ (331)

(a) Includes net increase (decrease) in notes payable with affiliates.

(PPL)

In 2015, PPL required $220 million additional cash from financing activities including the WPD, LG&E and KU long-term debt issuances in 2015, partially offset by lower common stock issuances in 2015.

In 2014, PPL required $2.5 billion less cash from financing activities including the PPL Capital Funding and WPD long-term debt issuances in 2014, lower common stock issuances in 2014 and improvements in cash from operations of $494 million which helped support the significant capital expenditure programs of its subsidiaries.

In 2014, financing activities also included net cash distributions of $1.2 billion to PPL from PPL Energy Supply (discontinued operations) for the proceeds from the PPL Montana hydroelectric generation facilities sale, net of a tax liability payment and proceeds from a tax grant.

In 2013, financing activities also included net cash contributions of $1.2 billion from PPL to PPL Energy Supply (discontinued operations) to fund debt maturities, to repay short-term debt and to terminate the operating lease arrangement for interests in the Montana Colstrip facility and acquire the previously leased interests.

(PPL Electric)

In 2015, PPL Electric required $28 million less cash from financing activities due to the use of cash on hand which helped support the significant capital expenditure program.

In 2014, PPL Electric required $75 million less cash from financing activities to support its significant capital expenditure program, primarily due to the receipt of $150 million on notes receivable from affiliates (as described in "Investing Activities" above) and improvements in cash from operations of $90 million.

(LKE)

In comparing 2015 with 2014, cash provided by financing activities decreased as a result of the repayment of short-term debt, partially offset by the $550 million of additional long-term debt issued by LG&E and KU in 2015 and lower distributions to PPL.

In comparing 2014 with 2013, cash provided by financing activities decreased as a result of the $500 million long-term debt issued by LG&E and KU in November 2013 and higher distributions to PPL, partially offset by an increase in short-term debt and an increase in notes payable with affiliates to fund capital expenditures.

(LG&E)

In comparing 2015 with 2014, cash provided by financing activities decreased as a result of the repayment of short-term debt and lower capital contributions from LKE, partially offset by the $300 million of additional long-term debt issued in 2015.

In comparing 2014 with 2013, cash provided by financing activities increased due to an increase in short-term debt to fund capital expenditures and an increase in contributions from LKE, offset by the $250 million of long-term debt issued in November 2013.

(KU)

In comparing 2015 with 2014, cash provided by financing activities decreased as a result of the repayment of short-term debt and lower capital contributions from LKE, partially offset by the $250 million of additional long-term debt issued in 2015.

In comparing 2014 with 2013, cash provided by financing activities decreased as a result of the $250 million long-term debt issued in November 2013, a decrease of contributions from LKE and higher dividends to LKE.

(All Registrants)

See "Long-term Debt and Equity Securities" below for additional information on current year activity. See "Forecasted Sources of Cash" for a discussion of the Registrants' plans to issue debt and equity securities, as well as a discussion of credit facility capacity available to the Registrants. Also see "Forecasted Uses of Cash" for a discussion of PPL's plans to pay dividends on common securities in the future, as well as the Registrants' maturities of long-term debt.

Long-term Debt and Equity Securities

Long-term debt and equity securities activity for 2015 included:

	Debt		Net Stock
	Issuances (a)	Retirements	Issuances
Cash Flow Impact:			
PPL	$ 2,236	$ 1,000	$ 203
PPL Electric	348	100	
LKE (b)	1,450	900	
LG&E	550	250	
KU	500	250	

(a) Issuances are net of pricing discounts, where applicable and exclude the impact of debt issuance costs.
(b) Issuances include a $400 million note with PPL Capital Funding. See Note 14 for additional information on intercompany borrowings.

ATM Program *(PPL)*

During 2015, PPL issued 1,476,700 shares of common stock under the program at an average price of $33.41 per share, receiving net proceeds of $49 million.

See Note 7 to the Financial Statements for additional information about long-term debt and equity securities.

Auction Rate Securities *(LKE, LG&E and KU)*

At December 31, 2015, LG&E's and KU's tax-exempt revenue bonds in the form of auction rate securities total $231 million ($135 million at LG&E and $96 million at KU). These bonds continue to experience failed auctions and the interest rate continues to be set by a formula pursuant to the relevant indentures. For the period ended December 31, 2015, the weighted-average rate on LG&E's and KU's auction rate bonds in total was 0.22% (0.20% at LG&E and 0.24% at KU).

Forecasted Sources of Cash

(All Registrants)

The Registrants expect to continue to have adequate liquidity available from operating cash flows, cash and cash equivalents, credit facilities and commercial paper issuances. Additionally, subject to market conditions, the Registrants and their subsidiaries may access the capital markets, and PPL Electric, LKE, LG&E and KU anticipate receiving equity contributions from their parent or member in 2016.

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 December 31, 2015, the total committed borrowing capacity under credit facilities and the use of this borrowing capacity were:

External

	Committed Capacity	Borrowed	Letters of Credit and Commercial Paper Issued	Unused Capacity
PPL Capital Funding Credit Facilities	$ 750		$ 471	$ 279
PPL Electric Credit Facility	300		1	299
LKE Credit Facility	75	$ 75		
LG&E Credit Facility	500		142	358
KU Credit Facilities	598		246	352
Total LKE Consolidated	1,173	75	388	710
Total U.S. Credit Facilities (a) (b) (c)	$ 2,223	$ 75	$ 860	$ 1,288
Total U.K. Credit Facilities (c) (d) (e)	£ 1,055	£ 133		£ 922

(a) The syndicated credit facilities, as well as KU's letter of credit facility, each contain a financial covenant requiring debt to total capitalization not to exceed 70% for PPL Capital Funding, PPL Electric, LKE, LG&E and KU, as calculated in accordance with the facility, and other customary covenants.

(b) The commitments under the domestic 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 - 13%, PPL Electric - 12%, LKE - 21%, LG&E - 12% and KU - 37%.

(c) Each company pays customary fees under its respective syndicated credit facility, as does KU under its letter of credit facility, and borrowings generally bear interest at LIBOR-based rates plus an applicable margin.

(d) The facilities contain financial covenants to maintain an interest coverage ratio of not less than 3.0 times consolidated earnings before income taxes, depreciation and amortization and total net debt not in excess of 85% of its RAV, calculated in accordance with the credit facility.

(e) At December 31, 2015, the unused capacity under the U.K. committed credit facilities was approximately $1.4 billion. The commitments under the U.K.'s credit facilities are provided by a diverse bank group with no one bank providing more than 14% of the total committed capacity.

In addition to the financial covenants noted in the table above, the credit agreements governing the above credit facilities contain various other covenants. Failure to comply with the covenants after applicable grace periods could result in acceleration of repayment of borrowings and/or termination of the agreements. The Registrants monitor compliance with the covenants on a regular basis. At December 31, 2015, the Registrants were in compliance with these covenants. At this time, the Registrants believe that these covenants and other borrowing conditions will not limit access to these funding sources.

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	$ 54		$ 171
LG&E Money Pool (a)	500		$ 142	358
KU Money Pool (a)	500		48	452

(a) LG&E and KU participate in an intercompany 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 authorized a maximum aggregate short-term debt limit for each utility at $500 million from all covered sources.

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:

	December 31, 2015			December 31, 2014
	Capacity	Commercial Paper Issuances	Unused Capacity	Commercial Paper Issuances
PPL Capital Funding	$ 600	$ 451	$ 149	
PPL Electric	300		300	
LG&E	350	142	208	$ 264
KU	350	48	302	236
Total LKE	700	190	510	500
Total PPL	$ 1,600	$ 641	$ 959	$ 500

Long-term Debt and Equity Securities

(PPL)

PPL and its subsidiaries are currently authorized to incur, subject to market conditions, up to approximately $2 billion of long-term indebtedness in 2016, the proceeds of which would be used to fund capital expenditures and for general corporate purposes.

PPL plans to issue not more than $200 million of common stock in 2016.

(PPL Electric)

PPL Electric is currently authorized to incur, subject to market conditions, up to approximately $500 million of long-term indebtedness in 2016, the proceeds of which would be used to fund capital expenditures and for general corporate purposes.

(LKE, LG&E and KU)

LG&E and KU are currently authorized to incur, subject to market conditions, up to approximately $100 million each of long-term indebtedness in 2016, the proceeds of which would be used to fund capital expenditures and for general corporate purposes. LG&E currently plans to remarket, subject to market conditions, a $25 million bond with a put date in 2016.

Contributions from Parent/Member (PPL Electric, LKE, LG&E and KU)

From time to time, LKE's member or the parents of PPL Electric, LG&E and KU make capital contributions to subsidiaries. The proceeds from these contributions are used to fund capital expenditures and for other general corporate purposes and, in the case of LKE, to make contributions to its subsidiaries.

Forecasted Uses of Cash

(All Registrants)

In addition to expenditures required for normal operating activities, such as purchased power, payroll, fuel and taxes, the Registrants currently expect to incur future cash outflows for capital expenditures, various contractual obligations, payment of dividends on its common stock, distributions by LKE to their members, and possibly the purchase or redemption of a portion of debt securities.

Capital Expenditures

The table below shows the Registrants' current capital expenditure projections for the years 2016 through 2020. Expenditures for the domestic regulated utilities are expected to be recovered through rates, pending regulatory approval.

	Total	Projected 2016	2017	2018	2019	2020
PPL						
Construction expenditures (a) (b)						
Generating facilities	$ 679	$ 126	$ 143	$ 131	$ 134	$ 145
Distribution facilities	9,538	2,000	1,881	1,828	1,886	1,943
Transmission facilities	3,896	790	802	771	712	821
Environmental	1,947	404	349	442	398	354
Other	357	89	80	65	61	62
Total Capital Expenditures	$ 16,417	$ 3,409	$ 3,255	$ 3,237	$ 3,191	$ 3,325
PPL Electric (a) (b)						
Distribution facilities	$ 2,049	$ 465	$ 428	$ 383	$ 386	$ 387
Transmission facilities	3,283	700	694	660	599	630
Total Capital Expenditures	$ 5,332	$ 1,165	$ 1,122	$ 1,043	$ 985	$ 1,017
LKE (b)						
Generating facilities	$ 679	$ 126	$ 143	$ 131	$ 134	$ 145
Distribution facilities	1,324	255	265	251	275	278
Transmission facilities	613	90	107	111	114	191
Environmental	1,947	404	349	442	398	354
Other	314	80	70	57	53	54
Total Capital Expenditures	$ 4,877	$ 955	$ 934	$ 992	$ 974	$ 1,022
LG&E (b)						
Generating facilities	$ 302	$ 73	$ 72	$ 46	$ 54	$ 57
Distribution facilities	776	162	156	148	154	156
Transmission facilities	152	22	28	29	31	42
Environmental	935	229	139	181	207	179
Other	136	39	28	22	24	23
Total Capital Expenditures	$ 2,301	$ 525	$ 423	$ 426	$ 470	$ 457
KU (b)						
Generating facilities	$ 377	$ 53	$ 71	$ 85	$ 80	$ 88
Distribution facilities	548	93	109	103	121	122
Transmission facilities	461	68	79	82	83	149
Environmental	1,011	175	210	261	191	174
Other	170	39	40	33	28	30
Total Capital Expenditures	$ 2,567	$ 428	$ 509	$ 564	$ 503	$ 563

(a) Construction expenditures include capitalized interest and AFUDC, which are expected to total approximately $88 million for PPL and $57 million for PPL Electric.
(b) The 2016 total excludes amounts included in accounts payable as of December 31, 2015.

Capital expenditure plans are revised periodically to reflect changes in operational, market and regulatory conditions. For the years presented, this table includes PPL Electric's asset optimization program to replace aging transmission and distribution assets. This table also includes LKE's environmental projects related to existing and proposed EPA compliance standards excluding the Clean Power Plan (actual costs may be significantly lower or higher depending on the final requirements and market conditions; most environmental compliance costs incurred by LG&E and KU in serving KPSC jurisdictional customers are generally eligible for recovery through the ECR mechanism). See Note 6 to the Financial Statements for information on LG&E's and KU's ECR mechanism and CPCN filing, and Note 8 to the Financial Statements for information on significant development plans.

In addition to cash on hand and cash from operations, the Registrants plan to fund capital expenditures in 2016 with proceeds from the sources noted below.

Source	PPL	PPL Electric	LKE	LG&E	KU
Issuance of common stock	X				
Issuance of long-term debt securities	X	X			
Equity contributions from parent/member		X	X	X	X
Short-term debt	X	X	X	X	X

X = Expected funding source.

Contractual Obligations

The Registrants have assumed various financial obligations and commitments in the ordinary course of conducting business. At December 31, 2015, estimated contractual cash obligations were as follows.

	Total	2016	2017 - 2018	2019 - 2020	After 2020
PPL					
Long-term Debt (a)	$ 19,171	$ 485	$ 642	$ 1,341	$ 16,703
Interest on Long-term Debt (b)	16,206	863	1,688	1,669	11,986
Operating Leases (c)	141	33	52	25	31
Purchase Obligations (d)	3,135	1,108	858	378	791
Other Long-term Liabilities Reflected on the Balance Sheet under GAAP (e) (f)	430	328	102		
Total Contractual Cash Obligations	$ 39,083	$ 2,817	$ 3,342	$ 3,413	$ 29,511
PPL Electric					
Long-term Debt (a)	$ 2,864			$ 100	$ 2,764
Interest on Long-term Debt (b)	2,693	$ 129	$ 258	258	2,048
Purchase Obligations (d)	122	24	49	49	
Total Contractual Cash Obligations	$ 5,679	$ 153	$ 307	$ 407	$ 4,812
LKE					
Long-term Debt (a)	$ 5,135	$ 25	$ 292	$ 1,015	$ 3,803
Interest on Long-term Debt (b)	3,555	198	395	395	2,567
Operating Leases (c)	112	25	44	21	22
Coal and Natural Gas Purchase Obligations (g)	1,822	657	733	268	164
Unconditional Power Purchase Obligations (h)	765	26	54	57	628
Construction Obligations (i)	274	257	15	2	
Pension Benefit Plan Obligations (e)	30	30			
Other Obligations	88	78	7	3	
Total Contractual Cash Obligations	$ 11,781	$ 1,296	$ 1,540	$ 1,761	$ 7,184
LG&E					
Long-term Debt (a)	$ 1,659	$ 25	$ 292	$ 40	$ 1,302
Interest on Long-term Debt (b)	1,300	65	124	119	992
Operating Leases (c)	62	14	27	11	10
Coal and Natural Gas Purchase Obligations (g)	893	312	320	145	116
Unconditional Power Purchase Obligations (h)	530	18	38	39	435
Construction Obligations (i)	163	154	9		
Pension Benefit Plan Obligations (e)	11	11			
Other Obligations	24	20	3	1	
Total Contractual Cash Obligations	$ 4,642	$ 619	$ 813	$ 355	$ 2,855
KU					
Long-term Debt (a)	$ 2,351			$ 500	$ 1,851
Interest on Long-term Debt (b)	1,961	$ 90	$ 186	190	1,495
Operating Leases (c)	47	10	16	10	11
Coal and Natural Gas Purchase Obligations (g)	929	345	413	123	48
Unconditional Power Purchase Obligations (h)	235	8	16	18	193
Construction Obligations (i)	88	80	6	2	
Pension Benefit Plan Obligations (e)	9	9			
Other Obligations	26	20	4	2	
Total Contractual Cash Obligations	$ 5,646	$ 562	$ 641	$ 845	$ 3,598

(a) Reflects principal maturities based on stated maturity or earlier put dates. See Note 7 to the Financial Statements for a discussion of variable-rate remarketable bonds issued on behalf of LG&E and KU. The Registrants do not have any significant capital lease obligations.

(b) Assumes interest payments through stated maturity or earlier put dates. For PPL, LKE, LG&E and KU the payments herein are subject to change, as payments for debt that is or becomes variable-rate debt have been estimated and for PPL, payments denominated in British pounds sterling have been translated to U.S. dollars at a current foreign currency exchange rate.

(c) See Note 9 to the Financial Statements for additional information.

(d) The amounts include agreements to purchase goods or services that are enforceable and legally binding and specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Primarily includes as applicable, the purchase obligations of electricity, coal, nuclear fuel and limestone as well as certain construction expenditures, which are also included in the Capital Expenditures table presented above.

(e) The amounts for PPL include WPD's contractual deficit pension funding requirements arising from actuarial valuations performed in March 2013. The U.K. electricity regulator currently allows a recovery of a substantial portion of the contributions relating to the plan deficit. The amounts also include contributions made or committed to be made in 2016 for PPL's and LKE's U.S. pension plans (for PPL Electric, LG&E and KU includes their share of these amounts). Based on the current funded status of these plans, except for WPD's plans, no cash contributions are required. See Note 11 to the Financial Statements for a discussion of expected contributions.

(f) At December 31, 2015, total unrecognized tax benefits of $5 million for PPL were excluded from this table as management cannot reasonably estimate the amount and period of future payments.

(g) Represents contracts to purchase coal, natural gas and natural gas transportation. See Note 13 to the Financial Statements for additional information.

(h) Represents future minimum payments under OVEC power purchase agreements through June 2040. See Note 13 to the Financial Statements for additional information.
(i) Represents construction commitments, including commitments for the LG&E's Mill Creek and KU's Ghent and E.W. Brown environmental air projects, LG&E's and KU's E.W. Brown Solar Unit, KU's E.W. Brown landfill and LG&E's Ohio Falls refurbishment which are also reflected in the Capital Expenditures table presented above.

Dividends/Distributions

(PPL)

PPL views dividends as an integral component of shareowner return and expects to continue to pay dividends in amounts that are within the context of maintaining a capitalization structure that supports investment grade credit ratings. In November 2015, PPL declared its quarterly common stock dividend, payable January 4, 2016, at 37.75 cents per share (equivalent to $1.51 per annum). On February 4, 2016, PPL announced that the company is increasing its common stock dividend to 38 cents per share on a quarterly basis (equivalent to $1.52 per annum). Future dividends will be declared at the discretion of the Board of Directors and will depend upon future earnings, cash flows, financial and legal requirements and other relevant factors at the time. Subject to certain exceptions, PPL may not declare or pay any cash dividend or distribution on its capital stock during any period in which PPL Capital Funding defers interest payments on its 2007 Series A Junior Subordinated Notes due 2067 or 2013 Series B Junior Subordinated Notes due 2073. At December 31, 2015, no interest payments were deferred.

See Note 8 for information regarding the June 1, 2015 distribution to PPL's shareowners of a newly formed entity, Holdco, which at closing owned all of the membership interests of PPL Energy Supply and all of the common stock of Talen Energy.

(PPL Electric, LKE, LG&E and KU)

From time to time, as determined by their respective Board of Directors or Board of Managers, the Registrants pay dividends or distributions, as applicable, to their respective shareholders or members. Certain of the credit facilities of PPL Electric, LKE, LG&E and KU include minimum debt covenant ratios that could effectively restrict the payment of dividends or distributions.

(All Registrants)

See Note 7 to the Financial Statements for these and other restrictions related to distributions on capital interests for the Registrants and their subsidiaries.

Purchase or Redemption of Debt Securities

The Registrants will continue to evaluate outstanding debt securities and may decide to purchase or redeem these securities in open market or privately negotiated transactions, in exchange transactions or otherwise, depending upon prevailing market conditions, available cash and other factors, and may be commenced or suspended at any time. The amounts involved may be material.

Rating Agency Actions

Moody's, S&P and Fitch periodically review 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, S&P and Fitch 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. A downgrade in the Registrants' or their subsidiaries' credit ratings could result in higher borrowing costs and reduced access to capital markets. The Registrants and their subsidiaries have no credit rating triggers that would result in the reduction of access to capital markets or the acceleration of maturity dates of outstanding debt.

The following table sets forth the Registrants' and their subsidiaries' credit ratings for outstanding debt securities or commercial paper programs as of December 31, 2015.

Issuer	Senior Unsecured Moody's	Senior Unsecured S&P	Senior Secured Moody's	Senior Secured S&P	Commercial Paper Moody's	Commercial Paper S&P
PPL						
PPL Capital Funding	Baa2	BBB+			P-2	A-2
WPD plc	Baa3	BBB+				
WPD (East Midlands)	Baa1	A-				
WPD (West Midlands)	Baa1	A-				
WPD (South Wales)	Baa1	A-				
WPD (South West)	Baa1	A-				
PPL and PPL Electric						
PPL Electric			A1	A	P-2	A-2
PPL and LKE						
LKE	Baa1	BBB+				
LG&E			A1	A	P-2	A-2
KU			A1	A	P-2	A-2

The rating agencies have taken the following actions related to the Registrants and their subsidiaries.

In January 2015, Fitch withdrew its ratings for PPL, PPL Capital Funding, PPL Electric, LKE, LG&E, and KU.

(PPL)

In May 2015, Moody's upgraded the following ratings with a stable outlook:
- the long-term issuer rating from Baa3 to Baa2 for PPL;
- the senior unsecured rating from Baa3 to Baa2 for PPL Capital Funding; and
- the junior subordinated rating from Ba1 to Baa3 for PPL Capital Funding.

In May 2015, Fitch affirmed and withdrew its ratings for PPL UK Distribution Holdings Limited (formerly known as PPL WW), WPD (South Wales) and WPD (South West).

In June 2015, S&P upgraded the following ratings with a stable outlook:
- the long-term issuer rating from BBB to A- for PPL;
- the senior unsecured rating from BBB- to BBB+ for PPL Capital Funding; and
- the junior subordinated rating from BB+ to BBB for PPL Capital Funding

In June 2015, S&P affirmed the short-term issue ratings for WPD plc, WPD (East Midlands), WPD (West Midlands), WPD (South Wales) and WPD (South West). S&P also upgraded the following ratings with a stable outlook:
- the long-term issuer rating from BBB to A- for WPD plc, WPD (East Midlands), WPD (West Midlands), WPD (South Wales) and WPD (South West);
- the senior unsecured rating from BBB- to BBB+ for WPD plc; and
- the senior unsecured rating from BBB to A- for WPD (East Midlands), WPD (West Midlands), WPD (South Wales) and WPD (South West).

In August 2015, S&P affirmed its ratings with a stable outlook for WPD plc, WPD (East Midlands), WPD (West Midlands), WPD (South Wales) and WPD (South West).

In October 2015, Moody's and S&P assigned ratings of P-2 and A-2 to PPL Capital Funding's $600 million commercial paper program. S&P also assigned a short-term issuer rating of A-2 to PPL.

In November 2015, Moody's and S&P assigned ratings of Baa3 and BBB+ to WPD plc's £500 million 3.625% Senior Unsecured Notes due 2023.

In November 2015, Moody's withdrew its short-term ratings for WPD plc, WPD (East Midlands) and WPD (South West).

(PPL and PPL Electric)

In May 2015, Moody's affirmed its ratings and revised its outlook to positive for PPL Electric.

In June 2015, S&P affirmed its commercial paper rating and upgraded the following ratings with a stable outlook for PPL Electric:

- the long-term issuer rating from BBB to A-; and
- the senior secured rating from A- to A.

In September 2015, Moody's affirmed its commercial paper rating and upgraded the following ratings with a stable outlook for PPL Electric:

- the long-term issuer rating from Baa1 to A3; and
- the senior secured rating from A2 to A1.

In September 2015, Moody's and S&P assigned ratings of A1 and A to PPL Electric's $350 million 4.15% First Mortgage Bonds due 2045.

(PPL, LKE, LG&E and KU)

In May 2015, Moody's upgraded the following ratings with a stable outlook for LKE:

- the long-term issuer rating from Baa2 to Baa1; and
- the senior unsecured rating from Baa2 to Baa1.

In June 2015, S&P affirmed its commercial paper ratings for LG&E and KU. S&P also upgraded the following ratings with a stable outlook:

- the long-term issuer ratings from BBB to A- for LKE, LG&E and KU;
- the senior secured ratings from A- to A for LG&E and KU; and
- the senior unsecured rating from BBB- to BBB+ for LKE.

In June 2015, S&P upgraded its ratings from AA+ to AAA for KU's 2000 Series A Solid Waste Disposal Facility Revenue Bonds, KU's 2004 Series A and 2008 Series A Environmental Facilities Revenue Bonds and KU's 2006 Series B Environmental Facilities Revenue Refunding Bonds and removed them from CreditWatch with positive implications.

In September 2015, Moody's and S&P assigned ratings of A1 and A to LG&E's $300 million 3.30% First Mortgage Bonds due 2025, LG&E's $250 million 4.375% First Mortgage Bonds due 2045, KU's $250 million 3.30% First Mortgage Bonds due 2025 and KU's $250 million 4.375% First Mortgage Bonds due 2045.

Ratings Triggers

(PPL)

As discussed in Note 7 to the Financial Statements, certain of WPD's senior unsecured notes may be put by the holders to the issuer for redemption if the long-term credit ratings assigned to the notes are withdrawn by any of the rating agencies (Moody's or S&P) or reduced to a non-investment grade rating of Ba1 or BB+ or lower in connection with a restructuring event. A restructuring event includes the loss of, or a material adverse change to, the distribution licenses under which WPD (East Midlands), WPD (South West), WPD (South Wales) and WPD (West Midlands) operate and would be a trigger event for each company. These notes totaled £4.4 billion (approximately $6.6 billion) nominal value at December 31, 2015.

(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 17 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 December 31, 2015.

Guarantees for Subsidiaries *(PPL)*

PPL guarantees certain consolidated affiliate financing arrangements. Some of the guarantees contain financial and other covenants that, if not met, would limit or restrict the consolidated affiliates' access to funds under these financing arrangements, accelerate maturity of such arrangements or limit the consolidated affiliates' ability to enter into certain transactions. At this time, PPL believes that these covenants will not limit access to relevant funding sources. See Note 13 to the Financial Statements for additional information about guarantees.

Off-Balance Sheet Arrangements *(All Registrants)*

The Registrants have entered into certain agreements that may contingently require payment to a guaranteed or indemnified party. See Note 13 to the Financial Statements for a discussion of these agreements.

Risk Management

Market Risk

(All Registrants)

See Notes 1, 16, and 17 to the Financial Statements for information about the Registrants' risk management objectives, valuation techniques and accounting designations.

The forward-looking information presented below provides estimates of what may occur in the future, assuming certain adverse market conditions and model assumptions. Actual future results may differ materially from those presented. These disclosures are not precise indicators of expected future losses, but only indicators of possible losses under normal market conditions at a given confidence level.

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.

The following interest rate hedges were outstanding at December 31.

	2015				2014		
	Exposure Hedged	Fair Value, Net - Asset (Liability) (a)	Effect of a 10% Adverse Movement in Rates (b)	Maturities Ranging Through	Exposure Hedged	Fair Value, Net - Asset (Liability) (a)	Effect of a 10% Adverse Movement in Rates (b)
PPL							
Cash flow hedges							
Interest rate swaps (c)	$ 300	$ (24)	$ (7)	2026	$ 1,600	$ (108)	$ (59)
Cross-currency swaps (d)	1,262	87	(152)	2028	1,262	27	(165)
Economic hedges							
Interest rate swaps (e)	179	(48)	(2)	2033	179	(49)	(3)
LKE							
Cash flow hedges							
Interest rate swaps (c)					1,000	(66)	(44)
Economic hedges							
Interest rate swaps (e)	179	(48)	(2)	2033	179	(49)	(3)
LG&E							
Cash flow hedges							
Interest rate swaps (c)					500	(33)	(22)
Economic hedges							
Interest rate swaps (e)	179	(48)	(2)	2033	179	(49)	(3)
KU							
Cash flow hedges							
Interest rate swaps (c)					500	(33)	(22)

(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) Changes in the fair value of such cash flow hedges are recorded in equity or as regulatory assets or regulatory liabilities, if recoverable through regulated rates, and reclassified into earnings in the same period during which the item being hedged affects earnings.

(d) 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.
(e) 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 December 31, 2015 and 2014 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 December 31 is shown below.

	10% Adverse Movement in Rates	
	2015	2014
PPL	$ 710	$ 707
PPL Electric	152	132
LKE	192	138
LG&E	69	44
KU	104	82

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 December 31.

	2015				2014		
	Exposure Hedged	Fair Value, Net - Asset (Liability)	Effect of a 10% Adverse Movement in Foreign Currency Exchange Rates (a)	Maturities Ranging Through	Exposure Hedged	Fair Value, Net - Asset (Liability)	Effect of a 10% Adverse Movement in Foreign Currency Exchange Rates (a)
Net investment hedges (b)	£ 50	$ 10	$ (7)	2016	£ 217	$ 17	$ (34)
Economic hedges (c)	1,831	198	(246)	2017	1,368	111	(193)

(a) Effects of adverse movements decrease assets or increase liabilities, as applicable, which could result in an asset becoming a liability.
(b) To protect the value of a portion of its net investment in WPD, PPL executes forward contracts to sell GBP.
(c) To economically hedge the translation of expected earnings denominated in GBP.

Commodity Price Risk (Non-trading)

(PPL, LKE, LG&E and KU)

LG&E's and KU's retail electric rates, LG&E's natural gas rates and KU's municipal wholesale electric rates are set by regulatory commissions and the fuel costs incurred are directly recoverable from customers. As a result, LG&E and KU are subject to commodity price risk for only a small portion of their business operations. LG&E and KU sell excess economic generation to maximize the value of the physical assets at times when the assets are not required to serve LG&E's or KU's customers. See Note 17 to the Financial Statements for additional information.

(PPL and PPL Electric)

PPL Electric is exposed to market price and volumetric risks from its obligation as a PLR. The PUC has approved a cost recovery mechanism that allows PPL Electric to pass through to customers the cost associated with fulfilling its PLR obligation. This cost recovery mechanism substantially eliminates PPL Electric's exposure to market price risk. PPL Electric also mitigates its exposure to volumetric risk by entering into full-requirement energy supply contracts for the majority of its PLR obligations. These supply contracts transfer the volumetric risk associated with the PLR obligation to the energy suppliers.

(All Registrants)

Defined Benefit Plans - Securities Price Risk

See "Application of Critical Accounting Policies - Defined Benefits" for additional information regarding the effect of securities price risk on plan assets.

Credit Risk

Credit risk is the risk that the Registrants would incur a loss as a result of nonperformance by counterparties of their contractual obligations. The Registrants maintain credit policies and procedures with respect to counterparty credit (including requirements that counterparties maintain specified credit ratings) and require other assurances in the form of credit support or collateral in certain circumstances in order to limit counterparty credit risk. However, the Registrants, as applicable, have concentrations of suppliers and customers among electric utilities, financial institutions and energy marketing and trading companies. These concentrations may impact the Registrants' overall exposure to credit risk, positively or negatively, as counterparties may be similarly affected by changes in economic, regulatory or other conditions.

(PPL and PPL Electric)

In 2013, the PUC approved PPL Electric's PLR procurement plan for the period of June 2013 through May 2015. To date, PPL Electric has conducted all of its planned competitive solicitations. In 2014, PPL Electric filed a request with the PUC for approval of PPL Electric's PLR procurement plan for the period of June 2015 through May 2017, which was approved in January 2015.

Under the standard Supply Master Agreement (the Agreement) for the competitive solicitation process, PPL Electric requires all suppliers to post collateral if their credit exposure exceeds an established credit limit. In the event a supplier defaults on its obligation, PPL Electric would be required to seek replacement power in the market. All incremental costs incurred by PPL Electric would be recoverable from customers in future rates. At December 31, 2015, most of the successful bidders under all of the solicitations had an investment grade credit rating from S&P, and were not required to post collateral under the Agreement. A small portion of bidders were required to post an insignificant amount of collateral under the Agreement. There is no instance under the Agreement in which PPL Electric is required to post collateral to its suppliers.

See Notes 14, 16 and 17 to the Financial Statements for additional information on the competitive solicitation process, the Agreement, credit concentration and credit risk.

Foreign Currency Translation *(PPL)*

The value of the British pound sterling fluctuates in relation to the U.S. dollar. In 2015, changes in this exchange rate resulted in a foreign currency translation loss of $240 million, which primarily reflected a $589 million decrease to PP&E and goodwill offset by a decrease of $349 million to net liabilities. In 2014, changes in this exchange rate resulted in a foreign currency translation loss of $290 million, which primarily reflected a $680 million decrease to PP&E and goodwill offset by a decrease of $390 million to net liabilities. In 2013, changes in this exchange rate resulted in a foreign currency translation gain of $150 million, which primarily reflected a $330 million increase to PP&E and goodwill offset by an increase of $180 million to net liabilities. The impact of foreign currency translation is recorded in AOCI.

(All Registrants)

Related Party Transactions

The Registrants are not aware of any material ownership interests or operating responsibility by senior management in outside partnerships, including leasing transactions with variable interest entities, or other entities doing business with the Registrants. See Note 14 to the Financial Statements for additional information on related party transactions for PPL Electric, LKE, LG&E and KU.

Acquisitions, Development and Divestitures

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.

(PPL)

See Note 8 to the Financial Statements for information on the spinoff of PPL Energy Supply.

Environmental Matters

(All Registrants)

Extensive federal, state and local environmental laws and regulations are applicable to PPL'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 and maintenance expenses 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 13 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" for additional information on environmental matters.

(PPL, LKE, LG&E and KU)

Coal Combustion Residuals (CCRs)

In October 2015, the EPA's final rule regulating CCRs became effective. In connection with the final CCR rule, LG&E and KU recorded increases to existing AROs of $228 million during 2015. See Note 19 to the Financial Statements for additional information. Further increases to AROs or changes to current capital plans or to operating costs may be required as estimates are refined based on closure developments, groundwater monitoring results and regulatory or legal proceedings. See Note 6 for details surrounding the CPCN and ECR filings that request rate recovery of the costs related to this rule.

(All Registrants)

Competition

See "Competition" under each of PPL's reportable segments in "Item 1. Business - General - Segment Information" and "Item 1A. Risk Factors" for a discussion of competitive factors affecting the Registrants.

New Accounting Guidance

See Notes 1 and 21 to the Financial Statements for a discussion of new accounting guidance adopted and pending adoption.

Application of Critical Accounting Policies

Financial condition and results of operations are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. The following accounting policies 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. Changes in the estimates or other judgments included within these accounting policies could result in a significant change to the information presented in the Financial Statements (these accounting policies are also discussed in Note 1 to the Financial Statements). Senior management has reviewed with PPL's Audit Committee these critical accounting policies, the following disclosures regarding their application and the estimates and assumptions regarding them.

Price Risk Management *(PPL)*

See "Price Risk Management" in Note 1 to the Financial Statements, as well as "Financial Condition - Risk Management" above.

Defined Benefits

(All Registrants)

Certain of the Registrants' subsidiaries sponsor or participate in, as applicable, various qualified funded and non-qualified unfunded defined benefit pension plans and both funded and unfunded other postretirement benefit plans. These plans are applicable to the majority of the Registrants' employees (based on eligibility for their applicable plans). The Registrants and certain of their subsidiaries record an asset or liability to recognize the funded status of all defined benefit plans with an offsetting entry to AOCI or in the case of PPL Electric, LG&E and KU, regulatory assets and liabilities for amounts that are expected to be recovered through regulated customer rates. Consequently, the funded status of all defined benefit plans is fully recognized on the Balance Sheets. See Notes 6 and 11 to the Financial Statements for additional information about the plans and the accounting for defined benefits.

A summary of plan sponsors by Registrant and whether a Registrant or its subsidiaries sponsor (S) or participate in and receives allocations (P) from those plans is shown in the table below.

Plan Sponsor	PPL	PPL Electric	LKE	LG&E	KU
PPL Services	S	P			
WPD (a)	S				
LKE			S	P	P
LG&E				S	

(a) Does not sponsor or participate in other postretirement benefits plans.

Management makes certain assumptions regarding the valuation of benefit obligations and the performance of plan assets. As such, annual net periodic defined benefit costs are recorded in current earnings or regulatory assets based on estimated results. Any differences between actual and estimated results are recorded in AOCI, or in the case of PPL Electric, LG&E and KU, regulatory assets and liabilities, for amounts that are expected to be recovered through regulated customer rates. These amounts in AOCI or regulatory assets and liabilities are amortized to income over future periods. The delayed recognition allows for a smoothed recognition of costs over the working lives of the employees who benefit under the plans. The primary assumptions are:

- Discount Rate - The discount rate is used in calculating the present value of benefits, which is based on projections of benefit payments to be made in the future. The objective in selecting the discount rate is to measure the single amount that, if invested at the measurement date in a portfolio of high-quality debt instruments, would provide the necessary future cash flows to pay the accumulated benefits when due.

- Expected Return on Plan Assets - Management projects the long-term rates of return on plan assets that will be earned over the life of the plan. These projected returns reduce the net benefit costs the Registrants record currently.

- Rate of Compensation Increase - Management projects employees' annual pay increases, which are used to project employees' pension benefits at retirement.

- Health Care Cost Trend Rate - Management projects the expected increases in the cost of health care.

In addition to the economic assumptions above that are evaluated annually, Management must also make assumptions regarding the life expectancy of employees covered under their defined benefit pension and other postretirement benefit plans. At December 31, 2014, the plan sponsors adopted the new mortality tables issued by the Society of Actuaries in October 2014 (RP-2014 base tables) for all U.S. defined benefit pension and other postretirement benefit plans. In addition, plan sponsors updated the basis for estimating projected mortality improvements and selected the IRS BB-2D two-dimensional improvement scale on a generational basis for all U.S. defined benefit pension and other postretirement benefit plans. These new mortality assumptions reflect the recognition of both improved life expectancies and the expectation of continuing improvements in life expectancies. The use of the new base tables and improvement scale resulted in an increase to U.S. defined benefit pension and other postretirement benefit obligations, an increase to future expense and a decrease to funded status.

(PPL)

In selecting the discount rate for its U.K. pension plans, WPD starts with a cash flow analysis of the expected benefit payment stream for its plans. These plan-specific cash flows are matched against a spot-rate yield curve to determine the assumed discount rate. The spot-rate yield curve uses an iBoxx British pounds sterling denominated corporate bond index as its base. From this base, those bonds with the lowest and highest yields are eliminated to develop an appropriate subset of bonds. Historically, WPD used the single weighted-average discount rate derived from the spot rates used to discount the benefit obligation. Concurrent with the annual remeasurement of plan assets and obligations at December 31, 2015, WPD will begin using individual spot rates to measure service cost and interest cost beginning with the calculation of 2016 net periodic defined benefit cost.

An individual bond matching approach, which is used for the U.S. pension plans as discussed below, is not used for the U.K. pension plans because the universe of bonds in the U.K. is not deep enough to adequately support such an approach.

(All Registrants)

In selecting the discount rates for U.S. defined benefit plans, the plan sponsors start with a cash flow analysis of the expected benefit payment stream for their plans. The plan-specific cash flows are matched against the coupons and expected maturity values of individually selected bonds. This bond matching process begins with the full universe of Aa-rated non-callable (or callable with make-whole provisions) bonds, serving as the base from which those with the lowest and highest yields are eliminated to develop an appropriate subset of bonds. Individual bonds are then selected based on the timing of each plan's cash flows and parameters are established as to the percentage of each individual bond issue that could be hypothetically purchased and the surplus reinvestment rates to be assumed.

To determine the expected return on plan assets, plan sponsors project the long-term rates of return on plan assets using a best-estimate of expected returns, volatilities and correlations for each asset class. Each plan's specific current and expected asset allocations are also considered in developing a reasonable return assumption.

In selecting a rate of compensation increase, plan sponsors consider past experience in light of movements in inflation rates.

The following table provides the weighted-average assumptions used for discount rate, expected return on plan assets and rate of compensation increase at December 31.

Assumption / Registrant	2015	2014
Discount rate		
Pension - PPL (U.S.)	4.59%	4.25%
Pension - PPL (U.K.)	3.68%	3.85%
Pension - LKE	4.56%	4.25%
Pension - LG&E	4.49%	4.20%
Other Postretirement - PPL	4.48%	4.09%
Other Postretirement - LKE	4.49%	4.06%
Expected return on plan assets		
Pension - PPL (U.S.)	7.00%	7.00%
Pension - PPL (U.K.)	7.20%	7.19%
Pension - LKE	7.00%	7.00%
Pension - LG&E	7.00%	7.00%
Other Postretirement - PPL	6.11%	6.06%
Other Postretirement - LKE	6.82%	6.85%

Assumption / Registrant	2015	2014
Rate of compensation increase		
Pension - PPL (U.S.)	3.93%	3.91%
Pension - PPL (U.K.)	4.00%	4.00%
Pension - LKE	3.50%	3.50%
Other Postretirement - PPL	3.91%	3.86%
Other Postretirement - LKE	3.50%	3.50%

In selecting health care cost trend rates, plan sponsors consider past performance and forecasts of health care costs. At December 31, 2015, the health care cost trend rate for all plans was 6.8% for 2016, gradually declining to an ultimate trend rate of 5.0% in 2020.

A variance in the assumptions listed above could have a significant impact on accrued defined benefit liabilities or assets, reported annual net periodic defined benefit costs and AOCI or regulatory assets and liabilities. At December 31, 2015, the defined benefit plans were recorded in the Registrants' financial statements as follows.

	PPL	PPL Electric	LKE	LG&E	KU
Balance Sheet:					
Regulatory assets (a)	$ 809	$ 469	$ 340	$ 215	$ 125
Regulatory liabilities	24		24		24
Pension liabilities	1,415	183	299	55	46
Other postretirement and benefit liabilities	217	67	128	77	42
AOCI (pre-tax)	2,977		74		
Statement of Income:					
Defined benefits expense	$ 58	$ 15	$ 38	$ 12	$ 10
Increase (decrease) from prior year	12	1	14	3	5

(a) As a result of the 2014 Kentucky rate case settlement that became effective July 1, 2015, the difference between pension cost calculated in accordance with LG&E's and KU's pension accounting policy and pension cost calculated using a 15 year amortization period for actuarial gains and losses is recorded as a regulatory asset. As of December 31, 2015, the balances were $10 million for PPL and LKE, $6 million for LG&E and $4 million for KU. See Note 6 for additional information.

The following tables reflect changes in certain assumptions based on the Registrants' primary defined benefit plans. The tables reflect either an increase or decrease in each assumption. The inverse of this change would impact the accrued defined benefit liabilities or assets, reported annual net periodic defined benefit costs and AOCI or regulatory assets and liabilities by a similar amount in the opposite direction. The sensitivities below reflect an evaluation of the change based solely on a change in that assumption.

Actuarial assumption	
Discount Rate	(0.25%)
Expected Return on Plan Assets	(0.25%)
Rate of Compensation Increase	0.25%
Health Care Cost Trend Rate (a)	1%

(a) Only impacts other postretirement benefits.

Actuarial assumption	Increase (Decrease) Defined Benefit Liabilities	(Increase) Decrease AOCI (pre-tax)	Increase (Decrease) Net Regulatory Assets	Increase (Decrease) Defined Benefit Costs
PPL				
Discount rate	$ 483	$ 388	$ 95	$ 42
Expected return on plan assets	n/a	n/a	n/a	27
Rate of compensation increase	65	54	11	12
Health care cost trend rate (a)	6	1	5	
PPL Electric				
Discount rate	56		56	5
Expected return on plan assets	n/a		n/a	4
Rate of compensation increase	6		6	2
Health care cost trend rate (a)	1		1	

Actuarial assumption	Increase (Decrease) Defined Benefit Liabilities	(Increase) Decrease AOCI (pre-tax)	Increase (Decrease) Net Regulatory Assets	Increase (Decrease) Defined Benefit Costs
LKE				
Discount rates	62	24	38	9
Expected return on plan assets	n/a	n/a	n/a	3
Rate of compensation increase	10	5	5	2
Health care cost trend rate (a)	5	1	4	
LG&E				
Discount rates	21	n/a	21	3
Expected return on plan assets	n/a	n/a	n/a	1
Rate of compensation increase	2	n/a	2	
Health care cost trend rate (a)	1	n/a	1	
KU				
Discount rates	17	n/a	17	3
Expected return on plan assets	n/a	n/a	n/a	1
Rate of compensation increase	3	n/a	3	1
Health care cost trend rate (a)	3	n/a	3	

(a) Only impacts other postretirement benefits.

Goodwill Impairment *(PPL, LKE, LG&E and KU)*

Goodwill is tested for impairment at the reporting unit level. PPL has determined its reporting units to be at the same level as its reportable segments. LKE, LG&E and KU each operate within a single reportable segment and single reporting unit. A goodwill impairment test is performed annually or more frequently if events or changes in circumstances indicate that the carrying amount of the reporting unit may be greater than the reporting unit's fair value. Additionally, goodwill is tested for impairment after a portion of goodwill has been allocated to a business to be disposed of.

PPL, LKE, LG&E and KU may elect either to initially make a qualitative evaluation about the likelihood of an impairment of goodwill or to bypass the qualitative evaluation and test goodwill for impairment using a two-step quantitative test. If the qualitative evaluation (referred to as "step zero") is elected and the assessment results in a determination that it is not more likely than not that the fair value of a reporting unit is less than the carrying amount, the two-step quantitative impairment test is not necessary.

When the two-step quantitative impairment test is elected or required as a result of the step zero assessment, in step one, PPL, LKE, LG&E and KU determine whether a potential impairment exists by comparing the estimated fair value of a reporting unit with its carrying amount, including goodwill, on the measurement date. If the estimated fair value exceeds its carrying amount, goodwill is not considered impaired. If the carrying amount exceeds the estimated fair value, the second step is performed to measure the amount of impairment loss, if any.

The second step of the quantitative test requires a calculation of the implied fair value of goodwill, which is determined in the same manner as the amount of goodwill in a business combination. That is, the estimated fair value of a reporting unit is allocated to all of the assets and liabilities of that reporting unit as if the reporting unit had been acquired in a business combination and the estimated fair value of the reporting unit was the price paid to acquire the reporting unit. The excess of the estimated fair value of a reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. The implied fair value of the reporting unit's goodwill is then compared with the carrying amount of that goodwill. If the carrying amount exceeds the implied fair value, an impairment loss is recognized in an amount equal to that excess. The loss recognized cannot exceed the carrying amount of the reporting unit's goodwill.

PPL elected to perform the two-step quantitative impairment test of goodwill for all its reporting units in the fourth quarter of 2015. Management used both discounted cash flows and market multiples, which required significant assumptions, to estimate the fair value of the reporting units. Significant assumptions used in the discounted cash flows include discount and growth rates, outcomes of future rate filings, projected operating and capital cash flows and the fair value of debt. Projected operating and capital cash flows is based on PPL's internal business plan, which assumes the occurrence of certain events in the future. Significant assumptions used in the market multiples include utility sector market performance and comparable transactions.

Goodwill was $3.6 billion at December 31, 2015, which consists of $2.9 billion related to the acquisition of WPD and $662 million related to the acquisition of LKE. Applying an appropriate weighting to both the discounted cash flow and market multiple valuations for the most recent impairment tests performed as of October 1, 2015, did not require the second-step assessment and did not result in any impairment.

A high degree of judgment is required in developing estimates related to fair value conclusions. A decrease in the forecasted cash flows of 10%, an increase in the discount rate by 0.25%, or a 10% decrease in the market multiples would not have resulted in an impairment of goodwill for these reporting units.

Loss Accruals *(All Registrants)*

Losses are accrued for the estimated impacts of various conditions, situations or circumstances involving uncertain or contingent future outcomes. For loss contingencies, the loss must be accrued if (1) information is available that indicates it is probable that a loss has been incurred, given the likelihood of the uncertain future outcomes, and (2) the amount of the loss can be reasonably estimated. Accounting guidance defines "probable" as cases in which "the future event or events are likely to occur." The accrual of contingencies that might result in gains is not recorded unless recovery is assured. Potential loss contingencies for environmental remediation, litigation claims, regulatory penalties and other events are continuously assessed.

The accounting aspects of estimated loss accruals include (1) the initial identification and recording of the loss, (2) the determination of triggering events for reducing a recorded loss accrual, and (3) the ongoing assessment as to whether a recorded loss accrual is sufficient. All three of these aspects require significant judgment by management. Internal expertise and outside experts (such as lawyers and engineers) are consulted, as necessary, to help estimate the probability that a loss has been incurred and the amount (or range) of the loss.

Certain other events have been identified that could give rise to a loss, but that do not meet the conditions for accrual. Such events are disclosed, but not recorded, when it is "reasonably possible" that a loss has been incurred. Accounting guidance defines "reasonably possible" as cases in which "the future event or events occurring is more than remote, but less than likely to occur."

When an estimated loss is accrued, the triggering events for subsequently adjusting the loss accrual are identified, where applicable. The triggering events generally occur when new information becomes known, the contingency has been resolved and the actual loss is settled or written off, or when the risk of loss has diminished or been eliminated. The following are some of the triggering events that provide for the adjustment of certain recorded loss accruals:

- Allowances for uncollectible accounts are reduced when accounts are written off after prescribed collection procedures have been exhausted, a better estimate of the allowance is determined or underlying amounts are ultimately collected.
- Environmental and other litigation contingencies are reduced when the contingency is resolved and actual payments are made, a better estimate of the loss is determined or the loss is no longer considered probable.
- Actions or decisions by certain regulators could result in a better estimate of a previously recorded loss accrual.

Loss accruals are reviewed on a regular basis to assure that the recorded probable loss exposures are appropriate. This involves ongoing communication and analyses with internal and external legal counsel, engineers, business unit management and other parties.

See Notes 6 and 13 to the Financial Statements for disclosure of loss contingencies accrued and other potential loss contingencies that have not met the criteria for accrual.

Asset Retirement Obligations *(PPL, LKE, LG&E and KU)*

ARO liabilities are required to be recognized for legal obligations associated with the retirement of long-lived assets. The initial obligation is measured at its estimated fair value. An ARO must be recognized when incurred if the fair value of the ARO can be reasonably estimated. An equivalent amount is recorded as an increase in the value of the capitalized asset and amortized to expense over the useful life of the asset. For LG&E and KU, costs of removal are collected in rates, and therefore the accretion and depreciation expenses related to an ARO are recorded as a regulatory asset, such that there is no earnings impact.

See Note 19 to the Financial Statements for additional information on AROs.

In determining AROs, management must make significant judgments and estimates to calculate fair value. Fair value is developed using an expected present value technique based on assumptions of market participants that consider estimated retirement costs in current period dollars that are inflated to the anticipated retirement date and then discounted back to the date the ARO was incurred. Changes in assumptions and estimates included within the calculations of the fair value of AROs could result in significantly different results than those identified and recorded in the financial statements. Estimated ARO costs and settlement dates, which affect the carrying value of the ARO and the related capitalized asset, are reviewed periodically to ensure that any material changes are incorporated into the latest estimate of the ARO. Any change to the capitalized asset, positive or negative, is generally amortized over the remaining life of the associated long-lived asset.

At December 31, 2015, the total recorded balances and information on the most significant recorded AROs were as follows.

		Most Significant AROs		
	Total ARO Recorded	Amount Recorded	% of Total	Description
PPL	$ 586	$ 430	73	Ash ponds, landfills and natural gas mains
LKE	535	430	80	Ash ponds, landfills and natural gas mains
LG&E	175	102	58	Ash ponds, landfills and natural gas mains
KU	360	328	91	Ash ponds and landfills

The most significant assumptions surrounding AROs are the forecasted retirement costs (including the settlement dates and the timing of cash flows), the discount rates and the inflation rates. At December 31, 2015, a 10% change to retirement cost would increase the ARO liabilities by $44 million. A 0.25% decrease in the discount rate would increase the ARO liabilities by $6 million and a 0.25% increase in the inflation rate would increase the ARO liabilities by $6 million. For PPL, there would be no significant change to the annual depreciation expense of the ARO asset or the annual accretion expense of the ARO liability as a result of these changes in assumptions. As noted above, these factors do not impact the Statements of Income of LKE, LG&E and KU.

Income Taxes *(All Registrants)*

Significant management judgment is required in developing the provision for income taxes, primarily due to the uncertainty related to tax positions taken or expected to be taken in tax returns, valuation allowances on deferred tax assets and whether the undistributed earnings of WPD are considered indefinitely reinvested.

Significant management judgment is required to determine the amount of benefit recognized related to an uncertain tax position. Tax positions are evaluated following a two-step process. The first step requires an entity to determine whether, based on the technical merits supporting a particular tax position, it is more likely than not (greater than a 50% chance) that the tax position will be sustained. This determination assumes that the relevant taxing authority will examine the tax position and is aware of all the relevant facts surrounding the tax position. The second step requires an entity to recognize in the financial statements the benefit of a tax position that meets the more-likely-than-not recognition criterion. The benefit recognized is measured at the largest amount of benefit that has a likelihood of realization, upon settlement, that exceeds 50%. Management considers a number of factors in assessing the benefit to be recognized, including negotiation of a settlement.

On a quarterly basis, uncertain tax positions are reassessed by considering information known as of the reporting date. Based on management's assessment of new information, a tax benefit may subsequently be recognized for a previously unrecognized tax position, a previously recognized tax position may be derecognized, or the benefit of a previously recognized tax position may be remeasured. The amounts ultimately paid upon resolution of issues raised by taxing authorities may differ materially from the amounts accrued and may materially impact the financial statements in the future. Unrecognized tax benefits are classified as current to the extent management expects to settle an uncertain tax position by payment or receipt of cash within one year of the reporting date.

At December 31, 2015, no significant changes in unrecognized tax benefits are projected over the next 12 months.

The need for valuation allowances to reduce deferred tax assets also require significant management judgment. Valuation allowances are initially recorded and reevaluated each reporting period by assessing the likelihood of the ultimate realization of a deferred tax asset. Management considers a number of factors in assessing the realization of a deferred tax asset, including the reversal of temporary differences, future taxable income and ongoing prudent and feasible tax planning strategies. Any tax planning strategy utilized in this assessment must meet the recognition and measurement criteria utilized to account for an uncertain tax position. Management also considers the uncertainty posed by political risk and the effect of this uncertainty on the various factors that management takes into account in evaluating the need for valuation allowances. The amount of deferred tax assets ultimately realized may differ materially from the estimates utilized in the computation of valuation allowances and may materially impact the financial statements in the future.

See Note 5 to the Financial Statements for income tax disclosures, including management's conclusion that the undistributed earnings of WPD are considered indefinitely reinvested. Based on this conclusion, PPL Global does not record U.S. income taxes on WPD's undistributed earnings.

Regulatory Assets and Liabilities

(PPL)

WPD operates in an incentive-based regulatory structure under distribution licenses granted by Ofgem. As the regulatory model is incentive-based rather than a cost recovery model, WPD is not subject to accounting for the effects of certain types of regulation as prescribed by GAAP for entities subject to cost-based rate regulation. Therefore, the accounting treatment of adjustments to base demand revenue and/or allowed revenue is evaluated based on revenue recognition and contingency guidance. See Note 1 to the Financial Statements for additional information.

(All Registrants)

PPL Electric, LG&E and KU, are subject to cost-based rate regulation. As a result, the effects of regulatory actions are required to be reflected in the financial statements. Assets and liabilities are recorded that result from the regulated ratemaking process that may not be recorded under GAAP for non-regulated entities. Regulatory assets generally represent incurred costs that have been deferred because such costs are probable of future recovery in regulated customer rates. Regulatory liabilities are recognized for amounts expected to be returned through future regulated customer rates. In certain cases, regulatory liabilities are recorded based on an understanding or agreement with the regulator that rates have been set to recover costs that are expected to be incurred in the future, and the regulated entity is accountable for any amounts charged pursuant to such rates and not yet expended for the intended purpose.

Management continually assesses whether the regulatory assets are probable of future recovery by considering factors such as changes in the applicable regulatory and political environments, the ability to recover costs through regulated rates, recent rate orders to other regulated entities, and the status of any pending or potential deregulation legislation. Based on this continual assessment, management believes the existing regulatory assets are probable of recovery. This assessment reflects the current political and regulatory climate at the state and federal levels, and is subject to change in the future. If future recovery of costs ceases to be probable, the regulatory asset would be written-off. Additionally, the regulatory agencies can provide flexibility in the manner and timing of recovery of regulatory assets.

At December 31, 2015, regulatory assets and regulatory liabilities were recorded as reflected in the table below. All regulatory assets are either currently being recovered under specific rate orders, represent amounts that are expected to be recovered in future rates or benefit future periods based upon established regulatory practices.

	PPL	PPL Electric	LKE	LG&E	KU
Regulatory assets	$ 1,781	$ 1,019	$ 762	$ 440	$ 322
Regulatory liabilities	1,090	135	955	444	511

See Note 6 to the Financial Statements for additional information on regulatory assets and liabilities.

Revenue Recognition - Unbilled Revenue *(PPL Electric, LKE, LG&E and KU)*

Revenues related to the sale of energy are recorded when service is rendered or when energy is delivered to customers. Because customers are billed on cycles which vary based on the timing of the actual meter reads taken throughout the month, estimates are recorded for unbilled revenues at the end of each reporting period. For LG&E and KU, such unbilled revenue amounts reflect estimates of deliveries to customers since the date of the last reading of their meters. The unbilled revenue estimates reflect consideration of factors including daily load models, estimated usage for each customer class, the effect of current and different rate schedules, the meter read schedule, the billing schedule, actual weather data and where applicable, the impact of weather normalization or other regulatory provisions of rate structures. For PPL Electric, unbilled revenue amounts reflect actual deliveries since the date of the last billed meter reading multiplied by the estimated average cents per kWh. At December 31, unbilled revenues recorded on the Balance Sheets were as follows.

	2015	2014
PPL Electric	$ 91	$ 113
LKE	147	167
LG&E	67	76
KU	80	91

Other Information *(All Registrants)*

PPL's Audit Committee has approved the independent auditor to provide audit and audit-related services, tax services and other services permitted by Sarbanes-Oxley and SEC rules. The audit and audit-related services include services in connection with statutory and regulatory filings, reviews of offering documents and registration statements, and internal control reviews.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Reference is made to "Risk Management" for the Registrants in "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations."

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareowners of PPL Corporation

We have audited the accompanying consolidated balance sheets of PPL Corporation and subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2015. Our audits also included the financial statement schedule listed in the Index at Item 15(a)(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of PPL Corporation and subsidiaries at December 31, 2015 and 2014, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), PPL Corporation and subsidiaries' internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 19, 2016, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
February 19, 2016

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareowners of PPL Corporation

We have audited PPL Corporation and subsidiaries' internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). PPL Corporation and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in Management's Report on Internal Control over Financial Reporting at Item 9A. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, PPL Corporation and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of PPL Corporation and subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2015, and our report dated February 19, 2016, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
February 19, 2016

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareowner of PPL Electric Utilities Corporation

We have audited the accompanying consolidated balance sheets of PPL Electric Utilities Corporation and subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of income, equity, and cash flows for each of the three years in the period ended December 31, 2015. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of PPL Electric Utilities Corporation and subsidiaries at December 31, 2015 and 2014, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
February 19, 2016

Report of Independent Registered Public Accounting Firm

The Board of Directors and Sole Member of LG&E and KU Energy LLC

We have audited the accompanying consolidated balance sheets of LG&E and KU Energy LLC and subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2015. Our audits also included the financial statement schedule listed in the Index at Item 15(a)(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of LG&E and KU Energy LLC and subsidiaries at December 31, 2015 and 2014, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Ernst & Young LLP

Louisville, Kentucky
February 19, 2016

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholder of Louisville Gas and Electric Company

We have audited the accompanying balance sheets of Louisville Gas and Electric Company as of December 31, 2015 and 2014, and the related statements of income, equity and cash flows for each of the three years in the period ended December 31, 2015. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisville Gas and Electric Company at December 31, 2015 and 2014, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Louisville, Kentucky
February 19, 2016

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholder of Kentucky Utilities Company

We have audited the accompanying balance sheets of Kentucky Utilities Company as of December 31, 2015 and 2014, and the related statements of income, equity and cash flows for each of the three years in the period ended December 31, 2015. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kentucky Utilities Company at December 31, 2015 and 2014, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Louisville, Kentucky
February 19, 2016

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31,
PPL Corporation and Subsidiaries

(Millions of Dollars, except share data)

	2015	2014	2013
Operating Revenues	$ **7,669**	$ 7,852	$ 7,263
Operating Expenses			
Operation			
Fuel	**863**	965	895
Energy purchases	**855**	924	856
Other operation and maintenance	**1,938**	1,856	1,810
Depreciation	**883**	923	843
Taxes, other than income	**299**	317	298
Total Operating Expenses	**4,838**	4,985	4,702
Operating Income	**2,831**	2,867	2,561
Other Income (Expense) - net	**108**	105	(55)
Interest Expense	**871**	843	778
Income from Continuing Operations Before Income Taxes	**2,068**	2,129	1,728
Income Taxes	**465**	692	360
Income from Continuing Operations After Income Taxes	**1,603**	1,437	1,368
Income (Loss) from Discontinued Operations (net of income taxes)	**(921)**	300	(238)
Net Income	$ **682**	$ 1,737	$ 1,130
Earnings Per Share of Common Stock:			
Income from Continuing Operations After Income Taxes Available to PPL Common Shareowners:			
Basic	$ **2.38**	$ 2.19	$ 2.24
Diluted	$ **2.37**	$ 2.16	$ 2.12
Net Income Available to PPL Common Shareowners:			
Basic	$ **1.01**	$ 2.64	$ 1.85
Diluted	$ **1.01**	$ 2.61	$ 1.76
Dividends Declared Per Share of Common Stock	$ **1.50**	$ 1.49	$ 1.47
Weighted-Average Shares of Common Stock Outstanding (in thousands)			
Basic	**669,814**	653,504	608,983
Diluted	**672,586**	665,973	663,073

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31,
PPL Corporation and Subsidiaries

(Millions of Dollars)

	2015	2014	2013
Net income	**$ 682**	$ 1,737	$ 1,130
Other comprehensive income (loss):			
Amounts arising during the period - gains (losses), net of tax (expense) benefit:			
Foreign currency translation adjustments, net of tax of $1, ($8), $4	**(234)**	(275)	138
Available-for-sale securities, net of tax of ($9), ($39), ($72)	**8**	35	67
Qualifying derivatives, net of tax of $0, $23, ($41)	**26**	(10)	45
Defined benefit plans:			
Prior service costs, net of tax of $6, ($4), ($1)	**(9)**	5	2
Net actuarial gain (loss), net of tax of $67, $225, ($73)	**(366)**	(509)	71
Reclassifications to net income - (gains) losses, net of tax expense (benefit):			
Available-for-sale securities, net of tax of $2, $7, $4	**(2)**	(6)	(6)
Qualifying derivatives, net of tax of ($15), $23, $80	**2**	(64)	(83)
Equity investees' other comprehensive (income) loss, net of tax of $0, $0, $0	**(1)**		
Defined benefit plans:			
Prior service costs, net of tax of $0, ($3), ($4)		4	6
Net actuarial loss, net of tax of ($46), ($34), ($49)	**146**	111	135
Total other comprehensive income (loss)	**(430)**	(709)	375
Comprehensive income	**$ 252**	$ 1,028	$ 1,505

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

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31,
PPL Corporation and Subsidiaries

(Millions of Dollars)

	2015	2014	2013
Cash Flows from Operating Activities			
Net income	$ 682	$ 1,737	$ 1,130
Loss (income) from discontinued operations (net of income taxes)	921	(300)	238
Income from continuing operations (net of income taxes)	1,603	1,437	1,368
Adjustments to reconcile Income from continuing operations (net of taxes) to net cash provided by (used in) operating activities - continuing operations			
Depreciation	883	923	843
Amortization	59	65	66
Defined benefit plans - expense	56	48	125
Deferred income taxes and investment tax credits	428	666	387
Unrealized (gains) losses on derivatives, and other hedging activities	(77)	(187)	56
Adjustment to WPD line loss accrual		65	45
Other	17	66	
Change in current assets and current liabilities			
Accounts receivable	47	(123)	(211)
Accounts payable	(116)	40	127
Unbilled revenues	54	22	(56)
Prepayments	(23)	87	39
Taxes payable	(175)	161	51
Uncertain tax positions	(17)		(112)
Other	99	23	(66)
Other operating activities			
Defined benefit plans - funding	(499)	(384)	(450)
Settlement of interest rate swaps	(101)		104
Other assets	(19)	9	11
Other liabilities	53	23	120
Net cash provided by (used in) operating activities - continuing operations	2,272	2,941	2,447
Net cash provided by (used in) operating activities - discontinued operations	343	462	409
Net cash provided by (used in) operating activities	2,615	3,403	2,856
Cash Flows from Investing Activities			
Expenditures for property, plant and equipment	(3,533)	(3,674)	(3,629)
Expenditures for intangible assets	(37)	(49)	(53)
Purchases of other investments		(120)	
Proceeds from the sale of other investments	136		
Net (increase) decrease in restricted cash and cash equivalents	8	19	2
Other investing activities	(13)	(2)	16
Net cash provided by (used in) investing activities - continuing operations	(3,439)	(3,826)	(3,664)
Net cash provided by (used in) investing activities - discontinued operations	(149)	497	(631)
Net cash provided by (used in) investing activities	(3,588)	(3,329)	(4,295)
Cash Flows from Financing Activities			
Issuance of long-term debt	2,236	296	2,038
Retirement of long-term debt	(1,000)	(237)	
Repurchase of common stock			(74)
Issuance of common stock	203	1,074	1,411
Payment of common stock dividends	(1,004)	(967)	(878)
Contract adjustment payments on Equity Units		(22)	(82)
Net increase (decrease) in short-term debt	94	147	405
Other financing activities	(47)	(29)	(67)
Net cash provided by (used in) financing activities - continuing operations	482	262	2,753
Net cash provided by (used in) financing activities - discontinued operations	(546)	(846)	47
Net cash distributions to parent from discontinued operations	132	1,167	(1,169)
Net cash provided by (used in) financing activities	68	583	1,631
Effect of Exchange Rates on Cash and Cash Equivalents	(10)	(8)	8
Net (Increase) Decrease in Cash and Cash Equivalents included in Discontinued Operations	352	(113)	175
Net Increase (Decrease) in Cash and Cash Equivalents	(563)	536	375
Cash and Cash Equivalents at Beginning of Period	1,399	863	488
Cash and Cash Equivalents at End of Period	$ 836	$ 1,399	$ 863
Supplemental Disclosures of Cash Flow Information			
Cash paid (received) during the period for:			
Interest - net of amount capitalized	$ 822	$ 959	$ 916
Income taxes - net	$ 179	$ 190	$ 128

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

CONSOLIDATED BALANCE SHEETS AT DECEMBER 31,
PPL Corporation and Subsidiaries
(Millions of Dollars, shares in thousands)

	2015	2014
Assets		
Current Assets		
Cash and cash equivalents	$ **836**	$ 1,399
Short-term investments		120
Accounts receivable (less reserve: 2015, $41; 2014, $44)		
Customer	**673**	737
Other	**59**	71
Unbilled revenues	**453**	517
Fuel, materials and supplies	**357**	381
Prepayments	**66**	75
Price risk management assets	**139**	79
Other current assets	**63**	55
Current assets of discontinued operations		2,592
Total Current Assets	**2,646**	6,026
Property, Plant and Equipment		
Regulated utility plant	**34,399**	30,568
Less: accumulated depreciation - regulated utility plant	**5,683**	5,361
Regulated utility plant, net	**28,716**	25,207
Non-regulated property, plant and equipment	**516**	592
Less: accumulated depreciation - non-regulated property, plant and equipment	**165**	162
Non-regulated property, plant and equipment, net	**351**	430
Construction work in progress	**1,315**	2,532
Property, Plant and Equipment, net	**30,382**	28,169
Other Noncurrent Assets		
Regulatory assets	**1,733**	1,562
Goodwill	**3,550**	3,667
Other intangibles	**679**	668
Other noncurrent assets	**311**	203
Noncurrent assets of discontinued operations		8,311
Total Other Noncurrent Assets	**6,273**	14,411
Total Assets	$ **39,301**	$ 48,606

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

CONSOLIDATED BALANCE SHEETS AT DECEMBER 31,
PPL Corporation and Subsidiaries

(Millions of Dollars, shares in thousands)

		2015		2014
Liabilities and Equity				
Current Liabilities				
Short-term debt	$	**916**	$	836
Long-term debt due within one year		**485**		1,000
Accounts payable		**812**		995
Taxes		**85**		263
Interest		**303**		298
Dividends		**255**		249
Customer deposits		**326**		304
Regulatory liabilities		**145**		91
Other current liabilities		**549**		632
Current liabilities of discontinued operations				2,771
Total Current Liabilities		**3,876**		7,439
Long-term Debt		**18,563**		17,054
Deferred Credits and Other Noncurrent Liabilities				
Deferred income taxes		**3,440**		3,102
Investment tax credits		**128**		132
Accrued pension obligations		**1,405**		1,457
Asset retirement obligations		**536**		324
Regulatory liabilities		**945**		992
Other deferred credits and noncurrent liabilities		**489**		525
Noncurrent liabilities of discontinued operations				3,953
Total Deferred Credits and Other Noncurrent Liabilities		**6,943**		10,485
Commitments and Contingent Liabilities (Notes 5, 6 and 13)				
Equity				
Common stock - $0.01 par value (a)		**7**		7
Additional paid-in capital		**9,687**		9,433
Earnings reinvested		**2,953**		6,462
Accumulated other comprehensive loss		**(2,728)**		(2,274)
Total Equity		**9,919**		13,628
Total Liabilities and Equity	$	**39,301**	$	48,606

(a) 780,000 shares authorized; 673,857 and 665,849 shares issued and outstanding at December 31, 2015 and 2014.

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

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

	PPL Shareowners						
	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Accumulated other comprehensive loss	Non-controlling interests	Total
December 31, 2012	581,944	$ 6	$ 6,936	$ 5,478	$ (1,940)	$ 18	$ 10,498
Common stock issued	50,807		1,437				1,437
Common stock repurchased	(2,430)		(74)				(74)
Cash settlement of equity forward agreements			(13)				(13)
Stock-based compensation			30				30
Net income				1,130			1,130
Dividends and dividend equivalents				(899)		(18)	(917)
Other comprehensive income (loss)					375		375
December 31, 2013	630,321	$ 6	$ 8,316	$ 5,709	$ (1,565)	$	$ 12,466
Common stock issued	35,528	$ 1	$ 1,089				$ 1,090
Stock-based compensation			28				28
Net income				$ 1,737			1,737
Dividends and dividend equivalents				(984)			(984)
Other comprehensive income (loss)					$ (709)		(709)
December 31, 2014	665,849	$ 7	$ 9,433	$ 6,462	$ (2,274)		$ 13,628
Common stock issued	8,008		$ 249				$ 249
Stock-based compensation			5				5
Net income				$ 682			682
Dividends and dividend equivalents				(1,010)			(1,010)
Distribution of PPL Energy Supply (Note 8)				(3,181)	$ (24)		(3,205)
Other comprehensive income (loss)					(430)		(430)
December 31, 2015	673,857	$ 7	$ 9,687	$ 2,953	$ (2,728)		$ 9,919

(a) Shares in thousands. Each share entitles the holder to one vote on any question presented at any shareowners' meeting.

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

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CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31,
PPL Electric Utilities Corporation and Subsidiaries

(Millions of Dollars)

	2015	2014	2013
Operating Revenues	**$ 2,124**	$ 2,044	$ 1,870
Operating Expenses			
Operation			
Energy purchases	**657**	587	588
Energy purchases from affiliate	**14**	84	51
Other operation and maintenance	**607**	543	531
Depreciation	**214**	185	178
Taxes, other than income	**94**	107	103
Total Operating Expenses	**1,586**	1,506	1,451
Operating Income	**538**	538	419
Other Income (Expense) - net	**8**	7	6
Interest Expense	**130**	122	108
Income Before Income Taxes	**416**	423	317
Income Taxes	**164**	160	108
Net Income (a)	**$ 252**	$ 263	$ 209

(a) Net income approximates comprehensive income.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31,
PPL Electric Utilities Corporation and Subsidiaries

(Millions of Dollars)

	2015	2014	2013
Cash Flows from Operating Activities			
Net income	$ **252**	$ 263	$ 209
Adjustments to reconcile net income to net cash provided by (used in) operating activities			
Depreciation	**214**	185	178
Amortization	**26**	19	19
Defined benefit plans - expense	**16**	15	21
Deferred income taxes and investment tax credits	**220**	87	127
Other	**(12)**	(23)	(9)
Change in current assets and current liabilities			
Accounts receivable	**50**	(64)	(29)
Accounts payable	**(107)**	30	12
Unbilled revenues	**22**	3	(6)
Prepayments	**(1)**	1	36
Regulatory assets and liabilities	**35**	5	19
Taxes payable	**(108)**	75	49
Other	**21**	10	(28)
Other operating activities			
Defined benefit plans - funding	**(33)**	(23)	(93)
Other assets	**(10)**	19	8
Other liabilities	**17**	11	10
Net cash provided by (used in) operating activities	**602**	613	523
Cash Flows from Investing Activities			
Expenditures for property, plant and equipment	**(1,097)**	(931)	(903)
Expenditures for intangible assets	**(10)**	(26)	(39)
Net (increase) decrease in notes receivable from affiliate		150	(150)
Other investing activities	**(1)**	16	12
Net cash provided by (used in) investing activities	**(1,108)**	(791)	(1,080)
Cash Flows from Financing Activities			
Issuance of long-term debt	**348**	296	348
Retirement of long-term debt	**(100)**	(10)	
Contributions from PPL	**275**	263	205
Payment of common stock dividends to parent	**(181)**	(158)	(127)
Net increase (decrease) in short-term debt		(20)	20
Other financing activities	**(3)**	(4)	(4)
Net cash provided by (used in) financing activities	**339**	367	442
Net Increase (Decrease) in Cash and Cash Equivalents	**(167)**	189	(115)
Cash and Cash Equivalents at Beginning of Period	**214**	25	140
Cash and Cash Equivalents at End of Period	$ **47**	$ 214	$ 25
Supplemental Disclosures of Cash Flow Information			
Cash paid (received) during the period for:			
Interest - net of amount capitalized	$ **117**	$ 110	$ 87
Income taxes - net	$ **38**	$ 40	$ (45)

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

CONSOLIDATED BALANCE SHEETS AT DECEMBER 31,
PPL Electric Utilities Corporation and Subsidiaries

(Millions of Dollars, shares in thousands)

	2015	2014
Assets		
Current Assets		
Cash and cash equivalents	$ 47	$ 214
Accounts receivable (less reserve: 2015, $16; 2014, $17)		
Customer	286	312
Other	10	44
Unbilled revenues	91	113
Materials and supplies	34	43
Prepayments	66	10
Regulatory assets	13	12
Other current assets	8	13
Total Current Assets	555	761
Property, Plant and Equipment		
Regulated utility plant	8,734	7,589
Less: accumulated depreciation - regulated utility plant	2,573	2,517
Regulated utility plant, net	6,161	5,072
Construction work in progress	530	738
Property, Plant and Equipment, net	6,691	5,810
Other Noncurrent Assets		
Regulatory assets	1,006	897
Intangibles	244	235
Other noncurrent assets	15	3
Total Other Noncurrent Assets	1,265	1,135
Total Assets	$ 8,511	$ 7,706

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

CONSOLIDATED BALANCE SHEETS AT DECEMBER 31,
PPL Electric Utilities Corporation and Subsidiaries

(Millions of Dollars, shares in thousands)

	2015	2014
Liabilities and Equity		
Current Liabilities		
Long-term debt due within one year		$ 100
Accounts payable	**$ 288**	325
Accounts payable to affiliates	**35**	70
Taxes	**24**	85
Interest	**37**	34
Regulatory liabilities	**113**	76
Customer deposits	**31**	34
Other current liabilities	**77**	69
Total Current Liabilities	**605**	793
Long-term Debt	**2,828**	2,481
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**1,663**	1,425
Accrued pension obligations	**183**	212
Regulatory liabilities	**22**	18
Other deferred credits and noncurrent liabilities	**91**	60
Total Deferred Credits and Other Noncurrent Liabilities	**1,959**	1,715
Commitments and Contingent Liabilities (Notes 6 and 13)		
Equity		
Common stock - no par value (a)	**364**	364
Additional paid-in capital	**1,934**	1,603
Earnings reinvested	**821**	750
Total Equity	**3,119**	2,717
Total Liabilities and Equity	**$ 8,511**	$ 7,706

(a) 170,000 shares authorized; 66,368 shares issued and outstanding at December 31, 2015 and 2014.

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

CONSOLIDATED STATEMENTS OF EQUITY
PPL Electric Utilities Corporation and Subsidiaries
(Millions of Dollars)

	Common stock shares outstanding (a)		Common stock		Additional paid-in capital		Earnings reinvested		Total
December 31, 2012	66,368	$	364	$	1,135	$	563	$	2,062
Net income							209		209
Capital contributions from PPL					205				205
Dividends declared on common stock							(127)		(127)
December 31, 2013	66,368	$	364	$	1,340	$	645	$	2,349
Net income						$	263	$	263
Capital contributions from PPL				$	263				263
Dividends declared on common stock							(158)		(158)
December 31, 2014	66,368	$	364	$	1,603	$	750	$	2,717
Net income						$	252	$	252
Capital contributions from PPL (b)				$	331				331
Dividends declared on common stock							(181)		(181)
December 31, 2015	66,368	$	364	$	1,934	$	821	$	3,119

(a) Shares in thousands. All common shares of PPL Electric stock are owned by PPL.
(b) Includes non-cash contributions of $56 million. See Note 11 for additional information.

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

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31,
LG&E and KU Energy LLC and Subsidiaries
(Millions of Dollars)

	2015	2014	2013
Operating Revenues	**$ 3,115**	$ 3,168	$ 2,976
Operating Expenses			
Operation			
Fuel	**863**	965	896
Energy purchases	**184**	253	217
Other operation and maintenance	**837**	815	778
Depreciation	**382**	354	334
Taxes, other than income	**57**	52	48
Total Operating Expenses	**2,323**	2,439	2,273
Operating Income	**792**	729	703
Other Income (Expense) - net	**(8)**	(9)	(7)
Interest Expense	**178**	167	144
Interest Expense with Affiliate	**3**		1
Income from Continuing Operations Before Income Taxes	**603**	553	551
Income Taxes	**239**	209	206
Income from Continuing Operations After Income Taxes	**364**	344	345
Income from Discontinued Operations (net of income taxes)			2
Net Income	**$ 364**	$ 344	$ 347

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31,
LG&E and KU Energy LLC and Subsidiaries

(Millions of Dollars)

	2015	2014	2013
Net income	**$ 364**	$ 344	$ 347
Other comprehensive income (loss):			
Amounts arising during the period - gains (losses), net of tax (expense) benefit:			
Defined benefit plans:			
Prior service costs, net of tax of $2, $4, $0	**(3)**	(7)	
Net actuarial gain (loss), net of tax of $2, $32, ($18)	**(4)**	(50)	28
Reclassification from AOCI - (gains) losses, net of tax expense (benefit):			
Equity investees' other comprehensive (income) loss, net of tax of $0, $0, $0		(1)	
Defined benefit plans:			
Prior service costs, net of tax of ($1), $0, $0	**1**	1	
Net actuarial loss, net of tax of ($3), $0, $0	**5**	(1)	
Total other comprehensive income (loss)	**(1)**	(58)	28
Comprehensive income	**$ 363**	$ 286	$ 375

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

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31,
LG&E and KU Energy LLC and Subsidiaries

(Millions of Dollars)

	2015	2014	2013
Cash Flows from Operating Activities			
Net income	**$ 364**	$ 344	$ 347
Adjustments to reconcile net income to net cash provided by (used in) operating activities			
Depreciation	**382**	354	334
Amortization	**27**	25	22
Defined benefit plans - expense	**38**	25	48
Deferred income taxes and investment tax credits	**236**	449	254
Other	**2**	16	5
Change in current assets and current liabilities			
Accounts receivable	**24**	(20)	(91)
Accounts payable	**(58)**	12	40
Accounts payable to affiliates	**(2)**	(1)	1
Unbilled revenues	**20**	13	(24)
Fuel, materials and supplies	**6**	(32)	(1)
Income tax receivable	**135**	(136)	1
Taxes payable	**10**	(3)	13
Interest	**9**		2
Other	**23**	(1)	20
Other operating activities			
Defined benefit plans - funding	**(70)**	(45)	(168)
Settlement of interest rate swaps	**(88)**		86
Other assets	**(7)**	(7)	9
Other liabilities	**12**	6	22
Net cash provided by (used in) operating activities	**1,063**	999	920
Cash Flows from Investing Activities			
Expenditures for property, plant and equipment	**(1,210)**	(1,262)	(1,434)
Net (increase) decrease in notes receivable from affiliates		70	(70)
Other investing activities	**7**	1	2
Net cash provided by (used in) investing activities	**(1,203)**	(1,191)	(1,502)
Cash Flows from Financing Activities			
Net increase (decrease) in notes payable with affiliates	**13**	41	(25)
Issuance of long-term note with affiliate	**400**		
Issuance of long-term debt	**1,050**		496
Retirement of long-term debt	**(900)**		
Net increase (decrease) in short-term debt	**(310)**	330	120
Debt issuance and credit facility costs	**(10)**	(5)	(6)
Distributions to member	**(219)**	(436)	(254)
Contributions from member	**125**	248	243
Net cash provided by (used in) financing activities	**149**	178	574
Net Increase (Decrease) in Cash and Cash Equivalents	**9**	(14)	(8)
Cash and Cash Equivalents at Beginning of Period	**21**	35	43
Cash and Cash Equivalents at End of Period	**$ 30**	$ 21	$ 35
Supplemental Disclosures of Cash Flow Information			
Cash paid (received) during the period for:			
Interest - net of amount capitalized	**$ 163**	$ 157	$ 137
Income taxes - net	**$ (139)**	$ (75)	$ (67)

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

CONSOLIDATED BALANCE SHEETS AT DECEMBER 31,
LG&E and KU Energy LLC and Subsidiaries

(Millions of Dollars)

	2015	2014
Assets		
Current Assets		
Cash and cash equivalents	**$ 30**	$ 21
Accounts receivable (less reserve: 2015, $23; 2014, $25)		
Customer	**209**	231
Other	**16**	18
Unbilled revenues	**147**	167
Fuel, materials and supplies	**298**	311
Prepayments	**23**	28
Income taxes receivable	**1**	136
Regulatory assets	**35**	25
Other current assets	**6**	3
Total Current Assets	**765**	940
Property, Plant and Equipment		
Regulated utility plant	**11,906**	10,014
Less: accumulated depreciation - regulated utility plant	**1,163**	1,069
Regulated utility plant, net	**10,743**	8,945
Construction work in progress	**660**	1,559
Property, Plant and Equipment, net	**11,403**	10,504
Other Noncurrent Assets		
Regulatory assets	**727**	665
Goodwill	**996**	996
Other intangibles	**123**	174
Other noncurrent assets	**76**	77
Total Other Noncurrent Assets	**1,922**	1,912
Total Assets	**$ 14,090**	$ 13,356

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

CONSOLIDATED BALANCE SHEETS AT DECEMBER 31,
LG&E and KU Energy LLC and Subsidiaries
(Millions of Dollars)

	2015	2014
Liabilities and Equity		
Current Liabilities		
Short-term debt	$ 265	$ 575
Long-term debt due within one year	25	900
Notes payable with affiliates	54	41
Accounts payable	266	399
Accounts payable to affiliates	5	2
Customer deposits	52	52
Taxes	46	36
Price risk management liabilities	5	5
Price risk management liabilities to affiliates		66
Regulatory liabilities	32	15
Interest	32	23
Other current liabilities	185	131
Total Current Liabilities	967	2,245
Long-term Debt		
Long-term debt	4,663	3,643
Long-term debt to affiliate	400	
Total Long-term Debt	5,063	3,643
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	1,463	1,225
Investment tax credits	128	131
Price risk management liabilities	42	43
Accrued pension obligations	296	305
Asset retirement obligations	485	274
Regulatory liabilities	923	974
Other deferred credits and noncurrent liabilities	206	268
Total Deferred Credits and Other Noncurrent Liabilities	3,543	3,220
Commitments and Contingent Liabilities (Notes 6 and 15)		
Member's equity	4,517	4,248
Total Liabilities and Equity	$ 14,090	$ 13,356

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

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

		Member's Equity
December 31, 2012	$	3,786
Net income		347
Contributions from member		243
Distributions to member		(254)
Other comprehensive income (loss)		28
December 31, 2013	$	4,150
Net income	$	344
Contributions from member		248
Distributions to member		(436)
Other comprehensive income (loss)		(58)
December 31, 2014	$	4,248
Net income	$	364
Contributions from member		125
Distributions to member		(219)
Other comprehensive income (loss)		(1)
December 31, 2015	$	4,517

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

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STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31,
Louisville Gas and Electric Company

(Millions of Dollars)

	2015	2014	2013
Operating Revenues			
Retail and wholesale	$ **1,407**	$ 1,445	$ 1,351
Electric revenue from affiliate	**37**	88	59
Total Operating Revenues	**1,444**	1,533	1,410
Operating Expenses			
Operation			
Fuel	**329**	404	367
Energy purchases	**166**	230	195
Energy purchases from affiliate	**20**	14	10
Other operation and maintenance	**377**	379	373
Depreciation	**162**	157	148
Taxes, other than income	**28**	25	24
Total Operating Expenses	**1,082**	1,209	1,117
Operating Income	**362**	324	293
Other Income (Expense) - net	**(6)**	(3)	(2)
Interest Expense	**57**	49	34
Income Before Income Taxes	**299**	272	257
Income Taxes	**114**	103	94
Net Income (a)	$ **185**	$ 169	$ 163

(a) Net income equals comprehensive income.

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

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31,
Louisville Gas and Electric Company
(Millions of Dollars)

	2015	2014	2013
Cash Flows from Operating Activities			
Net income	$ **185**	$ 169	$ 163
Adjustments to reconcile net income to net cash provided by (used in) operating activities			
Depreciation	**162**	157	148
Amortization	**11**	12	6
Defined benefit plans - expense	**12**	9	18
Deferred income taxes and investment tax credits	**126**	118	26
Other	**8**	2	9
Change in current assets and current liabilities			
Accounts receivable	**19**	(12)	(37)
Accounts receivable from affiliates	**11**	(23)	14
Accounts payable	**(29)**	25	16
Accounts payable to affiliates	**5**	(4)	1
Unbilled revenues	**9**	9	(13)
Fuel, materials and supplies	**3**	(8)	(12)
Income tax receivable	**70**	(74)	
Taxes payable	**1**	8	9
Interest	**5**		1
Other	**17**		7
Other operating activities			
Defined benefit plans - funding	**(26)**	(13)	(48)
Settlement of interest rate swaps	**(44)**		43
Other assets	**11**	(2)	9
Other liabilities	**(2)**	(2)	6
Net cash provided by (used in) operating activities	**554**	371	366
Cash Flows from Investing Activities			
Expenditures for property, plant and equipment	**(689)**	(656)	(577)
Net cash provided by (used in) investing activities	**(689)**	(656)	(577)
Cash Flows from Financing Activities			
Issuance of long-term debt	**550**		248
Retirement of long-term debt	**(250)**		
Net increase (decrease) in short-term debt	**(122)**	244	(35)
Debt issuance and credit facility costs	**(5)**	(2)	(3)
Payment of common stock dividends to parent	**(119)**	(112)	(99)
Contributions from parent	**90**	157	86
Net cash provided by (used in) financing activities	**144**	287	197
Net Increase (Decrease) in Cash and Cash Equivalents	**9**	2	(14)
Cash and Cash Equivalents at Beginning of Period	**10**	8	22
Cash and Cash Equivalents at End of Period	$ **19**	$ 10	$ 8
Supplemental Disclosures of Cash Flow Information			
Cash paid (received) during the period for:			
Interest - net of amount capitalized	$ **48**	$ 46	$ 36
Income taxes - net	$ **(81)**	$ 65	$ 51

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

BALANCE SHEETS AT DECEMBER 31,
Louisville Gas and Electric Company

(Millions of Dollars, shares in thousands)

	2015	2014
Assets		
Current Assets		
Cash and cash equivalents	$ **19**	$ 10
Accounts receivable (less reserve: 2015, $1; 2014, $2)		
Customer	**92**	107
Other	**7**	11
Unbilled revenues	**67**	76
Accounts receivable from affiliates	**12**	23
Fuel, materials and supplies	**151**	162
Prepayments	**5**	8
Income taxes receivable	**4**	74
Regulatory assets	**16**	21
Other current assets	**2**	1
Total Current Assets	**375**	493
Property, Plant and Equipment		
Regulated utility plant	**4,804**	4,031
Less: accumulated depreciation - regulated utility plant	**404**	456
Regulated utility plant, net	**4,400**	3,575
Construction work in progress	**390**	676
Property, Plant and Equipment, net	**4,790**	4,251
Other Noncurrent Assets		
Regulatory assets	**424**	397
Goodwill	**389**	389
Other intangibles	**73**	97
Other noncurrent assets	**17**	27
Total Other Noncurrent Assets	**903**	910
Total Assets	$ **6,068**	$ 5,654

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

BALANCE SHEETS AT DECEMBER 31,
Louisville Gas and Electric Company
(Millions of Dollars, shares in thousands)

	2015	2014
Liabilities and Equity		
Current Liabilities		
Short-term debt	$ **142**	$ 264
Long-term debt due within one year	**25**	250
Accounts payable	**157**	240
Accounts payable to affiliates	**25**	20
Customer deposits	**26**	25
Taxes	**20**	19
Price risk management liabilities	**5**	5
Price risk management liabilities to affiliates		33
Regulatory liabilities	**13**	10
Interest	**11**	6
Other current liabilities	**64**	42
Total Current Liabilities	**488**	914
Long-term Debt	**1,617**	1,095
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**829**	700
Investment tax credits	**35**	36
Price risk management liabilities	**42**	43
Accrued pension obligations	**56**	57
Asset retirement obligations	**149**	66
Regulatory liabilities	**431**	458
Other deferred credits and noncurrent liabilities	**91**	111
Total Deferred Credits and Other Noncurrent Liabilities	**1,633**	1,471
Commitments and Contingent Liabilities (Notes 6 and 15)		
Stockholder's Equity		
Common stock - no par value (a)	**424**	424
Additional paid-in capital	**1,611**	1,521
Earnings reinvested	**295**	229
Total Equity	**2,330**	2,174
Total Liabilities and Equity	$ **6,068**	$ 5,654

(a) 75,000 shares authorized; 21,294 shares issued and outstanding at December 31, 2015 and December 31, 2014.

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

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

	Common stock shares outstanding (a)		Common stock		Additional paid-in capital		Earnings reinvested		Total
December 31, 2012	21,294	$	424	$	1,278	$	108	$	1,810
Net income							163		163
Capital contributions from LKE					86				86
Cash dividends declared on common stock							(99)		(99)
December 31, 2013	21,294	$	424	$	1,364	$	172	$	1,960
Net income						$	169	$	169
Capital contributions from LKE				$	157				157
Cash dividends declared on common stock							(112)		(112)
December 31, 2014	21,294	$	424	$	1,521	$	229	$	2,174
Net income						$	185	$	185
Capital contributions from LKE				$	90				90
Cash dividends declared on common stock							(119)		(119)
December 31, 2015	21,294	$	424	$	1,611	$	295	$	2,330

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

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