LG&E KU

PPL companies

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PUBLIC SERVICE COMMISSION

LG&E and KU Energy LLC
State Regulation and Rates
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Louisville, Kentucky 40232
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Rick E. Lovekamp
Manager - Regulatory Strategy/Policy
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Gwen R. Pinson
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602-0615

November 5, 2019

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

Dear Ms Pinson:

Pursuant to the Commission's Order dated September 30, 2010 in the aforementioned case, Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU"), (collectively, the "Companies") submit one copy of the Securities and Exchange Commission ("SEC") Form 10-Q for PPL Corporation and its current and former subsidiaries for Period Ended September 30, 2019. This information is being made pursuant to Appendix C, Commitment No. 21.

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

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

Sincerely,

Rick E. Lovekamp

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

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the quarterly period ended September 30, 2019

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	[redacted]
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	[redacted]
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	[redacted]
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	[redacted]
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	[redacted]

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol:	Name of each exchange on which registered
Common Stock of PPL Corporation	PPL	New York Stock Exchange
Junior Subordinated Notes of PPL Capital Funding, Inc.		
2007 Series A due 2067	PPL/67	New York Stock Exchange
2013 Series B due 2073	PPX	New York Stock Exchange

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

Indicate by check mark whether the registrants have submitted electronically every Interactive Data File required to be submitted 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 such files).

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

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

	Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company	Emerging growth company
PPL Corporation	☒	☐	☐	☐	☐
PPL Electric Utilities Corporation	☐	☐	☒	☐	☐
LG&E and KU Energy LLC	☐	☐	☒	☐	☐
Louisville Gas and Electric Company	☐	☐	☒	☐	☐
Kentucky Utilities Company	☐	☐	☒	☐	☐

If emerging growth companies, indicate by check mark if the registrants have elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

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

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

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, 723,033,043 shares outstanding at October 31, 2019.
PPL Electric Utilities Corporation	Common stock, no par value, 66,368,056 shares outstanding and all held by PPL Corporation at October 31, 2019.
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 31, 2019.
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 31, 2019.

This document is available free of charge at the Investors section of PPL Corporation's website at www.pplweb.com. However, other 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, 2019

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' 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.

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 administrative, management, and support services primarily 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 provides administrative, management and support services primarily to PPL Electric.

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 WPD Limited - an indirect U.K. subsidiary of PPL Global. Following reorganizations in October 2015 and October 2017, PPL WPD Limited is an indirect parent to WPD plc having previously been a sister company.

Safari Energy - Safari Energy, LLC, an indirect subsidiary of PPL, acquired in June 2018, that provides solar energy solutions for commercial customers in the U.S.

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, an indirect 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-regulated utility generating plants in western Kentucky until July 2009.

Other terms and abbreviations

£ - British pound sterling.

2018 Form 10-K - Annual Report to the SEC on Form 10-K for the year ended December 31, 2018.
Act 11 - Act 11 of 2012 that became effective on April 16, 2012. The Pennsylvania legislation authorized 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 amended the Pennsylvania Public Utility Code and created an energy efficiency and conservation program and smart metering technology requirements, adopted new PLR electricity supply procurement rules, provided remedies for market misconduct and changed the Alternative Energy Portfolio Standard (AEPS).

Act 129 Smart Meter program - PPL Electric's system wide meter replacement program that installs wireless digital meters that provide secure communication between PPL Electric and the meter as well as all related infrastructure.

Adjusted Gross Margins - a non-GAAP financial measure of performance used in "Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" (MD&A).

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.

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.

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.

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

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

DSM - Demand Side Management. Pursuant to Kentucky Revised Statute 278.285, the KPSC may determine the reasonableness of DSM programs proposed by any utility under its jurisdiction. DSM programs consist of energy efficiency programs intended to reduce peak demand and delay the investment in additional power plant construction, provide customers with tools and information regarding their energy usage and support energy efficiency.
Earnings from Ongoing Operations - a non-GAAP financial measure of earnings adjusted for the impact of special items and used in "Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" (MD&A).

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 byproducts 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.

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.
GAAP - Generally Accepted Accounting Principles in the U.S.
GBP - British pound sterling.

GHG(s) - greenhouse gas(es).

GLT - gas line tracker. The KPSC approved mechanism for LG&E's recovery of costs associated with gas transmission lines, gas service lines, gas risers, leak mitigation, and gas main replacements.

HB 487 - House Bill 487. Comprehensive Kentucky state tax legislation enacted in April 2018.

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.

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.

New Source Review - a Clean Air Act program that requires industrial facilities to install updated pollution control equipment when they are built or when making a modification that increases emissions beyond certain allowable thresholds.
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.

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 gas 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 recorded at cost. OVEC owns and operates two coal-fired power plants, the Kyger Creek plant in Ohio and the Clifty Creek plant in Indiana, with combined capacities of 2,120 MW.

Performance unit - stock-based compensation award that represents a variable number of shares of PPL common stock that a recipient may receive based on PPL's attainment of (i) relative total shareowner return (TSR) over a three-year performance period as compared to companies in the Philadelphia Stock Exchange Utility Index; or (ii) corporate return on equity (ROE) based on the average of the annual ROE for each year of the three-year performance period.

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, PPL Energy Supply, LLC, 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 indirect parent company of PPL Montana, LLC.

PPL Montana - prior to the June 1, 2015 spinoff of PPL Energy Supply, PPL Montana, LLC, an indirect subsidiary of PPL Energy Supply 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. RAV additions have been and continue to be based on a percentage of annual total 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.

Registrant(s) - refers to the Registrants named on the cover of this Report (each a "Registrant" and collectively, the "Registrants").
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 - ReliabilityFirst 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 - Ofgem's framework for setting U.K. regulated gas and electric utility price controls which stands for "Revenues = Incentive + Innovation + Outputs." RIIO-1 refers to the first generation of price controls under the RIIO framework. RIIO-ED1 refers to the RIIO regulatory price control applicable to the operators of U.K. electricity distribution networks, the duration of which is April 2015 through March 2023. RIIO-2 refers to the second generation of price controls under the RIIO framework. RIIO-ED2 refers to the second generation of the RIIO regulatory price control applicable to the operators of U.K. electricity distribution networks, which will begin in April 2023.

Riverstone - Riverstone Holdings LLC, a Delaware limited liability company and, as of December 6, 2016, ultimate parent company of the entities that own the competitive power generation business contributed to Talen Energy.

RPI - retail price index, is a measure of inflation in the United Kingdom published monthly by the Office for National Statistics.

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 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.

S&P - S&P Global Ratings, a credit rating agency.

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, which as of December 6, 2016, became wholly owned by Riverstone.

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

TCJA - Tax Cuts and Jobs Act. Comprehensive U.S. federal tax legislation enacted on December 22, 2017.

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.

VEBA - Voluntary Employee Beneficiary Association. A tax-exempt trust under the Internal Revenue Code Section 501(c)(9) used by employers to fund and pay eligible medical, life and similar benefits.

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 2018 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 and adversely from the forward-looking statements:

- the outcome of rate cases or other cost recovery or revenue proceedings;
- changes in U.S. state or federal or U.K. tax laws or regulations;
- the direct or indirect effects on PPL or its subsidiaries or business systems of cyber-based intrusion or the threat of cyberattacks;
- significant decreases in demand for electricity in the U.S.;
- expansion of alternative and distributed sources of electricity generation and storage;
- changes in foreign currency exchange rates for British pound sterling and the related impact on unrealized gains and losses on PPL's foreign currency economic hedges;
- the effectiveness of our risk management programs, including foreign currency and interest rate hedging;
- non-achievement by WPD of performance targets set by Ofgem;
- the effect of changes in RPI on WPD's revenues and index linked debt;
- developments related to the U.K.'s plans to withdraw from the European Union and any actions in response thereto;
- the amount of WPD's pension deficit funding recovered in revenues after March 31, 2021, following the triennial pension review that began in March 2019;
- defaults by counterparties or suppliers for energy, capacity, coal, natural gas or key commodities, goods or services;
- capital market conditions, including the availability of capital or credit, changes in interest rates and certain economic indices, and decisions regarding capital structure;
- a material decline in the market value of PPL's equity;
- significant decreases 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, ARO liabilities and interest payable on certain debt securities;
- volatility in or the impact of other changes in financial markets and economic conditions;
- the potential impact of any unrecorded commitments and liabilities of the Registrants and their subsidiaries;
- new accounting requirements or new interpretations or applications of existing requirements;
- changes in the corporate credit ratings or securities analyst rankings of the Registrants and their securities;
- any requirement to record impairment charges pursuant to GAAP with respect to any of our significant investments;
- laws or regulations to reduce emissions of GHGs or the physical effects of climate change;
- continuing ability to access fuel supply for LG&E and KU, as well as the 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 and other conditions affecting generation, transmission and distribution operations, operating costs and customer energy use;
- catastrophic events such as fires, earthquakes, explosions, floods, tornadoes, hurricanes and other storms, droughts, pandemic health events or other similar occurrences;
- war, armed conflicts, terrorist attacks, or similar disruptive events;

- 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 and approvals;
- new state, federal or foreign legislation or regulatory developments;
- the impact of any state, federal or foreign investigations applicable to the Registrants and their subsidiaries and the energy industry;
- our ability to attract and retain qualified employees;
- the effect of any business or industry restructuring;
- development of new projects, markets and technologies;
- performance of new ventures;
- business dispositions or acquisitions and our ability to realize expected benefits from such business transactions;

- collective labor bargaining negotiations; and
- the outcome of litigation against the Registrants and their subsidiaries.

Any 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 expressed 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,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Operating Revenues	$ 1,933	$ 1,872	$ 5,815	$ 5,846
Operating Expenses				
Operation				
Fuel	194	206	556	609
Energy purchases	150	149	538	538
Other operation and maintenance	480	479	1,452	1,453
Depreciation	306	275	890	817
Taxes, other than income	77	77	232	234
Total Operating Expenses	1,207	1,186	3,668	3,651
Operating Income	726	686	2,147	2,195
Other Income (Expense) - net	126	106	309	297
Interest Expense	259	244	746	718
Income Before Income Taxes	593	548	1,710	1,774
Income Taxes	118	103	328	362
Net Income	$ 475	$ 445	$ 1,382	$ 1,412
Earnings Per Share of Common Stock:				
Net Income Available to PPL Common Shareowners:				
Basic	$ 0.66	$ 0.63	$ 1.91	$ 2.02
Diluted	$ 0.65	$ 0.62	$ 1.89	$ 2.01
Weighted-Average Shares of Common Stock Outstanding (in thousands)				
Basic	722,259	703,730	721,693	699,117
Diluted	731,151	710,517	730,677	702,305

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,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net income	**$ 475**	$ 445	**$ 1,382**	$ 1,412
Other comprehensive income (loss):				
Amounts arising during the period - gains (losses), net of tax (expense) benefit:				
Foreign currency translation adjustments, net of tax of $0, $0, $0, ($2)	**(285)**	(187)	**(368)**	(321)
Qualifying derivatives, net of tax of ($3), ($5), ($7), ($5)	**16**	22	**32**	21
Defined benefit plans:				
Prior service costs, net of tax of $0, $0, $0, $0	**—**	—	**—**	(1)
Net actuarial gain (loss), net of tax of $2, $3, $4, $3	**(5)**	(8)	**(10)**	(9)
Reclassifications from AOCI - (gains) losses, net of tax expense (benefit):				
Qualifying derivatives, net of tax of $3, $3, $3, $4	**(22)**	(14)	**(25)**	(21)
Defined benefit plans:				
Prior service costs, net of tax of ($1), ($1), ($1), ($1)	**—**	—	**1**	1
Net actuarial (gain) loss, net of tax of ($5), ($8), ($16), ($26)	**20**	34	**62**	104
Total other comprehensive income (loss)	**(276)**	(153)	**(308)**	(226)
Comprehensive income	**$ 199**	$ 292	**$ 1,074**	$ 1,186

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, 2019	Nine Months Ended September 30, 2018
Cash Flows from Operating Activities		
Net income	$ 1,382	$ 1,412
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	890	817
Amortization	60	56
Defined benefit plans - income	(198)	(146)
Deferred income taxes and investment tax credits	257	255
Unrealized gains on derivatives, and other hedging activities	(18)	(129)
Stock-based compensation expense	24	21
Other	(15)	(12)
Change in current assets and current liabilities		
Accounts receivable	57	38
Accounts payable	(116)	(55)
Unbilled revenues	58	129
Fuel, materials and supplies	9	25
Prepayments	(53)	(38)
Regulatory assets and liabilities, net	(62)	39
Accrued interest	74	48
Other current liabilities	(94)	(36)
Other	(6)	(1)
Other operating activities		
Defined benefit plans - funding	(281)	(284)
Proceeds from transfer of excess benefit plan funds	—	65
Other assets	(24)	(38)
Other liabilities	(56)	44
Net cash provided by operating activities	1,888	2,210
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	(2,197)	(2,344)
Purchase of investments	(55)	(65)
Proceeds from the sale of investments	63	3
Other investing activities	(5)	(60)
Net cash used in investing activities	(2,194)	(2,466)
Cash Flows from Financing Activities		
Issuance of long-term debt	1,465	602
Retirement of long-term debt	(200)	(277)
Issuance of common stock	49	678
Payment of common stock dividends	(893)	(846)
Net increase (decrease) in short-term debt	(34)	481
Other financing activities	(24)	(20)
Net cash provided by financing activities	363	618
Effect of Exchange Rates on Cash, Cash Equivalents and Restricted Cash	(10)	(9)
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	47	353
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	643	511
Cash, Cash Equivalents and Restricted Cash at End of Period	$ 690	$ 864

Supplemental Disclosures of Cash Flow Information		
Significant non-cash transactions:		
Accrued expenditures for property, plant and equipment at September 30,	$ 363	$ 311
Accrued expenditures for intangible assets at September 30,	$ 67	$ 70

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, 2019	December 31, 2018
Assets		
Current Assets		
Cash and cash equivalents	$ 670	$ 621
Accounts receivable (less reserve: 2019, $60; 2018, $56)		
Customer	625	663
Other	112	107
Unbilled revenues	430	496
Fuel, materials and supplies	295	303
Prepayments	115	70
Price risk management assets	209	109
Other current assets	78	63
Total Current Assets	2,534	2,432
Property, Plant and Equipment		
Regulated utility plant	40,734	39,734
Less: accumulated depreciation - regulated utility plant	7,732	7,310
Regulated utility plant, net	33,002	32,424
Non-regulated property, plant and equipment	331	355
Less: accumulated depreciation - non-regulated property, plant and equipment	105	101
Non-regulated property, plant and equipment, net	226	254
Construction work in progress	1,880	1,780
Property, Plant and Equipment, net	35,108	34,458
Other Noncurrent Assets		
Regulatory assets	1,658	1,673
Goodwill	3,050	3,162
Other intangibles	709	716
Pension benefit asset	955	535
Price risk management assets	210	228
Other noncurrent assets	335	192
Total Other Noncurrent Assets	6,917	6,506
Total Assets	$ 44,559	$ 43,396

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, 2019	December 31, 2018
Liabilities and Equity		
Current Liabilities		
Short-term debt	$ 1,387	$ 1,430
Long-term debt due within one year	—	530
Accounts payable	846	989
Taxes	94	110
Interest	346	278
Dividends	298	296
Customer deposits	262	257
Regulatory liabilities	79	122
Other current liabilities	528	551
Total Current Liabilities	3,840	4,563
Long-term Debt	21,547	20,069
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	3,076	2,796
Investment tax credits	124	126
Accrued pension obligations	719	771
Asset retirement obligations	193	264
Regulatory liabilities	2,675	2,714
Other deferred credits and noncurrent liabilities	483	436
Total Deferred Credits and Other Noncurrent Liabilities	7,270	7,107
Commitments and Contingent Liabilities (Notes 7 and 11)		
Equity		
Common stock - $0.01 par value (a)	7	7
Additional paid-in capital	11,087	11,021
Earnings reinvested	5,080	4,593
Accumulated other comprehensive loss	(4,272)	(3,964)
Total Equity	11,902	11,657
Total Liabilities and Equity	$ 44,559	$ 43,396

(a) 1,560,000 shares authorized; 722,307 and 720,323 shares issued and outstanding at September 30, 2019 and December 31, 2018.

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, 2019	721,840	$ 7	$ 11,069	$ 4,903	$ (3,996)	$ 11,983
Common stock issued	467		14			14
Stock-based compensation			4			4
Net income				475		475
Dividends and dividend equivalents (b)				(298)		(298)
Other comprehensive income (loss)					(276)	(276)
September 30, 2019	722,307	$ 7	$ 11,087	$ 5,080	$ (4,272)	$ 11,902
December 31, 2018	720,323	$ 7	$ 11,021	$ 4,593	$ (3,964)	$ 11,657
Common stock issued	1,984		61			61
Stock-based compensation			5			5
Net income				1,382		1,382
Dividends and dividend equivalents (b)				(895)		(895)
Other comprehensive income (loss)					(308)	(308)
September 30, 2019	722,307	$ 7	$ 11,087	$ 5,080	$ (4,272)	$ 11,902
June 30, 2018	699,128	$ 7	$ 10,462	$ 4,266	$ (3,495)	$ 11,240
Common stock issued	20,574		536			536
Stock-based compensation			3			3
Net income				445		445
Dividends and dividend equivalents (b)				(288)		(288)
Other comprehensive income (loss)					(153)	(153)
September 30, 2018	719,702	$ 7	$ 11,001	$ 4,423	$ (3,648)	$ 11,783
December 31, 2017	693,398	$ 7	$ 10,305	$ 3,871	$ (3,422)	$ 10,761
Common stock issued	26,304		699			699
Stock-based compensation			(3)			(3)
Net income				1,412		1,412
Dividends and dividend equivalents (b)				(860)		(860)
Other comprehensive income (loss)					(226)	(226)
September 30, 2018	719,702	$ 7	$ 11,001	$ 4,423	$ (3,648)	$ 11,783

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

(b) Dividends declared per share of common stock were $0.4125 and $1.2375 for the three and nine months ended September 30, 2019 and $0.4100 and $1.23 for the three and nine months ended September 30, 2018.

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,	
	2019	2018	2019	2018
Operating Revenues	$ 590	$ 548	$ 1,756	$ 1,704
Operating Expenses				
Operation				
Energy purchases	132	127	413	403
Other operation and maintenance	137	127	417	419
Depreciation	99	89	290	262
Taxes, other than income	29	27	84	81
Total Operating Expenses	397	370	1,204	1,165
Operating Income	193	178	552	539
Other Income (Expense) - net	7	5	18	18
Interest Income from Affiliate	1	4	3	5
Interest Expense	43	41	126	117
Income Before Income Taxes	158	146	447	445
Income Taxes	40	35	114	111
Net Income (a)	$ 118	$ 111	$ 333	$ 334

(a) Net income equals 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, 2019	Nine Months Ended September 30, 2018
Cash Flows from Operating Activities		
Net income	$ 333	$ 334
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	290	262
Amortization	18	17
Defined benefit plans - expense	—	2
Deferred income taxes and investment tax credits	70	77
Other	(14)	(13)
Change in current assets and current liabilities		
Accounts receivable	34	22
Accounts payable	(46)	(46)
Unbilled revenues	28	45
Prepayments	(36)	(25)
Regulatory assets and liabilities, net	(42)	(25)
Taxes payable	(4)	(1)
Other	(20)	12
Other operating activities		
Defined benefit plans - funding	(21)	(28)
Other assets	11	(37)
Other liabilities	8	54
Net cash provided by operating activities	609	650
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	(815)	(835)
Expenditures for intangible assets	(4)	—
Net increase in notes receivable from affiliate	(546)	—
Other investing activities	4	(2)
Net cash used in investing activities	(1,361)	(837)
Cash Flows from Financing Activities		
Issuance of long-term debt	393	398
Contributions from parent	400	429
Payment of common stock dividends to parent	(276)	(271)
Other financing activities	(5)	(4)
Net cash provided by financing activities	512	552
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	(240)	365
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	269	51
Cash, Cash Equivalents and Restricted Cash at End of Period	$ 29	$ 416
Supplemental Disclosure of Cash Flow Information		
Significant non-cash transactions:		
Accrued expenditures for property, plant and equipment at September 30,	$ 168	$ 171

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, 2019	December 31, 2018
Assets		
Current Assets		
Cash and cash equivalents	$ 27	$ 267
Accounts receivable (less reserve: 2019, $27; 2018, $27)		
Customer	253	264
Other	26	38
Accounts receivable from affiliates	11	11
Notes receivable from affiliate	546	—
Unbilled revenues	92	120
Materials and supplies	32	25
Prepayments	34	5
Regulatory assets	22	11
Other current assets	10	9
Total Current Assets	1,053	750
Property, Plant and Equipment		
Regulated utility plant	12,261	11,637
Less: accumulated depreciation - regulated utility plant	3,031	2,856
Regulated utility plant, net	9,230	8,781
Construction work in progress	669	586
Property, Plant and Equipment, net	9,899	9,367
Other Noncurrent Assets		
Regulatory assets	807	824
Intangibles	262	260
Other noncurrent assets	50	42
Total Other Noncurrent Assets	1,119	1,126
Total Assets	$ 12,071	$ 11,243

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, 2019	December 31, 2018
Liabilities and Equity		
Current Liabilities		
Accounts payable	$ 379	$ 418
Accounts payable to affiliates	28	25
Taxes	8	12
Interest	43	37
Regulatory liabilities	48	74
Other current liabilities	86	101
Total Current Liabilities	592	667
Long-term Debt	4,085	3,694
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	1,414	1,320
Accrued pension obligations	254	282
Regulatory liabilities	654	675
Other deferred credits and noncurrent liabilities	154	144
Total Deferred Credits and Other Noncurrent Liabilities	2,476	2,421
Commitments and Contingent Liabilities (Notes 7 and 11)		
Equity		
Common stock - no par value (a)	364	364
Additional paid-in capital	3,558	3,158
Earnings reinvested	996	939
Total Equity	4,918	4,461
Total Liabilities and Equity	$ 12,071	$ 11,243

(a) 170,000 shares authorized; 66,368 shares issued and outstanding at September 30, 2019 and December 31, 2018.

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, 2019	66,368	$	364	$	3,158	$	939	$	4,461
Net income							118		118
Capital contributions from parent					400				400
Dividends declared on common stock							(61)		(61)
September 30, 2019	66,368	$	364	$	3,558	$	996	$	4,918
December 31, 2018	66,368	$	364	$	3,158	$	939	$	4,461
Net income							333		333
Capital contributions from parent					400				400
Dividends declared on common stock							(276)		(276)
September 30, 2019	66,368	$	364	$	3,558	$	996	$	4,918
June 30, 2018	66,368	$	364	$	3,154	$	900	$	4,418
Net income							111		111
Capital contributions from parent					4				4
Dividends declared on common stock							(49)		(49)
September 30, 2018	66,368	$	364	$	3,158	$	962	$	4,484
December 31, 2017	66,368	$	364	$	2,729	$	899	$	3,992
Net income							334		334
Capital contributions from parent					429				429
Dividends declared on common stock							(271)		(271)
September 30, 2018	66,368	$	364	$	3,158	$	962	$	4,484

(a) Shares in thousands. All common shares of PPL Electric stock are owned by PPL.

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

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

(Unaudited)
(Millions of Dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Operating Revenues	$ 844	$ 802	$ 2,421	$ 2,417
Operating Expenses				
Operation				
Fuel	194	206	556	609
Energy purchases	19	22	125	135
Other operation and maintenance	205	216	627	632
Depreciation	144	119	402	354
Taxes, other than income	19	18	55	53
Total Operating Expenses	581	581	1,765	1,783
Operating Income	263	221	656	634
Other Income (Expense) - net	2	—	2	(2)
Interest Expense	57	52	169	154
Interest Expense with Affiliate	7	7	23	18
Income Before Income Taxes	201	162	466	460
Income Taxes	43	32	78	102
Net Income (a)	$ 158	$ 130	$ 388	$ 358

(a) Net income approximates comprehensive income.

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

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

	Nine Months Ended September 30, 2019	2018
Cash Flows from Operating Activities		
Net income	$ 388	$ 358
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	402	354
Amortization	20	13
Defined benefit plans - expense	9	12
Deferred income taxes and investment tax credits	78	71
Other	(2)	(2)
Change in current assets and current liabilities		
Accounts receivable	13	8
Accounts payable	(34)	4
Accounts payable to affiliates	6	7
Unbilled revenues	5	54
Fuel, materials and supplies	16	17
Regulatory assets and liabilities, net	(19)	62
Taxes payable	(7)	(11)
Accrued interest	57	41
Other	(31)	(36)
Other operating activities		
Defined benefit plans - funding	(34)	(126)
Expenditures for asset retirement obligations	(67)	(46)
Other assets	(4)	(1)
Other liabilities	17	8
Net cash provided by operating activities	813	787
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	(761)	(826)
Other investing activities	—	1
Net cash used in investing activities	(761)	(825)
Cash Flows from Financing Activities		
Net increase (decrease) in notes payable with affiliate	16	(145)
Issuance of long-term debt with affiliate	—	250
Issuance of long-term debt	705	118
Retirement of long-term debt	(200)	(27)
Acquisition of outstanding bonds	(40)	—
Remarketing of reacquired bonds	40	—
Net increase (decrease) in short-term debt	(413)	60
Distributions to member	(206)	(217)
Contributions from member	63	—
Other financing activities	(11)	(2)
Net cash provided by (used in) financing activities	(46)	37
Net Increase (Decrease) in Cash and Cash Equivalents	6	(1)
Cash and Cash Equivalents at Beginning of Period	24	30
Cash and Cash Equivalents at End of Period	$ 30	$ 29
Supplemental Disclosure of Cash Flow Information		
Significant non-cash transactions:		
Accrued expenditures for property, plant and equipment at September 30,	$ 107	$ 108

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, 2019	December 31, 2018
Assets		
Current Assets		
Cash and cash equivalents	$ 30	$ 24
Accounts receivable (less reserve: 2019, $28; 2018, $27)		
Customer	233	239
Other	72	63
Unbilled revenues	164	169
Fuel, materials and supplies	233	248
Prepayments	31	25
Regulatory assets	27	25
Total Current Assets	790	793
Property, Plant and Equipment		
Regulated utility plant	14,175	13,721
Less: accumulated depreciation - regulated utility plant	2,294	2,125
Regulated utility plant, net	11,881	11,596
Construction work in progress	1,033	1,018
Property, Plant and Equipment, net	12,914	12,614
Other Noncurrent Assets		
Regulatory assets	851	849
Goodwill	996	996
Other intangibles	72	78
Other noncurrent assets	145	82
Total Other Noncurrent Assets	2,064	2,005
Total Assets	$ 15,768	$ 15,412

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, 2019	December 31, 2018
Liabilities and Equity		
Current Liabilities		
Short-term debt	$ 101	$ 514
Long-term debt due within one year	—	530
Notes payable with affiliates	129	113
Accounts payable	304	366
Accounts payable to affiliates	15	9
Customer deposits	62	61
Taxes	56	63
Price risk management liabilities	5	4
Regulatory liabilities	31	48
Interest	89	32
Asset retirement obligations	92	82
Other current liabilities	131	126
Total Current Liabilities	1,015	1,948
Long-term Debt		
Long-term debt	5,351	4,322
Long-term debt to affiliate	650	650
Total Long-term Debt	6,001	4,972
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	1,060	956
Investment tax credits	124	126
Price risk management liabilities	20	16
Accrued pension obligations	262	282
Asset retirement obligations	147	214
Regulatory liabilities	2,021	2,039
Other deferred credits and noncurrent liabilities	152	136
Total Deferred Credits and Other Noncurrent Liabilities	3,786	3,769
Commitments and Contingent Liabilities (Notes 7 and 11)		
Member's Equity	4,966	4,723
Total Liabilities and Equity	$ 15,768	$ 15,412

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, 2019	$	4,877
Net income		158
Distributions to member		(69)
September 30, 2019	$	4,966
December 31, 2018	$	4,723
Net income		388
Contributions from member		63
Distributions to member		(206)
Other comprehensive income (loss)		(2)
September 30, 2019	$	4,966
June 30, 2018	$	4,632
Net income		130
Distributions to member		(56)
Other comprehensive income		2
September 30, 2018	$	4,708
December 31, 2017	$	4,563
Net income		358
Distributions to member		(217)
Other comprehensive income		4
September 30, 2018	$	4,708

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,	
	2019	2018	2019	2018
Operating Revenues				
Retail and wholesale	$ 380	$ 357	$ 1,105	$ 1,095
Electric revenue from affiliate	2	5	21	21
Total Operating Revenues	382	362	1,126	1,116
Operating Expenses				
Operation				
Fuel	79	83	226	234
Energy purchases	14	17	110	121
Energy purchases from affiliate	2	2	6	10
Other operation and maintenance	92	95	282	277
Depreciation	61	49	168	146
Taxes, other than income	10	9	29	27
Total Operating Expenses	258	255	821	815
Operating Income	124	107	305	301
Other Income (Expense) - net	—	(3)	(1)	(5)
Interest Expense	22	20	65	57
Income Before Income Taxes	102	84	239	239
Income Taxes	22	18	51	51
Net Income (a)	$ 80	$ 66	$ 188	$ 188

(a) Net income equals comprehensive income.

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

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

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Cash Flows from Operating Activities		
Net income	$ 188	$ 188
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	168	146
Amortization	13	10
Deferred income taxes and investment tax credits	45	46
Other	2	2
Change in current assets and current liabilities		
Accounts receivable	13	14
Accounts receivable from affiliates	9	2
Accounts payable	(10)	14
Accounts payable to affiliates	(5)	(2)
Unbilled revenues	4	30
Fuel, materials and supplies	7	9
Regulatory assets and liabilities, net	(5)	24
Accrued interest	22	13
Other	(15)	(10)
Other operating activities		
Defined benefit plans - funding	(6)	(59)
Expenditures for asset retirement obligations	(22)	(17)
Other assets	(1)	—
Other liabilities	10	—
Net cash provided by operating activities	417	410
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	(323)	(420)
Net cash used in investing activities	(323)	(420)
Cash Flows from Financing Activities		
Issuance of long-term debt	399	100
Retirement of long-term debt	(200)	—
Acquisition of outstanding bonds	(40)	—
Remarketing of reacquired bonds	40	—
Net decrease in short-term debt	(180)	(23)
Payment of common stock dividends to parent	(130)	(113)
Contributions from parent	25	43
Other financing activities	(6)	(1)
Net cash provided by (used in) financing activities	(92)	6
Net Increase (Decrease) in Cash and Cash Equivalents	2	(4)
Cash and Cash Equivalents at Beginning of Period	10	15
Cash and Cash Equivalents at End of Period	$ 12	$ 11
Supplemental Disclosure of Cash Flow Information		
Significant non-cash transactions:		
Accrued expenditures for property, plant and equipment at September 30,	$ 53	$ 51

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, 2019	December 31, 2018
Assets		
Current Assets		
Cash and cash equivalents	$ 12	$ 10
Accounts receivable (less reserve: 2019, $1; 2018, $1)		
Customer	102	110
Other	42	30
Unbilled revenues	73	77
Accounts receivable from affiliates	15	24
Fuel, materials and supplies	120	127
Prepayments	15	12
Regulatory assets	21	21
Total Current Assets	400	411
Property, Plant and Equipment		
Regulated utility plant	6,052	5,816
Less: accumulated depreciation - regulated utility plant	823	741
Regulated utility plant, net	5,229	5,075
Construction work in progress	497	514
Property, Plant and Equipment, net	5,726	5,589
Other Noncurrent Assets		
Regulatory assets	425	431
Goodwill	389	389
Other intangibles	43	47
Other noncurrent assets	44	16
Total Other Noncurrent Assets	901	883
Total Assets	$ 7,027	$ 6,883

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, 2019	December 31, 2018
Liabilities and Equity		
Current Liabilities		
Short-term debt	$ 99	$ 279
Long-term debt due within one year	—	434
Accounts payable	169	172
Accounts payable to affiliates	21	26
Customer deposits	30	29
Taxes	29	26
Price risk management liabilities	5	4
Regulatory liabilities	12	17
Interest	33	11
Asset retirement obligations	29	23
Other current liabilities	39	39
Total Current Liabilities	466	1,060
Long-term Debt	2,004	1,375
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	683	628
Investment tax credits	34	34
Price risk management liabilities	20	16
Asset retirement obligations	54	80
Regulatory liabilities	903	915
Other deferred credits and noncurrent liabilities	93	88
Total Deferred Credits and Other Noncurrent Liabilities	1,787	1,761
Commitments and Contingent Liabilities (Notes 7 and 11)		
Stockholder's Equity		
Common stock - no par value (a)	424	424
Additional paid-in capital	1,820	1,795
Earnings reinvested	526	468
Total Equity	2,770	2,687
Total Liabilities and Equity	$ 7,027	$ 6,883

(a) 75,000 shares authorized; 21,294 shares issued and outstanding at September 30, 2019 and December 31, 2018.

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, 2019	21,294	$ 424	$ 1,820	$ 505	$ 2,749
Net income				80	80
Cash dividends declared on common stock				(59)	(59)
September 30, 2019	21,294	$ 424	$ 1,820	$ 526	$ 2,770
December 31, 2018	21,294	$ 424	$ 1,795	$ 468	$ 2,687
Net income				188	188
Capital contributions from parent			25		25
Cash dividends declared on common stock				(130)	(130)
September 30, 2019	21,294	$ 424	$ 1,820	$ 526	$ 2,770
June 30, 2018	21,294	$ 424	$ 1,755	$ 432	$ 2,611
Net income				66	66
Cash dividends declared on common stock				(32)	(32)
September 30, 2018	21,294	$ 424	$ 1,755	$ 466	$ 2,645
December 31, 2017	21,294	$ 424	$ 1,712	$ 391	$ 2,527
Net income				188	188
Capital contributions from parent			43		43
Cash dividends declared on common stock				(113)	(113)
September 30, 2018	21,294	$ 424	$ 1,755	$ 466	$ 2,645

(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,	
	2019	2018	2019	2018
Operating Revenues				
Retail and wholesale	$ 464	$ 445	$ 1,316	$ 1,322
Electric revenue from affiliate	2	2	6	10
Total Operating Revenues	466	447	1,322	1,332
Operating Expenses				
Operation				
Fuel	115	123	330	375
Energy purchases	5	5	15	14
Energy purchases from affiliate	2	5	21	21
Other operation and maintenance	107	114	320	331
Depreciation	83	70	233	208
Taxes, other than income	9	9	26	26
Total Operating Expenses	321	326	945	975
Operating Income	145	121	377	357
Other Income (Expense) - net	4	1	4	1
Interest Expense	28	24	82	74
Income Before Income Taxes	121	98	299	284
Income Taxes	26	21	62	59
Net Income (a)	$ 95	$ 77	$ 237	$ 225

(a) Net income equals comprehensive income.

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

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

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Cash Flows from Operating Activities		
Net income	$ 237	$ 225
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	233	208
Amortization	7	2
Deferred income taxes and investment tax credits	44	37
Other	(3)	(2)
Change in current assets and current liabilities		
Accounts payable	(16)	(2)
Accounts payable to affiliates	(14)	(8)
Unbilled revenues	1	24
Fuel, materials and supplies	9	8
Regulatory assets and liabilities, net	(14)	38
Taxes payable	5	11
Accrued interest	28	21
Other	(6)	(2)
Other operating activities		
Defined benefit plans - funding	(3)	(53)
Expenditures for asset retirement obligations	(45)	(29)
Other assets	(2)	(1)
Other liabilities	10	8
Net cash provided by operating activities	471	485
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	(436)	(405)
Other investing activities	—	1
Net cash used in investing activities	(436)	(404)
Cash Flows from Financing Activities		
Issuance of long-term debt	306	18
Retirement of long-term debt	—	(27)
Net increase (decrease) in short-term debt	(233)	83
Payment of common stock dividends to parent	(167)	(196)
Contributions from parent	68	45
Other financing activities	(5)	(1)
Net cash used in financing activities	(31)	(78)
Net Increase in Cash and Cash Equivalents	4	3
Cash and Cash Equivalents at Beginning of Period	14	15
Cash and Cash Equivalents at End of Period	$ 18	$ 18
Supplemental Disclosure of Cash Flow Information		
Significant non-cash transactions:		
Accrued expenditures for property, plant and equipment at September 30,	$ 54	$ 57

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, 2019	December 31, 2018
Assets		
Current Assets		
Cash and cash equivalents	$ 18	$ 14
Accounts receivable (less reserve: 2019, $2; 2018, $2)		
Customer	131	129
Other	27	34
Unbilled revenues	91	92
Fuel, materials and supplies	113	121
Prepayments	16	11
Regulatory assets	6	4
Total Current Assets	402	405
Property, Plant and Equipment		
Regulated utility plant	8,111	7,895
Less: accumulated depreciation - regulated utility plant	1,468	1,382
Regulated utility plant, net	6,643	6,513
Construction work in progress	535	503
Property, Plant and Equipment, net	7,178	7,016
Other Noncurrent Assets		
Regulatory assets	426	418
Goodwill	607	607
Other intangibles	29	31
Other noncurrent assets	100	63
Total Other Noncurrent Assets	1,162	1,119
Total Assets	$ 8,742	$ 8,540

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, 2019	December 31, 2018
Liabilities and Equity		
Current Liabilities		
Short-term debt	$ 2	$ 235
Long-term debt due within one year	—	96
Accounts payable	120	171
Accounts payable to affiliates	40	53
Customer deposits	32	32
Taxes	29	24
Regulatory liabilities	19	31
Interest	44	16
Asset retirement obligations	63	59
Other current liabilities	47	35
Total Current Liabilities	396	752
Long-term Debt	2,623	2,225
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	795	735
Investment tax credits	90	92
Asset retirement obligations	93	134
Regulatory liabilities	1,118	1,124
Other deferred credits and noncurrent liabilities	47	36
Total Deferred Credits and Other Noncurrent Liabilities	2,143	2,121
Commitments and Contingent Liabilities (Notes 7 and 11)		
Stockholder's Equity		
Common stock - no par value (a)	308	308
Additional paid-in capital	2,729	2,661
Earnings reinvested	543	473
Total Equity	3,580	3,442
Total Liabilities and Equity	$ 8,742	$ 8,540

(a) 80,000 shares authorized; 37,818 shares issued and outstanding at September 30, 2019 and December 31, 2018.

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	Total
June 30, 2019	37,818	$ 308	$ 2,729	$ 524	$ 3,561
Net income				95	95
Cash dividends declared on common stock				(76)	(76)
September 30, 2019	37,818	$ 308	$ 2,729	$ 543	$ 3,580
December 31, 2018	37,818	$ 308	$ 2,661	$ 473	$ 3,442
Net income				237	237
Capital contributions from parent			68		68
Cash dividends declared on common stock				(167)	(167)
September 30, 2019	37,818	$ 308	$ 2,729	$ 543	$ 3,580
June 30, 2018	37,818	$ 308	$ 2,661	$ 445	$ 3,414
Net income				77	77
Cash dividends declared on common stock				(60)	(60)
September 30, 2018	37,818	$ 308	$ 2,661	$ 462	$ 3,431
December 31, 2017	37,818	$ 308	$ 2,616	$ 433	$ 3,357
Net income				225	225
Capital contributions from parent			45		45
Cash dividends declared on common stock				(196)	(196)
September 30, 2018	37,818	$ 308	$ 2,661	$ 462	$ 3,431

(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)

Index to Combined Notes to Condensed Financial Statements

The notes to the condensed financial statements that follow are a combined presentation. The following list indicates the Registrants to which the notes apply:

	Registrant				
	PPL	PPL Electric	LKE	LG&E	KU
1. Interim Financial Statements	x	x	x	x	x
2. Summary of Significant Accounting Policies	x	x	x	x	x
3. Segment and Related Information	x	x	x	x	x
4. Revenue from Contracts with Customers	x	x	x	x	x
5. Earnings Per Share	x				
6. Income Taxes	x	x	x	x	x
7. Utility Rate Regulation	x	x	x	x	x
8. Financing Activities	x	x	x	x	x
9. Leases	x	x	x	x	x
10. Defined Benefits	x	x	x	x	x
11. Commitments and Contingencies	x	x	x	x	x
12. Related Party Transactions		x	x	x	x
13. Other Income (Expense) - net	x	x			
14. Fair Value Measurements	x	x	x	x	x
15. Derivative Instruments and Hedging Activities	x	x	x	x	x
16. Asset Retirement Obligations	x		x	x	x
17. Accumulated Other Comprehensive Income (Loss)	x				
18. New Accounting Guidance Pending Adoption	x	x	x	x	x

1. Interim Financial Statements

(All Registrants)

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

The accompanying unaudited condensed financial statements have been prepared in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X and, therefore, do not include all of the information and 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, 2018 is derived from that Registrant's 2018 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 2018 Form 10-K. The results of operations for the three and nine months ended September 30, 2019 are not necessarily indicative of the results to be expected for the full year ending December 31, 2019 or other future periods, because results for interim periods can be disproportionately influenced by various factors, developments and seasonal variations.

2. Summary of Significant Accounting Policies

(All Registrants)

The following accounting policy disclosures represent updates to Note 1 in each Registrant's 2018 Form 10-K and should be read in conjunction with those disclosures.

Restricted Cash and Cash Equivalents *(PPL and PPL Electric)*

Reconciliation of Cash, Cash Equivalents and Restricted Cash

The following provides a reconciliation of Cash, Cash Equivalents and Restricted Cash reported within the Balance Sheets that sum to the total of the same amounts shown on the Statements of Cash Flows:

	PPL		PPL Electric	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Cash and cash equivalents	$ 670	$ 621	$ 27	$ 267
Restricted cash - current (a)	3	3	2	2
Restricted cash - noncurrent (a)	17	19	—	—
Total Cash, Cash Equivalents and Restricted Cash	$ 690	$ 643	$ 29	$ 269

(a) Bank deposits and other cash equivalents that are restricted by agreement or that have been clearly designated for a specific purpose are classified as restricted cash. On the Balance Sheets, the current portion of restricted cash is included in "Other current assets," while the noncurrent portion is included in "Other noncurrent assets."

New Accounting Guidance Adopted

(All Registrants)

Accounting for Leases

Effective January 1, 2019, the Registrants adopted accounting guidance that requires lessees to recognize a right-of-use asset and lease liability for leases, unless determined to meet the definition of a short-term lease. For income statement purposes, the FASB retained a dual model for lessees, requiring leases to be classified as either operating or finance. Operating leases result in straight-line expense recognition. Currently, all Registrant leases are operating leases.

Lessor accounting under the new guidance is similar to the current model, but updated to align with certain changes to the lessee model and current revenue recognition guidance. Lessors classify leases as operating, direct financing, or sales-type.

In adopting this new guidance, the Registrants elected to use the following practical expedients:

- The Registrants did not re-assess the lease classifications or initial direct costs of existing leases. The Registrants also did not re-assess existing contracts for leases or lease classification.

- The Registrants did not evaluate land easements that were not previously accounted for as leases under the new guidance. New land easements are evaluated under the new guidance beginning January 1, 2019.

See Note 9 for the required disclosures resulting from the adoption of the new guidance.

(PPL, LKE, LG&E & KU)

The following table shows the amounts recorded on the Balance Sheets as of January 1, 2019 as a result of the adoption of the new lease guidance using a modified retrospective transition method with transition applied as of the beginning of the period of adoption:

	PPL	LKE	LG&E	KU
Right-of-Use Asset (a)	$ 81	$ 56	$ 23	$ 31
Lease Liability- Current (b)	23	18	9	9
Lease Liability- Noncurrent (c)	67	46	18	26

(a) Right-of-Use Assets are recorded in "Other noncurrent assets" on the Balance Sheets.

(b) Current lease liabilities are recorded in "Other current liabilities" on the Balance Sheets.

(c) Noncurrent lease liabilities are recorded in "Other deferred credits and noncurrent liabilities" on the Balance Sheets.

(All Registrants)

Improvements to Accounting for Hedging Activities

Effective January 1, 2019, the Registrants adopted accounting guidance, using a modified retrospective approach, which reduces complexity when applying hedge accounting as well as improves the transparency of an entity's risk management activities. This guidance eliminates the separate measurement and reporting of hedge ineffectiveness for cash flow and net investment hedges and provides for the ability to perform subsequent qualitative effectiveness assessments. The guidance also allows entities to apply the short-cut method to partial-term fair value hedges of interest rate risk as well as expands the ability to apply the critical terms match method to cash flow hedges of groups of forecasted transactions.

See Note 15 for the additional disclosures of the income statement impacts of hedging activities required from the adoption of this guidance. Disclosures related to ineffectiveness are no longer required. Other impacts of adopting this guidance were not material.

3. Segment and Related Information

(PPL)

See Note 2 in PPL's 2018 Form 10-K for a discussion of reportable segments and related information.

Income Statement data for the segments and reconciliation to PPL's consolidated results for the periods ended September 30 are as follows:

	Three Months		Nine Months	
	2019	2018	2019	2018
Operating Revenues from external customers				
U.K. Regulated	$ 491	$ 517	$ 1,615	$ 1,716
Kentucky Regulated	844	802	2,421	2,417
Pennsylvania Regulated	590	548	1,756	1,704
Corporate and Other	8	5	23	9
Total	$ 1,933	$ 1,872	$ 5,815	$ 5,846
Net Income				
U.K. Regulated (a)	$ 236	$ 245	$ 784	$ 836
Kentucky Regulated	150	122	364	332
Pennsylvania Regulated	118	112	333	335
Corporate and Other	(29)	(34)	(99)	(91)
Total	$ 475	$ 445	$ 1,382	$ 1,412

(a) Includes unrealized gains and losses from hedging foreign currency economic activity. See Note 15 for additional information.

The following provides Balance Sheet data for the segments and reconciliation to PPL's consolidated Balance Sheets as of:

	September 30, 2019	December 31, 2018
Assets		
U.K. Regulated (a) (b)	$ 17,128	$ 16,700
Kentucky Regulated	15,434	15,078
Pennsylvania Regulated	12,116	11,257
Corporate and Other (c)	(119)	361
Total	$ 44,559	$ 43,396

(a) Includes $12.3 billion and $12.4 billion of net PP&E as of September 30, 2019 and December 31, 2018. WPD is not subject to accounting for the effects of certain types of regulation as prescribed by GAAP.

(b) Includes $2.3 billion and $2.4 billion of goodwill as of September 30, 2019 and December 31, 2018. The change is due to the effect of foreign currency exchange rates.

(c) Primarily consists of unallocated items, including cash, PP&E, goodwill, the elimination of inter-segment transactions as well as the assets of Safari Energy.

(PPL Electric, LKE, LG&E and KU)

PPL Electric has two operating segments, distribution and transmission, which are aggregated into a single reportable segment. LKE, LG&E and KU are individually single operating and reportable segments.

4. Revenue from Contracts with Customers

(All Registrants)

See Note 3 in PPL's 2018 Form 10-K for a discussion of the principal activities from which the Registrants and PPL's segments generate their revenues.

The following tables reconcile "Operating Revenues" included in each Registrant's Statement of Income with revenues generated from contracts with customers for the periods ended September 30.

	2019 Three Months				
	PPL	PPL Electric	LKE	LG&E	KU
Operating Revenues (a)	$ 1,933	$ 590	$ 844	$ 382	$ 466
Revenues derived from:					
Alternative revenue programs (b)	8	2	6	4	2
Other (c)	(11)	(3)	(6)	(3)	(3)
Revenues from Contracts with Customers	$ 1,930	$ 589	$ 844	$ 383	$ 465

	2018 Three Months				
	PPL	PPL Electric	LKE	LG&E	KU
Operating Revenues (a)	$ 1,872	$ 548	$ 802	$ 362	$ 447
Revenues derived from:					
Alternative revenue programs (b)	(4)	(3)	(1)	(4)	3
Other (c)	(15)	(3)	(5)	(2)	(3)
Revenues from Contracts with Customers	$ 1,853	$ 542	$ 796	$ 356	$ 447

	2019 Nine Months				
	PPL	PPL Electric	LKE	LG&E	KU
Operating Revenues (a)	$ 5,815	$ 1,756	$ 2,421	$ 1,126	$ 1,322
Revenues derived from:					
Alternative revenue programs (b)	(18)	(4)	(14)	(1)	(13)
Other (c)	(30)	(8)	(16)	(7)	(9)
Revenues from Contracts with Customers	$ 5,767	$ 1,744	$ 2,391	$ 1,118	$ 1,300

	2018 Nine Months				
	PPL	PPL Electric	LKE	LG&E	KU
Operating Revenues (a)	$ 5,846	$ 1,704	$ 2,417	$ 1,116	$ 1,332
Revenues derived from:					
Alternative revenue programs (b)	37	(1)	38	16	22
Other (c)	(43)	(9)	(14)	(5)	(9)
Revenues from Contracts with Customers	$ 5,840	$ 1,694	$ 2,441	$ 1,127	$ 1,345

(a) PPL includes $491 million and $1,615 million for the three and nine months ended September 30, 2019 and $517 million and $1,716 million for the three and nine months ended September 30, 2018 of revenues from external customers reported by the U.K. Regulated segment. PPL Electric and LKE represent revenues from external customers reported by the Pennsylvania Regulated and Kentucky Regulated segments. See Note 3 for additional information.

(b) Alternative revenue programs include the transmission formula rate for PPL Electric, the ECR and DSM programs for LG&E and KU, the GLT program for LG&E, and the generation formula rate for KU. This line item shows the over/under collection of these rate mechanisms with over-collections of revenue shown as positive amounts in the table above and under-collections shown as negative amounts.

(c) Represents additional revenues outside the scope of revenues from contracts with customers such as leases and other miscellaneous revenues.

As discussed in Note 2 in PPL's 2018 Form 10-K, PPL's segments are segmented by geographic location. Revenues from external customers for each segment/geographic location are reconciled to revenues from contracts with customers in the footnotes to the tables above.

The following tables show revenues from contracts with customers disaggregated by customer class for the periods ended September 30.

	2019 Three Months				
	PPL	PPL Electric	LKE	LG&E	KU
Licensed energy suppliers (a)	$ 454	$ —	$ —	$ —	$ —
Residential	708	352	356	177	179
Commercial	346	97	249	123	126
Industrial	164	16	148	47	101
Other (b)	128	12	73	31	42
Wholesale - municipality	6	—	6	—	6
Wholesale - other (c)	12	—	12	5	11
Transmission	112	112	—	—	—
Revenues from Contracts with Customers	$ 1,930	$ 589	$ 844	$ 383	$ 465

	2018 Three Months				
	PPL	PPL Electric	LKE	LG&E	KU
Licensed energy suppliers (a)	$ 475	$ —	$ —	$ —	$ —
Residential	647	328	319	162	157
Commercial	307	88	219	112	107
Industrial	156	12	144	45	99
Other (b)	119	14	65	27	39
Wholesale - municipality	30	—	30	—	30
Wholesale - other (c)	19	—	19	10	15
Transmission	100	100	—	—	—
Revenues from Contracts with Customers	$ 1,853	$ 542	$ 796	$ 356	$ 447

	2019 Nine Months				
	PPL	PPL Electric	LKE	LG&E	KU
Licensed energy suppliers (a)	$ 1,520	$ —	$ —	$ —	$ —
Residential	2,058	1,060	998	504	494
Commercial	967	279	688	352	336
Industrial	470	48	422	134	288
Other (b)	360	39	209	93	116
Wholesale - municipality	38	—	38	—	38
Wholesale - other (c)	36	—	36	35	28
Transmission	318	318	—	—	—
Revenues from Contracts with Customers	$ 5,767	$ 1,744	$ 2,391	$ 1,118	$ 1,300

	2018 Nine Months				
	PPL	PPL Electric	LKE	LG&E	KU
Licensed energy suppliers (a)	$ 1,606	$ —	$ —	$ —	$ —
Residential	2,039	1,036	1,003	505	498
Commercial	928	275	653	343	310
Industrial	466	37	429	134	295
Other (b)	339	40	200	88	113
Wholesale - municipality	91	—	91	—	91
Wholesale - other (c)	65	—	65	57	38
Transmission	306	306	—	—	—
Revenues from Contracts with Customers	$ 5,840	$ 1,694	$ 2,441	$ 1,127	$ 1,345

(a) Represents customers of WPD.

(b) Primarily includes revenues from pole attachments, street lighting, other public authorities and other non-core businesses.

(c) Includes wholesale power and transmission revenues. LG&E and KU amounts include intercompany power sales and transmission revenues, which are eliminated upon consolidation at LKE.

PPL Electric's revenues from contracts with customers are further disaggregated by distribution and transmission, which were $477 million and $112 million for the three months ended September 30, 2019 and $1.4 billion and $318 million for the nine months ended September 30, 2019. PPL Electric's revenue from contracts with customers disaggregated by distribution and transmission were $442 million and $100 million for the three months ended September 30, 2018 and $1.4 billion and $306 million for the nine months ended September 30, 2018.

Contract receivables from customers are primarily included in "Accounts receivable - Customer" and "Unbilled revenues" on the Balance Sheets.

The following table shows the accounts receivable balances that were impaired for the periods ended September 30.

	Three Months		Nine Months	
	2019	2018	2019	2018
PPL	$ 11	$ 11	$ 22	$ 24
PPL Electric	8	7	14	17
LKE	2	4	5	7
LG&E	1	2	2	3
KU	1	2	3	4

The following table shows the balances and certain activity of contract liabilities resulting from contracts with customers.

	PPL	PPL Electric	LKE	LG&E	KU
Contract liabilities at December 31, 2018	$ 42	$ 23	$ 9	$ 5	$ 4
Contract liabilities at September 30, 2019	42	19	9	5	4
Revenue recognized during the nine months ended September 30, 2019 that was included in the contract liability balance at December 31, 2018	31	11	9	5	4
Contract liabilities at December 31, 2017	$ 29	$ 19	$ 8	$ 4	$ 4
Contract liabilities at September 30, 2018	40	17	8	4	4
Revenue recognized during the nine months ended September 30, 2018 that was included in the contract liability balance at December 31, 2017	22	8	8	4	4

Contract liabilities result from recording contractual billings in advance for customer attachments to the Registrants' infrastructure and payments received in excess of revenues earned to date. Advanced billings for customer attachments are recognized as revenue ratably over the billing period. Payments received in excess of revenues earned to date are recognized as revenue as services are delivered in subsequent periods.

At September 30, 2019, PPL had $48 million of performance obligations attributable to Corporate and Other that have not been satisfied. Of this amount, PPL expects to recognize approximately $41 million within the next 12 months.

5. 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. Incremental non-participating securities that have a dilutive impact are detailed in the table below. These securities also include the PPL common stock forward sale agreements entered into in May 2018. See Note 8 in PPL's 2018 Form 10-K for additional information on these agreements. The forward sale agreements are dilutive under the Treasury Stock Method to the extent the average stock price of PPL's common shares exceeds the forward sale price prescribed in the agreements.

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

	Three Months		Nine Months	
	2019	2018	2019	2018
Income (Numerator)				
Net income	$ 475	$ 445	$ 1,382	$ 1,412
Less amounts allocated to participating securities	—	1	2	2
Net income available to PPL common shareowners - Basic and Diluted	$ 475	$ 444	$ 1,380	$ 1,410
Shares of Common Stock (Denominator)				
Weighted-average shares - Basic EPS	722,259	703,730	721,693	699,117
Add incremental non-participating securities:				
Share-based payment awards	1,106	298	1,009	427
Forward sale agreements	7,786	6,489	7,975	2,761
Weighted-average shares - Diluted EPS	731,151	710,517	730,677	702,305
Basic EPS				
Net Income available to PPL common shareowners	$ 0.66	$ 0.63	$ 1.91	$ 2.02
Diluted EPS				
Net Income available to PPL common shareowners	$ 0.65	$ 0.62	$ 1.89	$ 2.01

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	
	2019	2018	2019	2018
Stock-based compensation plans (a)	38	80	680	568
DRIP	430	493	1,305	1,504

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

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	
	2019	2018	2019	2018
Stock options	—	15	—	229
Restricted stock units	—	2	—	15

6. Income Taxes

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

(PPL)

	Three Months		Nine Months	
	2019	2018	2019	2018
Federal income tax on Income Before Income Taxes at statutory tax rate - 21%	$ 125	$ 115	$ 359	$ 373
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	13	9	34	34
Valuation allowance adjustments (a)	7	5	21	17
Impact of lower U.K. income tax rates	(6)	(7)	(20)	(20)
Impact of the U.K. Finance Act on deferred tax balances	(5)	(4)	(8)	(7)
Depreciation and other items not normalized	(2)	(1)	(5)	(4)
Amortization of excess deferred federal and state income taxes	(9)	(11)	(30)	(30)
Deferred tax impact of state tax reform (b)	—	—	—	9
Interest benefit on U.K. financing entities	(3)	(4)	(9)	(13)
Kentucky recycling credit, net of federal income tax expense (a)	—	—	(20)	—
Other	(2)	1	6	3
Total increase (decrease)	(7)	(12)	(31)	(11)
Total income taxes	$ 118	$ 103	$ 328	$ 362

(a) During the second quarter of 2019, LKE recorded a deferred income tax benefit associated with two projects placed into service that prepare a generation waste material for reuse and, as a result, qualify for a Kentucky recycling credit. The applicable credit provides tax benefits for a portion of the equipment costs for major recycling projects in Kentucky, with the benefit recognized during the period in which the assets are placed into service. A valuation allowance of $3 million has been recognized related to this credit due to insufficient Kentucky taxable income projected at LKE. During the third quarter of 2019, LKE filed the Kentucky recycling credit application with the Kentucky Department of Revenue and expects a ruling in the fourth quarter of 2019.

(b) During the second quarter of 2018, LKE recorded deferred income tax expense, primarily associated with LKE's non-regulated entities, due to the Kentucky corporate income tax rate reduction from 6% to 5%, as enacted by HB 487, effective January 1, 2018.

(PPL Electric)

	Three Months		Nine Months	
	2019	2018	2019	2018
Federal income tax on Income Before Income Taxes at statutory tax rate - 21%	$ 33	$ 30	$ 94	$ 93
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	13	12	36	35
Depreciation and other items not normalized	(2)	(1)	(5)	(4)
Amortization of excess deferred income taxes	(4)	(5)	(12)	(13)
Other	—	(1)	1	—
Total increase (decrease)	7	5	20	18
Total income taxes	$ 40	$ 35	$ 114	$ 111

(LKE)

	Three Months		Nine Months	
	2019	2018	2019	2018
Federal income tax on Income Before Income Taxes at statutory tax rate - 21%	$ 42	$ 34	$ 98	$ 97
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	8	6	18	17
Amortization of investment tax credit	(1)	(1)	(2)	(3)
Deferred tax impact of U.S tax reform	—	(2)	—	(2)
Deferred tax impact of state tax reform (a)	—	—	—	9
Valuation allowance adjustments (b)	—	—	3	—
Amortization of excess deferred federal and state income taxes	(5)	(3)	(17)	(14)
Kentucky recycling credit, net of federal income tax expense (b)	—	—	(20)	—
Other	(1)	(2)	(2)	(2)
Total increase (decrease)	1	(2)	(20)	5
Total income taxes	$ 43	$ 32	$ 78	$ 102

(a) During the second quarter of 2018, LKE recorded deferred income tax expense, primarily associated with LKE's non-regulated entities, due to the Kentucky corporate income tax rate reduction from 6% to 5%, as enacted by HB 487, effective January 1, 2018.

(b) During the second quarter of 2019, LKE recorded a deferred income tax benefit associated with two projects placed into service that prepare a generation waste material for reuse and, as a result, qualify for a Kentucky recycling credit. The applicable credit provides tax benefits for a portion of the equipment costs for major recycling projects in Kentucky, with the benefit recognized during the period in which the assets are placed into service. A portion of this amount has been reserved due to insufficient Kentucky taxable income projected at LKE. During the third quarter of 2019, LKE filed the Kentucky recycling credit application with the Kentucky Department of Revenue and expects a ruling in the fourth quarter of 2019.

(LG&E)

	Three Months		Nine Months	
	2019	2018	2019	2018
Federal income tax on Income Before Income Taxes at statutory tax rate - 21%	$ 21	$ 18	$ 50	$ 50
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	4	3	9	9
Valuation allowance adjustments (a)	—	—	15	—
Amortization of excess deferred federal and state income taxes	(2)	(1)	(7)	(6)
Kentucky recycling credit, net of federal income tax expense (a)	—	—	(15)	—
Other	(1)	(2)	(1)	(2)
Total increase (decrease)	1	—	1	1
Total income taxes	$ 22	$ 18	$ 51	$ 51

(a) During the second quarter of 2019, LG&E recorded a deferred income tax benefit associated with two projects placed into service that prepare a generation waste material for reuse and, as a result, qualify for a Kentucky recycling credit. The applicable credit provides tax benefits for a portion of the equipment costs for major recycling projects in Kentucky, with the benefit recognized during the period in which the assets are placed into service. This amount has been reserved due to insufficient Kentucky taxable income projected at LG&E.

(KU)

	Three Months		Nine Months	
	2019	2018	2019	2018
Federal income tax on Income Before Income Taxes at statutory tax rate - 21%	$ 25	$ 21	$ 63	$ 60
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	5	3	12	10
Valuation allowance adjustments (a)	—	—	5	—
Amortization of excess deferred federal and state income taxes	(3)	(2)	(10)	(8)
Kentucky recycling credit, net of federal income tax expense (a)	—	—	(5)	—
Other	(1)	(1)	(3)	(3)
Total increase (decrease)	1	—	(1)	(1)
Total income taxes	$ 26	$ 21	$ 62	$ 59

(a) During the second quarter of 2019, KU recorded a deferred income tax benefit associated with a project placed into service that prepares a generation waste material for reuse and, as a result, qualifies for a Kentucky recycling credit. The applicable credit provides tax benefits for a portion of the equipment costs for major recycling projects in Kentucky, with the benefit recognized during the period in which the assets are placed into service. This amount has been reserved due to insufficient Kentucky taxable income projected at KU.

Other

U.S. Tax Reform (All Registrants)

The IRS issued proposed regulations for certain provisions of the TCJA in 2018, including interest deductibility and Global Intangible Low-Taxed Income (GILTI). In June 2019, the IRS issued both final and new proposed regulations relating to GILTI. PPL has determined that neither these final nor proposed regulations materially change PPL's current interpretation of the statutory impact of these rules on the Registrants. Proposed regulations relating to the limitation on the deductibility of interest expense were issued in November 2018 and such regulations provide detailed rules implementing the broader statutory provisions. These proposed regulations should not apply to the Registrants until the year in which the regulations are issued in final form, which is expected to be in the fourth quarter of 2019. It is uncertain what form the final regulations will take and, therefore, the Registrants cannot predict what impact the final regulations will have on the tax deductibility of interest expense. However, if the proposed regulations were issued as final in their current form, the Registrants could have a limitation on a portion of their interest expense deduction for tax purposes and such limitation could be significant. PPL expressed its views on these proposed regulations in a comment letter addressed to the IRS on February 26, 2019.

7. 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, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Current Regulatory Assets:				
Gas supply clause	$ 10	$ 12	$ —	$ —
Smart meter rider	13	11	13	11
Plant outage costs	17	10	—	—
Transmission service charge	8	—	8	—
Other	1	3	1	—
Total current regulatory assets (a)	$ 49	$ 36	$ 22	$ 11

	PPL		PPL Electric	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Noncurrent Regulatory Assets:				
Defined benefit plans	$ 937	$ 963	$ 553	$ 558
Storm costs	42	56	16	22
Unamortized loss on debt	41	45	17	22
Interest rate swaps	25	20	—	—
Terminated interest rate swaps	83	87	—	—
Accumulated cost of removal of utility plant	211	200	211	200
AROs	304	273	—	—
Act 129 compliance rider	10	19	10	19
Other	5	10	—	3
Total noncurrent regulatory assets	$ 1,658	$ 1,673	$ 807	$ 824

	PPL		PPL Electric	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Current Regulatory Liabilities:				
Generation supply charge	$ 22	$ 33	$ 22	$ 33
Environmental cost recovery	12	16	—	—
Universal service rider	12	27	12	27
Fuel adjustment clause	13	—	—	—
TCJA customer refund	8	20	7	3
Storm damage expense rider	7	5	7	5
Generation formula rate	—	7	—	—
Other	5	14	—	6
Total current regulatory liabilities	$ 79	$ 122	$ 48	$ 74
Noncurrent Regulatory Liabilities:				
Accumulated cost of removal of utility plant	$ 674	$ 674	$ —	$ —
Power purchase agreement - OVEC	53	59	—	—
Net deferred taxes	1,775	1,826	601	629
Defined benefit plans	54	37	10	5
Terminated interest rate swaps	69	72	—	—
TCJA customer refund (b)	43	41	43	41
Other	7	5	—	—
Total noncurrent regulatory liabilities	$ 2,675	$ 2,714	$ 654	$ 675

	LKE		LG&E		KU	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Current Regulatory Assets:						
Plant outage costs	$ 17	$ 10	$ 11	$ 7	$ 6	$ 3
Gas supply clause	10	12	10	12	—	—
Other	—	3	—	2	—	1
Total current regulatory assets	$ 27	$ 25	$ 21	$ 21	$ 6	$ 4

	LKE		LG&E		KU	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Noncurrent Regulatory Assets:						
Defined benefit plans	$ 384	$ 405	$ 233	$ 249	$ 151	$ 156
Storm costs	26	34	16	20	10	14
Unamortized loss on debt	24	23	14	15	10	8
Interest rate swaps	25	20	25	20	—	—
Terminated interest rate swaps	83	87	48	51	35	36
AROs	304	273	87	75	217	198
Other	5	7	2	1	3	6
Total noncurrent regulatory assets	$ 851	$ 849	$ 425	$ 431	$ 426	$ 418

	LKE		LG&E		KU	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Current Regulatory Liabilities:						
Environmental cost recovery	$ 12	$ 16	$ 7	$ 6	$ 5	$ 10
Fuel adjustment clause	13	—	3	—	10	—
TCJA customer refund	1	17	—	7	1	10
Generation formula rate	—	7	—	—	—	7
Other	5	8	2	4	3	4
Total current regulatory liabilities	$ 31	$ 48	$ 12	$ 17	$ 19	$ 31
Noncurrent Regulatory Liabilities:						
Accumulated cost of removal of utility plant	$ 674	$ 674	$ 279	$ 279	$ 395	$ 395
Power purchase agreement - OVEC	53	59	37	41	16	18
Net deferred taxes	1,174	1,197	548	557	626	640
Defined benefit plans	44	32	1	—	43	32
Terminated interest rate swaps	69	72	34	36	35	36
Other	7	5	4	2	3	3
Total noncurrent regulatory liabilities	$ 2,021	$ 2,039	$ 903	$ 915	$ 1,118	$ 1,124

(a) For PPL, these amounts are included in "Other current assets" on the Balance Sheets.

(b) Relates to amounts owed to PPL Electric customers as a result of the reduced U.S. federal corporate income tax rate as enacted by the TCJA, for the period of January 1, 2018 through June 30, 2018 which is not yet reflected in distribution customer rates. The initial liability was recorded during the second quarter of 2018. A petition for the distribution method back to customers of this liability was proposed to the PUC on October 4, 2019. The petition is currently under review by the PUC and contingent upon PUC approval.

Regulatory Matters

Kentucky Activities

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

In September 2018, LG&E and KU filed requests with the KPSC for an increase in annual base electricity rates of approximately $112 million at KU and increases in annual base electricity and gas rates of approximately $35 million and $25 million at LG&E. LG&E's and KU's applications also sought to include changes associated with the TCJA and state tax reform in the calculation of the proposed base rates and to terminate the TCJA bill credit mechanism when new base rates go into effect. The elimination of the TCJA bill credit mechanism will result in an estimated annual electricity revenue increase of approximately $58 million at KU and increases in electricity and gas revenues of approximately $40 million and $12 million at LG&E. The applications were based on a forecasted test year of May 1, 2019 through April 30, 2020 with a requested return-on-equity of 10.42%.

On March 1, 2019, LG&E and KU, along with substantially all intervening parties to the proceeding, filed stipulation and recommendation agreements (stipulations) with the KPSC resolving all material issues with the parties. In addition to terminating the TCJA bill credit mechanism, the proposed stipulations provided for increases in annual revenue requirements associated with base electricity rates of approximately $58 million at KU and increases in annual base electricity and gas rates of approximately $4 million and $20 million at LG&E, based on a return-on-equity of 9.725%.

On April 30, 2019, the KPSC issued orders ruling on open issues and approving the proposed stipulations filed in March 2019. The orders provide for increases in the revenue requirements associated with base electricity rates of $56 million at KU and increases associated with base electricity and gas rates of $2 million and $19 million at LG&E. With the termination of the TCJA bill credit mechanism, this represents annual revenue increases of $187 million ($114 million at KU and $73 million at LG&E). The new base rates and all elements of the orders became effective on May 1, 2019.

Pennsylvania Activities

PUC Petition to Distribute TCJA Savings (PPL and PPL Electric)

PPL Electric submitted a petition for approval with the PUC on October 4, 2019 to distribute the tax savings of $43 million associated with the TCJA for the period between January 1, 2018 and June 30, 2018. As of September 30, 2019, these tax savings are classified as a noncurrent regulatory liability. PPL Electric has proposed that these amounts be distributed over the period of January 1, 2020 through December 31, 2020. The petition is contingent upon PUC approval.

Federal Matters

FERC Transmission Rate Filing

(PPL, LKE, LG&E and KU)

In August 2018, LG&E and KU submitted an application to the FERC requesting elimination of certain on-going credits to a sub-set of transmission customers relating to the 1998 merger of LG&E's and KU's parent entities and the 2006 withdrawal of LG&E and KU from the Midcontinent Independent System Operator, Inc. (MISO), a regional transmission operator and energy market. The application sought termination of LG&E's and KU's commitment to provide mitigation for certain horizontal market power concerns arising out of the 1998 merger for certain transmission service between MISO and LG&E and KU. The affected transmission customers are a limited number of municipalities in Kentucky. The amounts at issue are generally waivers or credits granted to such customers for either LG&E and KU or MISO transmission charges incurred depending upon the direction of certain transmission service incurred by the municipalities. Due to the development of robust, accessible energy markets over time, LG&E and KU believe the mitigation commitments are no longer relevant or appropriate. On March 21, 2019, the FERC issued an Order granting LG&E's and KU's request to remove the on-going credits, conditioned upon the implementation by LG&E and KU of a transition mechanism for certain existing power supply arrangements, which transition mechanism will be subject to FERC review and approval. On July 12, 2019, LG&E and KU submitted their proposed transition mechanism to the FERC. On September 10, 2019, the FERC issued an order rejecting the proposed transition mechanism. On October 10, 2019, LG&E and KU filed a request for rehearing and clarification on the September order. LG&E and KU cannot predict the outcome of this proceeding. LG&E and KU currently receive recovery of waivers and credits provided through other rate mechanisms.

(PPL and PPL Electric)

In April 2019, PPL Electric filed its annual transmission formula rate update with the FERC, reflecting a revised revenue requirement, which includes the impact of the TCJA. The filing established the revenue requirement used to set rates that took effect in June 2019.

Transmission Customer Complaint (PPL, LKE, LG&E and KU)

In September 2018, a transmission customer filed a complaint with the FERC against LG&E and KU alleging LG&E and KU have violated and continue to violate their obligations under an existing rate schedule to credit this customer for certain transmission charges from MISO. On February 21, 2019, the FERC issued an Order concluding that the MISO transmission charges in question did qualify for credits under the rate schedule and required LG&E and KU to reimburse the customer for the eligible credits. The reimbursement was not significant and was completed by LG&E and KU in March 2019. LG&E and KU currently receive recovery for such credits through other rate mechanisms.

TCJA Impact on FERC Rates (All Registrants)

In November 2018, the FERC issued a Policy Statement stating that the appropriate ratemaking treatment for changes in accumulated deferred income taxes (ADIT) as a result of the TCJA would be addressed in a Notice of Proposed Rulemaking. Also in November 2018, the FERC issued the Notice of Proposed Rulemaking, which proposed that public utility transmission providers include mechanisms in their formula rates to deduct excess ADIT from, or add deficient ADIT to, rate base and adjust their income tax allowances by amortized excess or deficient ADIT. The Notice of Proposed Rulemaking did not prescribe the mechanism companies should use to adjust their formula rates.

LG&E and KU are currently assessing the Notice of Proposed Rulemaking and are continuing to monitor guidance issued by the FERC. On February 5, 2019, in connection with a separate element of federal and Kentucky state tax reform effects, LG&E and KU filed a request with the FERC to amend their transmission formula rates to incorporate reductions to corporate income tax rates as a result of the TCJA and HB 487. The FERC approved this request effective June 1, 2019. LG&E and KU do not anticipate the impact of the TCJA and HB 487 related to their FERC-jurisdictional rates to be significant. On February 28, 2019, PPL Electric filed with the FERC proposed revisions to its transmission formula rate template pursuant to Section 205 of the Federal Power Act and Section 35.13 of the Rules and Regulations of the FERC. Specifically, PPL Electric proposed to modify its formula rate to permit the return or recovery of excess or deficient ADIT resulting from the TCJA and permit PPL Electric to prospectively account for the income tax expense associated with the depreciation of the equity component of the AFUDC. On April 29, 2019, the FERC accepted the proposed revisions to the formula rate template, which were effective June 1, 2019, as well as the proposed adjustments to ADIT, effective January 1, 2018.

Other

Purchase of Receivables Program *(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. Accounts receivable that are acquired are initially recorded at fair value on the date of acquisition. During the three and nine months ended September 30, 2019, PPL Electric purchased $308 million and $927 million of accounts receivable from alternate suppliers. During the three and nine months ended September 30, 2018, PPL Electric purchased $334 million and $1 billion of accounts receivable from alternate suppliers.

8. Financing Activities

Credit Arrangements and Short-term Debt

(All Registrants)

The Registrants maintain credit facilities to enhance liquidity, provide credit support and act as 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 listed in the borrowed column below are recorded as "Short-term debt" on the Balance Sheets, except for amounts borrowed under LG&E's Term Loan Facility which were recorded as "Long-term debt due within one year" on the December 31, 2018 Balance Sheet. The following credit facilities were in place at:

	Expiration Date	Capacity	Borrowed	Letters of Credit and Commercial Paper Issued	Unused Capacity	Borrowed	Letters of Credit and Commercial Paper Issued
		September 30, 2019				December 31, 2018	
PPL							
U.K.							
WPD plc							
Syndicated Credit Facility (a)	Jan. 2023	£ 210	£ 165	£ —	£ 46	£ 157	£ —
WPD (South West)							
Syndicated Credit Facility	July 2021	245	—	—	245	—	—
WPD (East Midlands)							
Syndicated Credit Facility (b)	July 2021	300	—	—	300	38	—
WPD (West Midlands)							
Syndicated Credit Facility (c)	July 2021	300	51	—	249	—	—
Uncommitted Credit Facilities (d)		100	36	4	60	—	4
Total U.K. Credit Facilities (e)		£ 1,155	£ 252	£ 4	£ 900	£ 195	£ 4
U.S.							
PPL Capital Funding							
Syndicated Credit Facility	Jan. 2024	$ 1,450	$ —	$ 981	$ 469	$ —	$ 669
Bilateral Credit Facility	Mar. 2020	100	—	15	85	—	15
Total PPL Capital Funding Credit Facilities		$ 1,550	$ —	$ 996	$ 554	$ —	$ 684
PPL Electric							
Syndicated Credit Facility	Jan. 2024	$ 650	$ —	$ 1	$ 649	$ —	$ 1
LG&E							
Syndicated Credit Facility	Jan. 2024	$ 500	$ —	$ 99	$ 401	$ —	$ 279
Term Loan Credit Facility		—	—	—	—	200	—
Total LG&E Credit Facilities		$ 500	$ —	$ 99	$ 401	$ 200	$ 279
KU							
Syndicated Credit Facility	Jan. 2024	$ 400	$ —	$ 2	$ 398	$ —	$ 235
Letter of Credit Facility (f)		—	—	—	—	—	198
Total KU Credit Facilities		$ 400	$ —	$ 2	$ 398	$ —	$ 433

(a) The amounts borrowed at September 30, 2019 and December 31, 2018 were USD-denominated borrowings of $200 million for both periods, which bore interest at 2.94% and 3.17%. The unused capacity reflects the amounts borrowed in GBP of £164 million as of the date borrowed.

(b) The amount borrowed at December 31, 2018 was GBP-denominated borrowings which equated to $48 million and bore interest at 1.12%.

(c) The amount borrowed at September 30, 2019 was GBP-denominated borrowings which equated to $62 million and bore interest at 1.11%.

(d) The amount borrowed at September 30, 2019 was GBP-denominated borrowings which equated to $44 million and bore interest at 1.59%.

(e) At September 30, 2019, the unused capacity under the U.K. credit facilities was $1.1 billion.

(f) KU's letter of credit facility was terminated in September 2019 in connection with the bond remarketings discussed below.

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 credit facilities. The following commercial paper programs were in place at:

	September 30, 2019				December 31, 2018	
	Weighted - Average Interest Rate	Capacity	Commercial Paper Issuances	Unused Capacity	Weighted - Average Interest Rate	Commercial Paper Issuances
PPL Capital Funding	2.52%	$ 1,500	$ 981	$ 519	2.82%	$ 669
PPL Electric		650	—	650		—
LG&E	2.29%	350	99	251	2.94%	279
KU	2.24%	350	2	348	2.94%	235
Total		$ 2,850	$ 1,082	$ 1,768		$ 1,183

(PPL Electric, LKE, LG&E, and KU)

See Note 12 for discussion of intercompany borrowings.

Long-term Debt

(PPL)

In June 2019, WPD plc executed and drew £50 million under a 5-year term loan facility due 2024 at a rate of 2.189%, to be reset quarterly as detailed in the terms of the agreement. The borrowing equated to $63 million at the time of drawdown, net of fees. The proceeds were used for general corporate purposes.

In September 2019, WPD (East Midlands) issued £250 million of 1.75% Senior Notes due 2031. WPD (East Midlands) received proceeds of £245 million, which equated to $301 million at the time of issuance, net of fees and a discount. The proceeds were used to repay short-term debt and for general corporate purposes.

(PPL, LKE and LG&E)

In April 2019, LG&E issued $400 million of 4.25% First Mortgage Bonds due 2049. LG&E received proceeds of $396 million, net of discounts and underwriting fees, which were used to repay commercial paper and LG&E's term loan.

In April 2019, the County of Jefferson, Kentucky remarketed $128 million of Pollution Control Revenue Bonds, 2001 Series A due 2033 previously issued on behalf of LG&E. The bonds were remarketed at a long-term rate and will bear interest at 1.85% through their mandatory purchase date of April 1, 2021.

In June 2019, the Louisville/Jefferson County Metro Government of Kentucky remarketed $31 million of Environmental Facilities Revenue Refunding Bonds, 2007 Series A due 2033 previously issued on behalf of LG&E. The bonds were remarketed at a long-term rate and will bear interest at 1.65% through their mandatory purchase date of June 1, 2021.

In June 2019, the Louisville/Jefferson Country Metro Government of Kentucky remarketed $35 million of Environmental Facilities Revenue Refunding Bonds, 2007 Series B due 2033 previously issued on behalf of LG&E. The bonds were remarketed at a long-term rate and will bear interest at 1.65% through their mandatory purchase date of June 1, 2021.

In June 2019, LG&E issued a notice to bondholders of its intention to convert the $40 million Louisville/Jefferson County Metro Government of Kentucky Pollution Control Revenue Bonds, 2005 Series A to a weekly interest rate, as permitted under the loan documents. The conversion was completed on August 1, 2019. In connection with the conversion, LG&E purchased these bonds from the remarketing agent and held them until September 17, 2019, at which time LG&E remarketed the bonds at a long-term rate that will bear interest at 1.75% through their mandatory purchase date of July 1, 2026.

(PPL, LKE and KU)

In April 2019, KU reopened its 4.375% First Mortgage Bonds due 2045 and issued an additional $300 million of this series. KU received proceeds of $303 million, including premiums and underwriting fees, which were used to repay commercial paper and for other general corporate purposes.

In September 2019, the County of Carroll, Kentucky remarketed $50 million of Environmental Facilities Revenue Bonds, 2004 Series A due 2034 previously issued on behalf of KU. The bonds were remarketed at a long-term rate and will bear interest at 1.75% through their mandatory purchase date of September 1, 2026.

In September 2019, the County of Carroll, Kentucky remarketed $96 million of Pollution Control Revenue Refunding Bonds, 2016 Series A due 2042 previously issued on behalf of KU. The bonds were remarketed at a long-term rate and will bear interest at 1.55% through their mandatory purchase date of September 1, 2026.

In September 2019, the County of Carroll, Kentucky remarketed $54 million of Environmental Facilities Revenue Refunding Bonds, 2006 Series B due 2034 previously issued on behalf of KU. The bonds were remarketed at a long-term rate and will bear interest at 1.20% through their mandatory purchase date of June 1, 2021.

In September 2019, the County of Carroll, Kentucky remarketed $78 million of Environmental Facilities Revenue Bonds, 2008 Series A due 2032 previously issued on behalf of KU. The bonds were remarketed at a long-term rate and will bear interest at 1.20% through their mandatory purchase date of June 1, 2021.

In September 2019, the County of Mercer, Kentucky remarketed $13 million of Solid Waste Disposal Facility Revenue Bonds, 2000 Series A due 2023 previously issued on behalf of KU. The bonds were remarketed at a long-term rate and will bear interest at 1.30% through the maturity date of May 1, 2023.

(PPL and PPL Electric)

In September 2019, PPL Electric issued $400 million of 3.00% First Mortgage Bonds due 2049. PPL Electric received proceeds of $390 million, net of a discount and underwriting fees, which were used to repay short-term debt and for general corporate purposes.

On October 31, 2019, PPL Electric gave notice of its intent to redeem all of the currently outstanding $100 million aggregate principal amount of its Senior Secured Bonds, 5.15% Series due 2020 on December 4, 2019.

(PPL)

Equity Securities

ATM Program

In February 2018, PPL entered into an equity distribution agreement, pursuant to which PPL may sell, from time to time, up to an aggregate of $1.0 billion of its common stock through an at-the-market offering program; including a forward sales component. The compensation paid to the selling agents by PPL may be up to 2% of the gross offering proceeds of the shares. There were no issuances under the ATM program for the nine months ended September 30, 2019.

Distributions

In August 2019, PPL declared a quarterly common stock dividend, payable October 1, 2019, of 41.25 cents per share (equivalent to $1.65 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.

9. Leases

(All Registrants)

The Registrants determine whether contractual arrangements contain a lease by evaluating whether those arrangements either implicitly or explicitly identify an asset, whether the Registrants have the right to obtain substantially all of the economic benefits from use of the asset throughout the term of the arrangement, and whether the Registrants have the right to direct the use of the asset. Renewal options are included in the lease term if it is reasonably certain the Registrants will exercise those options. Periods for which the Registrants are reasonably certain not to exercise termination options are also included in the lease term. The Registrants have certain agreements with lease and non-lease components, such as office space leases, which are generally accounted for separately.

LKE, LG&E and KU have entered into various operating leases primarily for office space, vehicles and railcars. The leases generally have fixed payments with expiration dates ranging from 2019 to 2025, some of which have options to extend the leases from one year to ten years and some have options to terminate at LKE's, LG&E's and KU's discretion. For leases that existed as of December 31, 2018, payments associated with renewal options are not included in the measurement of the lease liability and right-of-use (ROU) asset.

PPL has also entered into various operating leases primarily for office space, land easements, telecom assets and warehouse space. These leases generally have fixed payments with expiration dates ranging from 2019 through 2028, except for the land agreements which extend through 2116.

PPL Electric also has operating leases which do not have a significant impact to its operations.

Short-term Leases

Short-term leases are leases with a term that is 12 months or less and do not include a purchase option or option to extend the initial term of the lease to greater than 12 months that the Registrants are reasonably certain to exercise. The Registrants have made an accounting policy election to not recognize the ROU asset and the lease liability arising from leases classified as short-term. Expenses related to short-term leases are included in the tables below.

Discount Rate

The discount rate for a lease is the rate implicit in the lease unless that rate cannot be readily determined. In that case, the Registrants are required to use their incremental borrowing rate, which is the rate the Registrants would have to pay to borrow, on a collateralized basis over a similar term, an amount equal to the lease payments in a similar economic environment.

The Registrants receive secured borrowing rates from financial institutions based on their applicable credit profiles. The Registrants use the secured rate which corresponds with the term of the applicable lease.

Practical Expedients

See Note 2 for information on the adoption of the new lease guidance as well as the practical expedients the Registrants have elected as part of the transition.

(PPL, LKE, LG&E and KU)

Lessee Transactions

The following table provides the components of lease cost for the Registrants' operating leases for the periods ended September 30, 2019.

	Three Months			
	PPL	LKE	LG&E	KU
Lease cost:				
Operating lease cost	$ 6	$ 5	$ 1	$ 3
Short-term lease cost	2	1	—	1
Total lease cost	$ 8	$ 6	$ 1	$ 4

	Nine Months			
	PPL	LKE	LG&E	KU
Lease cost:				
Operating lease cost	$ 21	$ 17	$ 7	$ 9
Short-term lease cost	5	2	1	1
Total lease cost	$ 26	$ 19	$ 8	$ 10

The following table provides other key information related to the Registrants' operating leases at September 30, 2019.

	PPL	LKE	LG&E	KU
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	$ 21	$ 17	$ 8	$ 9
Right-of-use asset obtained in exchange for new operating lease liabilities	37	8	3	5

The following table provides the total future minimum rental payments for operating leases, as well as a reconciliation of these undiscounted cash flows to the lease liabilities recognized on the Balance Sheets as of September 30, 2019.

	PPL	LKE	LG&E	KU
2019 (a)	$ 8	$ 5	$ 2	$ 3
2020	27	16	6	10
2021	21	12	5	7
2022	16	8	3	5
2023	14	7	3	3
2024	12	6	3	3
Thereafter	25	7	3	3
Total	$ 123	$ 61	$ 25	$ 34
Weighted-average discount rate	3.47%	3.97%	3.9%	4.01%
Weighted-average remaining lease term (in years)	8	5	5	5
Current lease liabilities (b)	$ 25	$ 16	$ 6	$ 9
Non-current lease liabilities (b)	80	39	16	22
Right-of-use assets (c)	97	47	19	27

(a) Represents future minimum lease payments for the remainder of 2019.

(b) Current lease liabilities are included in "Other Current Liabilities" on the Balance Sheets. Non-current lease liabilities are included in "Other deferred credits and noncurrent liabilities" on the Balance Sheets. The difference between the total future minimum lease payments and the recorded lease liabilities is due to the impact of discounting.

(c) Right-of-use assets are included in "Other noncurrent assets" on the Balance Sheets.

At December 31, 2018, the total future minimum rental payments for all operating leases were estimated to be:

	PPL	LKE	LG&E	KU
2019	$ 26	$ 20	$ 10	$ 10
2020	21	15	6	9
2021	15	11	4	7
2022	13	7	3	4
2023	8	6	3	3
Thereafter	33	11	4	6
Total	$ 116	$ 70	$ 30	$ 39

Lessor Transactions

Third parties lease land from LKE, LG&E and KU at certain generation plants to produce refined coal used to generate electricity. The leases are operating leases and expire in 2021. Payments are allocated among lease and non-lease components as stated in the agreements. Lease payments are fixed or are determined based on the amount of refined coal used in electricity generation at the facility. Payments received are primarily recorded as a regulatory liability and are amortized in accordance with regulatory approvals.

WPD leases property and telecom assets to third parties, which generally expire through 2029. These leases are operating leases. Generally, lease payments are fixed and include only a lease component.

At September 30, 2019, PPL, LKE, LG&E and KU expect to receive the following fixed lease payments over the remaining term of their operating lease agreements:

	PPL	LKE	LG&E	KU
2019 (a)	$ 3	$ 2	$ —	$ 2
2020	13	7	—	7
2021	10	5	1	4
2022	4	—	—	—
2023	4	1	—	—
2024	4	—	—	—
Thereafter	12	—	—	—
Total	$ 50	$ 15	$ 1	$ 13
Lease income recognized for the three months ended September 30, 2019	$ 6	$ 4	$ 2	$ 2
Lease income recognized for the nine months ended September 30, 2019	$ 16	$ 10	$ 4	$ 6

(a) Represents future minimum lease payments for the remainder of 2019.

10. Defined Benefits

(PPL, LKE and LG&E)

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

	Pension Benefits							
	Three Months				Nine Months			
	U.S.		U.K.		U.S.		U.K.	
	2019	2018	2019	2018	2019	2018	2019	2018
PPL								
Service cost	$ 13	$ 15	$ 17	$ 21	$ 38	$ 46	$ 51	$ 63
Interest cost	41	39	45	46	123	117	140	140
Expected return on plan assets	(62)	(62)	(144)	(145)	(184)	(186)	(442)	(445)
Amortization of:								
Prior service cost	2	2	1	—	6	7	1	—
Actuarial loss	15	22	22	37	42	63	69	114
Net periodic defined benefit costs (credits) before settlements	9	16	(59)	(41)	25	47	(181)	(128)
Settlements	—	—	—	—	1	—	—	—
Net periodic defined benefit costs (credits)	$ 9	$ 16	$ (59)	$ (41)	$ 26	$ 47	$ (181)	$ (128)

	Pension Benefits			
	Three Months		Nine Months	
	2019	2018	2019	2018
LKE				
Service cost	$ 5	$ 6	$ 16	$ 18
Interest cost	16	16	49	48
Expected return on plan assets	(25)	(25)	(76)	(76)
Amortization of:				
Prior service cost	2	3	6	7
Actuarial loss (a)	7	8	17	26
Net periodic defined benefit costs (b)	$ 5	$ 8	$ 12	$ 23

(a) As a result of treatment approved by the KPSC, the difference between actuarial loss calculated in accordance with LKE's accounting policy and actuarial loss calculated using a 15-year amortization period was $2 million and $3 million for the three and nine months ended September 30, 2019 and $2 million and $8 million for the three and nine months ended September 30, 2018. This difference is recorded as a regulatory asset.

(b) Due to the amount of lump sum payment distributions from the LG&E qualified pension plan, a settlement charge of $5 million for the three and nine months ended September 30, 2019 and $1 million and $5 million for the three and nine months ended September 30, 2018 was incurred. In accordance with existing regulatory accounting treatment, LG&E has maintained the settlement charge in regulatory assets. The amount is being amortized in accordance with existing regulatory practice.

	Pension Benefits			
	Three Months		Nine Months	
	2019	2018	2019	2018
LG&E				
Service cost	$ —	$ —	$ 1	$ 1
Interest cost	2	3	8	9
Expected return on plan assets	(5)	(6)	(16)	(17)
Amortization of:				
Prior service cost	1	1	4	4
Actuarial loss (a)	4	2	7	5
Net periodic defined benefit costs (b)	$ 2	$ —	$ 4	$ 2

(a) As a result of treatment approved by the KPSC, the difference between actuarial loss calculated in accordance with LG&E's accounting policy and actuarial loss calculated using a 15-year amortization period was $1 million and $2 million for the three and nine months ended September 30, 2019 and $1 million for the nine months ended September 30, 2018. This difference is recorded as a regulatory asset.

(b) Due to the amount of lump sum payment distributions from the LG&E qualified pension plan, a settlement charge of $5 million for the three and nine months ended September 30, 2019 and $1 million and $5 million for the three and nine months ended September 30, 2018 was incurred. In accordance with existing regulatory accounting treatment, LG&E has maintained the settlement charge in regulatory assets. The amount is being amortized in accordance with existing regulatory practice.

	Other Postretirement Benefits			
	Three Months		Nine Months	
	2019	2018	2019	2018
PPL				
Service cost	$ 2	$ 1	$ 4	$ 5
Interest cost	5	5	16	15
Expected return on plan assets	(5)	(4)	(14)	(17)
Amortization of actuarial loss	1	—	1	—
Net periodic defined benefit costs	$ 3	$ 2	$ 7	$ 3
LKE				
Service cost	$ 1	$ 1	$ 3	$ 3
Interest cost	2	2	6	6
Expected return on plan assets	(2)	(2)	(6)	(6)
Amortization of:				
Prior service cost	—	—	1	1
Actuarial gain	—	—	(1)	(1)
Net periodic defined benefit costs	$ 1	$ 1	$ 3	$ 3

(PPL Electric, LG&E and KU)

In addition to the specific plan it sponsors, LG&E is allocated costs of defined benefit plans sponsored by LKE. PPL Electric and KU do not directly sponsor any defined benefit plans. PPL Electric is allocated costs of defined benefit plans sponsored by PPL Services and KU is allocated costs of defined benefit plans sponsored by LKE. LG&E and KU are also allocated costs of defined benefit plans from LKS for defined benefit plans sponsored by LKE. See Note 12 for additional information on costs allocated to LG&E and KU from LKS. These allocations are based on participation in those plans, which management believes are reasonable. For the periods ended September 30, PPL Services allocated the following net periodic defined benefit costs to PPL Electric, and LKE allocated the following net periodic defined benefit costs to LG&E and KU:

	Three Months		Nine Months	
	2019	2018	2019	2018
PPL Electric	$ 3	$ 5	$ 8	$ 12
LG&E	1	1	3	5
KU	—	1	—	3

(All Registrants)

The non-service cost components of net periodic defined benefit costs (credits) (interest cost, expected return on plan assets, amortization of prior service cost and amortization of actuarial gain and loss) are presented in "Other Income (Expense) - net" on the Statements of Income. See Note 13 for additional information.

11. Commitments and Contingencies

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.

Talen Litigation *(PPL)*

Background

In September 2013, one of PPL's former subsidiaries, PPL Montana entered into an agreement to sell its hydroelectric generating facilities. In June 2014, PPL and PPL Energy Supply, the parent company of PPL Montana, entered into various definitive agreements with affiliates of Riverstone to spin off PPL Energy Supply and ultimately combine it with Riverstone's competitive power generation businesses to form a stand-alone company named Talen Energy. In November 2014, after executing the spinoff agreements but prior to the closing of the spinoff transaction, PPL Montana closed the sale of its hydroelectric generating facilities. Subsequently, on June 1, 2015, the spinoff of PPL Energy Supply was completed. Following the spinoff transaction, PPL had no continuing ownership interest in or control of PPL Energy Supply. In connection with the spinoff transaction, PPL Montana became Talen Montana, LLC (Talen Montana), a subsidiary of Talen Energy. Talen Energy Marketing also became a subsidiary of Talen Energy as a result of the June 2015 spinoff of PPL Energy Supply. Talen Energy has owned and operated both Talen Montana and Talen Energy Marketing since the spinoff. At the time of the spinoff, affiliates of Riverstone acquired a 35% ownership interest in Talen Energy. Riverstone subsequently acquired the remaining interests in Talen Energy in a take private transaction in December 2016.

Talen Montana, LLC v. PPL Corporation et al.

On October 29, 2018, Talen Montana filed a complaint against PPL and certain of its affiliates and current and former officers and directors in the First Judicial District of the State of Montana, Lewis & Clark County (Talen Direct Action). Talen Montana alleges that in November 2014, PPL and certain officers and directors improperly distributed to PPL's subsidiaries $733 million of the proceeds from the sale of Talen Montana's (then PPL Montana's) hydroelectric generating facilities, rendering PPL Montana insolvent. The complaint includes claims for, among other things, breach of fiduciary duty; aiding and abetting breach of fiduciary duty; breach of an LLC agreement; breach of the implied duty of good faith and fair dealing; tortious interference; negligent misrepresentation; and constructive fraud. Talen Montana is seeking unspecified damages, including punitive damages, and other relief. In December 2018, PPL moved to dismiss the Talen Direct Action for lack of jurisdiction and, in the alternative, to dismiss because Delaware is the appropriate forum to decide this case. In January 2019, Talen Montana dismissed without prejudice all current and former PPL Corporation directors from the case. The parties engaged in limited jurisdictional discovery, and the Court heard oral argument regarding the PPL parties' motion to dismiss on August 22, 2019. We are awaiting the Court's decision regarding the motion to dismiss.

Talen Montana Retirement Plan and Talen Energy Marketing, LLC, Individually and on Behalf of All Others Similarly Situated v. PPL Corporation et al.

Also on October 29, 2018, Talen Montana Retirement Plan and Talen Energy Marketing filed a putative class action complaint on behalf of current and contingent creditors of Talen Montana who allegedly suffered harm or allegedly will suffer reasonably foreseeable harm as a result of the November 2014 distribution. The action was filed in the Sixteenth Judicial District of the State of Montana, Rosebud County, against PPL and certain of its affiliates and current and former officers and directors (Talen Putative Class Action). The plaintiffs assert claims for, among other things, fraudulent transfer, both actual and constructive; recovery against subsequent transferees; civil conspiracy; aiding and abetting tortious conduct; and unjust enrichment. They are seeking avoidance of the purportedly fraudulent transfer, unspecified damages, including punitive damages, the imposition of a constructive trust, and other relief. In December 2018, PPL removed the Talen Putative Class Action from the Sixteenth Judicial District of the State of Montana to the United States District Court for the District of Montana, Billings Division (MT Federal Court). In January 2019, the plaintiffs moved to remand the Talen Putative Class Action back to state court, and dismissed without prejudice all current and former PPL Corporation directors from the case. In September 2019, the MT Federal Court granted plaintiffs' motion to remand the case back to state court, and the PPL defendants promptly petitioned the Ninth Circuit Court of Appeals to grant an appeal of the remand decision. The petition for appeal is under consideration by the Ninth Circuit Court of Appeals.

PPL Corporation et al. vs. Riverstone Holdings LLC, Talen Energy Corporation et al.

On November 30, 2018, PPL, certain PPL affiliates, and certain current and former officers and directors (PPL plaintiffs) filed a complaint in the Court of Chancery of the State of Delaware seeking various forms of relief against Riverstone, Talen Energy and certain of their affiliates (Delaware Action). In the complaint, the PPL plaintiffs ask the Delaware Court of Chancery for declaratory and injunctive relief. This includes a declaratory judgment that, under the separation agreement governing the spinoff of PPL Energy Supply, all related claims that arise must be heard in Delaware; that the statute of limitations in Delaware and the spinoff agreement bar these claims at this point; that PPL is not liable for the claims in either the Talen Direct Action or the Talen Putative Class Action as PPL Montana was solvent at all relevant times; and that the separation agreement requires that Talen Energy indemnify PPL for all losses arising from the debts of Talen Montana, among other things. PPL's complaint also seeks damages against Riverstone for interfering with the separation agreement and against Riverstone affiliates for breach of the implied covenant of good faith and fair dealing. The complaint was subsequently amended on January 11, 2019 and March 20, 2019, including to add claims related to indemnification with respect to the Talen Direct Action and the Talen Putative Class Action (together, the Montana Actions), request a declaration that the Montana Actions are time-barred under the spinoff agreements, and allege additional facts to support the tortious interference claim. In April 2019, the defendants filed motions to dismiss the amended complaint. In July 2019, the Court heard oral arguments from the parties regarding the motions to dismiss. On October 23, 2019, the Delaware Court of Chancery returned its opinion on the defendants' motions to dismiss sustaining all of the PPL plaintiffs' claims except for the claim for breach of implied covenant of good faith and fair dealing.

With respect to each of the Talen-related matters described above, PPL believes that the 2014 distribution of proceeds was made in compliance with all applicable laws and that PPL Montana was solvent at all relevant times. Additionally, the agreements entered into in connection with the spinoff, which PPL and affiliates of Talen Energy and Riverstone negotiated and executed prior to the 2014 distribution, directly address the treatment of the proceeds from the sale of PPL Montana's hydroelectric generating facilities; in those agreements, Talen Energy and Riverstone definitively agreed that PPL was entitled to retain the proceeds.

PPL believes that it has meritorious defenses to the claims made in the Montana Actions and intends to continue to vigorously defend against these actions. The Montana Actions and the Delaware Action are all in the early stages of litigation; at this time, PPL cannot predict the outcome of these matters or estimate the range of possible losses, if any, that PPL might incur as a result of the claims, although they could be material.

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

In December 2013, six residents, on behalf of themselves and others similarly situated, filed a class action complaint against LG&E and PPL in the U.S. District Court for the Western District of Kentucky (U.S. District Court) alleging violations of the Clean Air Act, RCRA, and common law claims of nuisance, trespass and negligence. These plaintiffs seek injunctive relief and civil penalties, plus costs and attorney fees, for the alleged statutory violations. Under the common law claims, these plaintiffs seek monetary compensation and punitive damages for property damage and diminished property values for a class consisting of residents within four miles of the Cane Run plant, which retired three coal-fired units in 2015. In their individual capacities, these plaintiffs sought compensation for alleged adverse health effects. In July 2014, the court dismissed the RCRA claims and all but one Clean Air Act claim, but declined to dismiss the common law tort claims. In November 2016, the plaintiffs filed an amended complaint removing the personal injury claims and removing certain previously named plaintiffs. In February 2017, the U.S. District Court issued an Order dismissing PPL as a defendant and dismissing the final federal claim against LG&E. In April 2017, the U.S. District Court issued an Order declining to exercise supplemental jurisdiction on the state law claims and dismissed the case in its entirety. In June 2017, the plaintiffs filed a class action complaint in Jefferson County, Kentucky Circuit Court, against LG&E alleging state law nuisance, negligence and trespass tort claims. The plaintiffs seek compensatory and punitive damages for alleged property damage due to purported plant emissions on behalf of a class of residents within one to three miles of the plant. Proceedings are currently underway regarding potential class certification, for which a decision may be rendered in 2019. PPL, LKE and LG&E cannot predict the outcome of this matter and an estimate or range of possible losses cannot be determined.

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

In July 2017, the Kentucky Waterways Alliance and the Sierra Club filed a citizen suit complaint against KU in the U.S. District Court for the Eastern District of Kentucky (U.S. District Court) alleging discharges at the E.W. Brown plant in violation of the Clean Water Act and the plant's water discharge permit and alleging contamination that may present an imminent and substantial endangerment in violation of the RCRA. The plaintiffs' suit relates to prior notices of intent to file a citizen suit submitted in October and November 2015 and October 2016. These plaintiffs sought injunctive relief ordering KU to take all actions necessary to comply with the Clean Water Act and RCRA, including ceasing the discharges in question, abating effects associated with prior discharges and eliminating the alleged imminent and substantial endangerment. These plaintiffs also sought assessment of civil penalties and an award of litigation costs and attorney fees. In December 2017 the U.S. District Court issued an Order dismissing the Clean Water Act and RCRA complaints against KU in their entirety. In January 2018, the plaintiffs appealed the dismissal Order to the U.S. Court of Appeals for the Sixth Circuit. In September 2018, the U.S. Court of Appeals for the Sixth Circuit issued its ruling affirming the lower court's decision to dismiss the Clean Water Act claims but reversing its dismissal of the RCRA claims against KU and remanding the latter to the U.S. District Court. In October 2018, KU filed a petition for rehearing to the U.S. Court of Appeals for the Sixth Circuit regarding the RCRA claims. In November 2018, the U.S. Court of Appeals for the Sixth Circuit denied KU's petition for rehearing regarding the RCRA claims. On January 8, 2019, KU filed an answer to plaintiffs' complaint in the U.S. District Court. A trial has been scheduled to begin on October 5, 2020. PPL, LKE and KU cannot predict the outcome of these matters and an estimate or range of possible losses cannot be determined.

KU is undertaking extensive remedial measures at the E.W. Brown plant including closure of the former ash pond, implementation of a groundwater remedial action plan and performance of a corrective action plan including aquatic study of adjacent surface waters and risk assessment. The aquatic study and risk assessment was undertaken pursuant to a 2017 agreed Order with the Kentucky Energy and Environment Cabinet (KEEC). KU conducted sampling of Herrington Lake in 2017 and 2018. KU submitted the required aquatic study and risk assessment, conducted by an independent third-party consultant, to the KEEC in June 2019 finding that discharges from the E.W. Brown plant have not had any significant impact on Herrington Lake and that the water in the lake is safe for recreational use and meets safe drinking water standards. However, until the KEEC assesses the study and issues any regulatory determinations, PPL, LKE and KU are unable to determine whether additional remedial measures will be required at the E.W. Brown plant.

Regulatory Issues *(All Registrants)*
See Note 7 for information on regulatory matters related to utility rate regulation.

Electricity - Reliability Standards
The NERC is responsible for establishing and enforcing mandatory reliability standards (Reliability Standards) regarding the bulk electric system in North America. The FERC oversees this process and independently enforces the Reliability Standards.
The Reliability Standards have the force and effect of law and apply to certain users of the bulk electric system, including electric utility companies, generators and marketers. Under the Federal Power Act, the FERC may assess civil penalties for certain violations.
PPL Electric, LG&E and KU monitor their compliance with the Reliability Standards and self-report or self-log potential violations of applicable reliability requirements whenever identified, and submit accompanying mitigation plans, as required. The resolution of a small number of potential violations is pending. Penalties incurred to date have not been significant. Any

Regional Reliability Entity (including RFC or SERC) determination concerning the resolution of violations of the Reliability Standards remains subject to the approval of the NERC and the FERC.

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

Environmental Matters

(All Registrants)

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

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

LG&E and KU are entitled to recover, through the ECR mechanism, certain costs of complying with the Clean Air Act, as amended, and those federal, state or local environmental requirements applicable to coal combustion wastes and by-products from facilities that generate electricity from coal combustion in accordance with approved compliance plans. Costs not covered by the ECR mechanism for LG&E and KU and all such costs for PPL Electric are subject to rate recovery before the companies' respective state regulatory authorities, or the FERC, if applicable. Because neither WPD nor PPL Electric owns any generating plants, their exposure to related environmental compliance costs is reduced. PPL, PPL Electric, LKE, LG&E and KU can provide no assurances as to the ultimate outcome of future environmental or rate proceedings before regulatory authorities.

Air

(PPL, LKE, LG&E and KU)

NAAQS

The Clean Air Act, which regulates air pollutants from mobile and stationary sources in the United States, has a significant impact on the operation of fossil fuel generation plants. Among other things, the Clean Air Act requires the EPA periodically to review and establish concentration levels in the ambient air for six pollutants to protect public health and welfare. The six pollutants are carbon monoxide, lead, nitrogen dioxide, ozone (contributed to by nitrogen oxide emissions), particulate matter and sulfur dioxide. The established concentration levels for these six pollutants are known as NAAQS. Under the Clean Air Act, the EPA is required to reassess the NAAQS on a five-year schedule.

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

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

Ozone

The EPA issued the current ozone standard in October 2015. The states and the EPA are required to determine (based on ambient air monitoring data) those areas that meet the standard and those that are in nonattainment. In April 2018, the EPA designated Jefferson County, Kentucky (Louisville) as being in nonattainment with the ozone standard. Although implementation of the 2015 ozone standard could potentially require the addition of SCRs at LG&E's Mill Creek station, PPL, LKE and LG&E are unable to determine what, if any, compliance measures may ultimately be required until the Louisville Metro Air Pollution District prepares a state implementation plan.

States are also obligated to address interstate transport issues associated with ozone standards through the establishment of "good neighbor" state implementation plans for those states that are found to contribute significantly to another state's non-attainment. As a result of a partial consent decree addressing claims regarding federal implementation, the EPA and several states, including Kentucky, have evaluated the need for further nitrogen oxide reductions from fossil-fueled plants to address interstate impacts. In July 2018, the EPA approved Kentucky's proposed state implementation plan finding that no additional reductions beyond existing and planned controls set forth in Kentucky's existing State Implementation Plan are necessary to prevent Kentucky from contributing significantly to any other state's nonattainment. In September 2018, the EPA denied petitions filed by Maryland and Delaware and in September 2019, denied a petition filed by New York alleging that states including Kentucky and Pennsylvania contribute to nonattainment in the petitioning states. PPL, LKE, LG&E and KU are unable to predict the outcome of ongoing and future evaluations by the EPA and the states, or whether such evaluations could potentially result in requirements for nitrogen oxide reductions beyond those currently required under the Cross-State Air Pollution Rule.

Climate Change

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

In December 2015, 195 nations, including the U.S., signed the Paris Agreement on Climate, which establishes a comprehensive framework for the reduction of GHG emissions from both developed and developing nations. Although the agreement does not establish binding reduction requirements, it requires each nation to prepare, communicate, and maintain GHG reduction commitments. Reductions can be achieved in a variety of ways, including energy conservation, power plant efficiency improvements, reduced utilization of coal-fired generation or replacing coal-fired generation with natural gas or renewable generation. Based on the EPA's rules issued in 2015 imposing GHG emission standards for both new and existing power plants, the U.S. committed to an initial reduction target of 26% to 28% below 2005 levels by 2025. However, on June 1, 2017, President Trump announced a plan to withdraw from the Paris Agreement and undertake negotiations to reenter the current agreement or enter a new agreement on terms more favorable to the U.S. Under the terms of the Paris Agreement, any U.S. withdrawal would not be complete until November 2020. PPL, LKE, LG&E and KU cannot predict the outcome of such regulatory actions or the impact, if any, on plant operations, rate treatment or future capital or operating needs.

The U.K. has enacted binding carbon reduction requirements that are applicable to WPD. WPD is subject to requirements under the Streamlined Energy and Carbon Reporting framework along with a tax (called "Climate Change Levy"). The cost of the tax is not significant and is included in WPD's operating expenses.

The EPA's Affordable Clean Energy Rule

In 2015, the EPA finalized rules imposing stringent GHG emission standards for both new and existing power plants based on plant specific energy efficiency upgrades, fuel switching from coal to natural gas, and deployment of renewable generation (the Clean Power Plan).

Following legal challenges to the Clean Power Plan, a stay of those rules by the U.S. Supreme Court and the March 2017 Executive Order requiring the EPA to review the Clean Power Plan, in October 2017, the EPA proposed to rescind the Clean Power Plan. In July 2019, the EPA rescinded the Clean Power Plan and finalized the Affordable Clean Energy (ACE) Rule as a replacement with respect to existing sources. The ACE Rule gives states broad latitude in establishing emission guidelines providing for plant-specific efficiency upgrades or "heat-rate improvements" that will reduce GHG emissions per unit of electricity generated. The ACE Rule provides a list of "candidate technologies" that will be considered by the states in establishing standards of performance on a case by case basis at individual power plants. States are generally allowed three years to submit state plans establishing standards of performance. While compliance deadlines will be imposed on a plant-specific basis, the EPA anticipates that most facilities will be required to demonstrate compliance within two years of plan approval. In the final rule, the EPA did not finalize its proposed new criteria for determining whether such efficiency projects would trigger New Source Review and thus be subject to more stringent emission controls. Instead, the agency intends to take final action on the proposed New Source Review revisions in a separate final action at a later date. Various entities have filed petitions for review and petitions for reconsideration. PPL, LKE, LG&E and KU cannot predict the outcome of the pending litigation and regulatory proceedings.

The Kentucky General Assembly passed legislation in April 2014 limiting the measures that the Kentucky Energy and Environment Cabinet may consider in setting performance standards to comply with federal requirements for GHG emission reductions. The legislation provides that such state GHG performance standards will be strictly based on emission reductions, efficiency measures and other improvements available at each power plant. These statutory restrictions are broadly consistent with the EPA's ACE Rule.

LG&E and KU are monitoring developments at the state and federal level. Until legal challenges and regulatory determinations relating to repeal and replacement of the Clean Power Plan are completed and the state determines implementation measures, PPL, LKE, LG&E and KU cannot predict the potential impact, if any, on plant operations, future capital or operating costs. PPL, LKE, LG&E and KU believe that the costs, which could be significant, would be subject to rate recovery.

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

In June 2016, the EPA issued a notice of violation under the Clean Air Act alleging that LG&E violated applicable rules relating to sulfuric acid mist emissions at its Mill Creek plant. The notice alleges failure to install proper controls, failure to operate the facility consistent with good air pollution control practice, and causing emissions exceeding applicable requirements or constituting a nuisance or endangerment. LG&E believes it has complied with applicable regulations during the relevant time period. Discussions between the EPA and LG&E are ongoing. The parties have entered into a tolling agreement with respect to this matter through January 31, 2020. The parties are conducting initial negotiations regarding potential settlement of the matter. PPL, LKE and LG&E are unable to predict the outcome of this matter or the potential impact on operations of the Mill Creek plant, including increased capital or operating costs, and potential civil penalties or remedial measures, if any.

Water/Waste

(PPL, LKE, LG&E and KU)
CCRs
In April 2015, the EPA published its final rule regulating CCRs. CCRs include fly ash, bottom ash and sulfur dioxide scrubber wastes. The rule became effective in October 2015. It imposes extensive new requirements, including location restrictions, design and operating standards, groundwater monitoring and corrective action requirements, and closure and post-closure care requirements on CCR impoundments and landfills that are not already closed and located on active power plants in the United States. Under the rule, CCRs are regulated as non-hazardous under Subtitle D of RCRA and beneficial use of CCRs is allowed, with some restrictions. The rule's requirements for covered CCR impoundments and landfills include implementation of groundwater monitoring and commencement or completion of closure activities generally between three and ten years from certain triggering events. The rule requires posting of compliance documentation on a publicly accessible website. Industry groups, environmental groups, individual companies and others have filed legal challenges to the final rule, which are pending before the D.C. Circuit Court of Appeals. In March 2018, the EPA proposed amendments to the CCR rule primarily relating to impoundment closure and remediation requirements. In July 2018, the EPA published in the Federal Register a final rule extending the deadline for closure of certain impoundments to October 2020 and adopting substantive changes relating to certifications, suspensions of groundwater monitoring and groundwater protection standards for certain constituents. In July 2019, the EPA released proposed amendments to the CCR Rule relating to reporting, public information, boron standards, beneficial use and waste piles. The EPA released additional proposed amendments to the rule on November 4, 2019, with further proposed amendments expected in the future. In August 2018, the D.C. Circuit Court of Appeals vacated and remanded portions of the CCR rule including provisions allowing unlined impoundments to continue operating and exempting inactive impoundments at inactive plants from regulation. As a result of subsequent challenges to the CCR Rule amendments, on March 13, 2019, the D.C. Circuit Court granted the EPA's motion for voluntary remand of the amended rule without voiding it. Consequently, the CCR Rule amendments, including the extended compliance deadline, will remain in place as the EPA considers further rule amendments and revisions. PPL, LKE, LG&E and KU are unable to predict the outcome of the ongoing

rulemaking or potential impacts on current LG&E and KU compliance plans. Associated costs are expected to be subject to rate recovery. The Registrants are currently finalizing closure plans and schedules.

In January 2017, the Kentucky Energy and Environment Cabinet issued a new state rule relating to CCR management aimed at reflecting the requirements of the federal CCR rule. As a result of a subsequent legal challenge in January 2018, the Franklin County, Kentucky Court issued an opinion invalidating certain procedural elements of the rule. LG&E and KU presently operate their facilities under continuing permits authorized under the former program and do not currently anticipate material impacts as a result of the judicial ruling. The Kentucky Energy and Environmental Cabinet has announced it expects to propose new state rules in 2019 aimed at addressing the procedural deficiencies identified by the court and providing the regulatory framework necessary for operation of the state CCR program in lieu of the federal CCR Rule, as provided by applicable law. Associated costs are expected to be subject to rate recovery.

LG&E and KU received KPSC approval for a compliance plan providing for the closure of impoundments at the Mill Creek, Trimble County, E.W. Brown, and Ghent stations, and construction of process water management facilities at those plants. In addition to the foregoing measures required for compliance with the federal CCR rule, KU also received KPSC approval for its plans to close impoundments at the retired Green River, Pineville and Tyrone plants to comply with applicable state law. Since 2017, LG&E and KU have commenced closure of many of the subject impoundments and have completed closure of some of the smaller impoundments. LG&E and KU expect to commence closure of the remaining impoundments no later than October 31, 2020. LG&E and KU generally expect to complete impoundment closures within five years of commencement, although a longer period may be required to complete closure of some facilities. Associated costs are expected to be subject to rate recovery.

In connection with the final CCR rule, LG&E and KU recorded adjustments to existing AROs beginning in 2015 and continue to record adjustments as required. See Note 16 below and Note 19 in the Registrants' 2018 Form 10-K for additional information. Further changes to AROs, current capital plans or operating costs may be required as estimates are refined based on closure developments, groundwater monitoring results, and regulatory or legal proceedings. Costs relating to this rule are subject to rate recovery.

Clean Water Act

Regulations under the federal Clean Water Act dictate permitting and mitigation requirements for facilities and construction projects in the United States. Many of those requirements relate to power plant operations, including requirements related to the treatment of pollutants in effluents prior to discharge, the temperature of effluent discharges and the location, design and construction of cooling water intake structures at generating facilities, standards intended to protect aquatic organisms that become trapped at or pulled through cooling water intake structures at generating facilities. The requirements could impose significant costs for LG&E and KU, which are subject to rate recovery.

Clean Water Act Jurisdiction

For several years the EPA has been seeking to clarify which discharges are subject to the Clean Water Act. The issue is primarily significant to PPL's operations with respect to discharges to groundwater from ash basins. There has been substantial disagreement over whether Clean Water Act jurisdiction covers discharges of contaminants to groundwater which reach surface water via a direct hydrologic connection. In particular, various environmental groups and other stakeholders argue that leaking impoundments located at coal-fired power plants are subject to Clean Water Act jurisdiction, while facility owners and many states contend that such situations are more appropriately addressed under the EPA's CCR Rule and state regulatory programs.

Most recently, on April 12, 2019, the EPA released an interpretive statement concluding that Clean Water Act jurisdiction does not cover discharges to groundwater regardless of any hydrologic connection between groundwater and jurisdictional surface water.

The issue has been subject to extensive litigation in federal courts including the citizen suit filed against KU with respect to its E.W. Brown plant, as discussed under "Legal Matters" - "E.W. Brown Environmental Claims" above, resulting in contradictory rulings by courts in different jurisdictions. On February 19, 2019, the U.S. Supreme Court agreed to review a lower court ruling on the issue. The U.S. Supreme Court's ruling in that case, likely to be issued in the first half of 2020, is expected to provide additional clarification on the scope of Clean Water Act jurisdiction. Extending Clean Water Act jurisdiction to such discharges could potentially subject certain releases from CCR impoundments to additional permitting and remediation requirements.

PPL, LKE, LG&E and KU are unable to predict the outcome of current or future regulatory proceedings or litigation or potential impacts on current LG&E and KU compliance plans.

ELGs

In September 2015, the EPA released its final ELGs 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. Industry groups, environmental groups, individual companies and others have filed legal challenges to the final rule, which have been consolidated before the U.S. Court of Appeals for the Fifth Circuit. In April 2017, the EPA announced that it would grant petitions for reconsideration of the rule. In September 2017, the EPA published in the Federal Register a proposed rule that would postpone the compliance date for requirements relating to bottom ash transport waters and scrubber wastewaters discharge limits. The proposed rule is expected to be finalized by the end of 2019. On April 12, 2019, the U.S. Court of Appeals for the Fifth Circuit vacated and remanded portions of the ELGs concerning legacy wastewater and CCR leachate. The EPA released proposed rules on November 4, 2019 and expects to complete its reconsideration of best available technology standards by the fall of 2020. Upon completion of the ongoing regulatory proceedings, the rule will be implemented by the states in the course of their normal permitting activities. LG&E and KU are developing compliance strategies and schedules. PPL, LKE, LG&E and KU are unable to predict the outcome of the EPA's pending reconsideration of the rule or fully estimate compliance costs or timing. Additionally, certain aspects of these compliance plans and estimates relate to developments in state water quality standards, which are separate from the ELG rule or its implementation. Costs to comply with ELGs or other discharge limits are expected to be significant. Certain costs are included in the Registrants' capital plans and are subject to rate recovery.

Seepages and Groundwater Infiltration

In addition to the actions described above, LG&E and KU have completed, or are completing, assessments of seepages or groundwater infiltration at various facilities and have completed, or are working with agencies to implement, further testing, monitoring or abatement measures, where applicable. Depending on the circumstances in each case, certain costs, which may be subject to rate recovery, could be significant. LG&E and KU cannot currently estimate a possible loss or range of possible losses related to this matter.

(PPL Electric, LG&E and KU)

Superfund and Other Remediation

PPL Electric, LG&E and KU are potentially responsible for investigating, responding to agency inquiries, implementing various preventative measures, and/or remediating contamination under programs other than those described in the sections above. 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. PPL Electric, LG&E and KU lack sufficient information about such additional sites to estimate any potential liability they may have or a range of reasonably possible losses, if any, related to these matters.

PPL Electric is potentially responsible for a share of the costs at several sites listed by the EPA under the federal Superfund program, including the Columbia Gas Plant site and the Brodhead site. Clean-up actions have been or are being undertaken at all of these sites, the costs of which have not been, and are not expected to be, significant to PPL Electric.

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

From time to time, PPL's subsidiaries in the United States undertake testing, monitoring or 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 to comply 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.

PPL Electric had a recorded liability of $11 million at September 30, 2019 and December 31, 2018 representing its best estimate of the probable loss incurred to remediate the sites noted in this section. Depending on the outcome of investigations at sites where investigations have not begun or been completed, or developments at sites for which information is incomplete, additional costs of remediation could be incurred; however, such costs are not expected to be significant.
Future cleanup or remediation work at sites not yet identified may result in significant additional costs for PPL, PPL Electric, LKE, LG&E and KU. Insurance policies maintained by LKE, LG&E and KU may be available to cover certain costs or other obligations related to these matters, but the amount of insurance coverage or reimbursement cannot be estimated or assured.

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, 2019. "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," for which PPL has a total recorded liability of $5 million at September 30, 2019 and $6 million at December 31, 2018. 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, 2019		Expiration Date
PPL			
Indemnifications related to the WPD Midlands acquisition		(a)	
WPD indemnifications for entities in liquidation and sales of assets	$ 10	(b)	2021
WPD guarantee of pension and other obligations of unconsolidated entities	77	(c)	
PPL Electric			
Guarantee of inventory value	26	(d)	2020
LKE			
Indemnification of lease termination and other divestitures	200	(e)	2021
LG&E and KU			
LG&E and KU obligation of shortfall related to OVEC		(f)	

(a) Indemnifications related to certain liabilities, including a specific unresolved tax issue and those relating to properties and assets owned by the seller that were transferred to WPD Midlands in connection with the acquisition. A cross indemnity has been received from the seller on the tax issue. The maximum exposure and expiration of these indemnifications cannot be estimated because the maximum potential liability is not capped and the expiration date is not specified in the transaction documents.

(b) Indemnification to the liquidators and certain others for existing liabilities or expenses or liabilities arising during the liquidation process. The indemnifications are limited to distributions made from the subsidiary to its parent either prior or subsequent to liquidation or are not explicitly stated in the agreements. The indemnifications generally expire two to seven years subsequent to the date of dissolution of the entities. The exposure noted only includes those cases where the agreements provide for specific limits.

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

(c) Relates to certain obligations of discontinued or modified electric associations that were guaranteed at the time of privatization by the participating members. Costs are allocated to the members and can be reallocated if an existing member becomes insolvent. At September 30, 2019, 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 may exceed the maximum. 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 various indemnification scenarios, but does not expect such outcomes to result in significant losses above the amounts recorded.

(f) Pursuant to the OVEC power purchase contract, LG&E and KU are obligated to pay for their share of OVEC's excess debt service, post-retirement and decommissioning costs, as well as any shortfall from amounts included within a demand charge designed and expected to cover these costs over the term of the contract. LKE's proportionate share of OVEC's outstanding debt was $111 million at September 30, 2019, consisting of LG&E's share of $77 million and KU's share of $34 million. The maximum exposure and the expiration date of these potential obligations are not presently determinable. See "Energy Purchase Commitments" in Note 13 in PPL's, LKE's, LG&E's and KU's 2018 Form 10-K for additional information on the OVEC power purchase contract.

In March 2018, a co-sponsor with a pro-rata share of certain OVEC obligations of 4.85% filed for bankruptcy under Chapter 11 and, in August 2018, received a rejection order for the OVEC power purchase contract in the bankruptcy proceeding. In October 2019, the bankruptcy court issued an order confirming the co-sponsor's proposed reorganization plan. The plan's effective date remains subject to certain conditions precedent, including remaining regulatory approvals, and to relevant current or future appellate rights or proceedings. OVEC and certain of its sponsors, including LG&E and KU, are analyzing certain potential additional credit support actions to preserve OVEC's access to credit markets or mitigate risks or adverse impacts relating thereto, including increased interest costs, establishing or continuing debt reserve accounts or other changes involving OVEC's existing short and long-term debt. The ultimate outcome of these matters, including the co-sponsor bankruptcy and related appellate or regulatory proceedings and challenges and any other potential impact on LG&E's and KU's obligations relating to OVEC debt under the power purchase contract, cannot be predicted.

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 Registrants believe 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.

12. Related Party Transactions

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

PPL Services, PPL EU Services and LKS provide PPL, PPL Electric, LKE, their respective subsidiaries, including LG&E and KU, and each other with administrative, management and support services. For all services companies, the costs of directly assignable and attributable services are charged to the respective recipients as direct support costs. General costs that cannot be directly assigned or 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. PPL Services may also use a ratio of overall direct and indirect costs or a weighted average cost ratio. LKS bases its indirect allocations on the subsidiaries' number of employees, total assets, revenues, number of customers and/or other statistical information. PPL Services, PPL EU Services and LKS charged the following amounts for the periods ended September 30, including amounts applied to accounts that are further distributed between capital and expense on the books of the recipients, based on methods that are believed to be reasonable.

	Three Months		Nine Months	
	2019	2018	2019	2018
PPL Electric from PPL Services	$ 14	$ 14	$ 43	$ 45
LKE from PPL Services	6	5	20	19
PPL Electric from PPL EU Services	38	34	112	110
LG&E from LKS	37	36	112	113
KU from LKS	42	42	126	127

In addition to the charges for services noted above, LKS makes payments on behalf of LG&E and KU for fuel purchases and other costs for products or services provided by third parties. LG&E and KU also provide services to each other and to LKS. Billings between LG&E and KU relate to labor and overheads associated with union and hourly employees performing work for the other company, charges related to jointly-owned generating units and other miscellaneous charges.

Intercompany Borrowings

(PPL Electric)

PPL Energy Funding maintains a $650 million revolving line of credit with a PPL Electric subsidiary. At September 30, 2019, $546 million was outstanding and reflected in "Notes receivable from affiliate" on the Balance Sheet. No balance was outstanding at December 31, 2018. The interest rates on borrowings are equal to one-month LIBOR plus a spread. The interest rate on the outstanding borrowing at September 30, 2019 was 3.84% and is reflected in "Interest Income from Affiliate" on the Statements of Income.

(LKE)

LKE maintains a $375 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. The interest rates on borrowings are equal to one-month LIBOR plus a spread. At September 30, 2019 and December 31, 2018, $129 million and $113 million were outstanding and reflected in "Notes payable with affiliates" on the Balance Sheets. The interest rates on the outstanding borrowings at September 30, 2019 and December 31, 2018 were 3.59% and 3.85%. Interest expense on the revolving line of credit was not significant for the three and nine months ended September 30, 2019 and 2018.

LKE maintains an agreement with a PPL affiliate that has a $300 million borrowing limit whereby LKE can loan funds on a short-term basis at market-based rates. No balance was outstanding at September 30, 2019 and December 31, 2018. The interest rate on the loan is based on the PPL affiliate's credit rating and equal to one-month LIBOR plus a spread.

LKE maintains ten-year notes of $400 million and $250 million with a PPL affiliate with interest rates of 3.5% and 4%. At September 30, 2019 and December 31, 2018, the notes were reflected in "Long-term debt to affiliate" on the Balance Sheets. Interest expense on the $400 million note was $4 million and $11 million for the three and nine months ended September 30, 2019 and 2018. Interest expense on the $250 million note was $3 million and $8 million for the three and nine months ended September 30, 2019 and $3 million and $4 million for the three and nine months ended September 30, 2018.

VEBA Funds Receivable *(PPL Electric)*

In May 2018, PPL received a favorable private letter ruling from the IRS permitting a transfer of excess funds from the PPL Bargaining Unit Retiree Health Plan VEBA to a new subaccount within the VEBA, to be used to pay medical claims of active bargaining unit employees. Based on PPL Electric's participation in PPL's Other Postretirement Benefit plan, PPL Electric was allocated a portion of the excess funds from PPL Services. These funds have been recorded as an intercompany receivable on PPL Electric's Balance Sheets. The receivable balance decreases as PPL Electric pays incurred medical claims and is reimbursed by PPL Services. The intercompany receivable balance associated with these funds was $37 million as of September 30, 2019, of which $10 million was reflected in "Accounts receivable from affiliates" and $27 million was reflected in "Other noncurrent assets" on the PPL Electric Balance Sheet. The intercompany receivable balance associated with these funds was $45 million as of December 31, 2018, of which $10 million was reflected in "Account receivable from affiliates" and $35 million was reflected in "Other noncurrent assets" on the PPL Electric Balance Sheets.

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

See Note 10 for discussions regarding intercompany allocations associated with defined benefits.

13. Other Income (Expense) - net

(PPL)

The details of "Other Income (Expense) - net" for the periods ended September 30, were:

	Three Months		Nine Months	
	2019	2018	2019	2018
Other Income				
Economic foreign currency exchange contracts (Note 15)	$ 44	$ 40	$ 56	$ 92
Defined benefit plans - non-service credits (Note 10)	77	61	237	195
Interest income	3	3	12	5
AFUDC - equity component	6	5	17	15
Miscellaneous	1	2	6	3
Total Other Income	131	111	328	310
Other Expense				
Charitable contributions	1	1	3	6
Miscellaneous	4	4	16	7
Total Other Expense	5	5	19	13
Other Income (Expense) - net	$ 126	$ 106	$ 309	$ 297

(PPL Electric)

The details of "Other Income (Expense) - net" for the periods ended September 30, were:

	Three Months		Nine Months	
	2019	2018	2019	2018
Other Income				
AFUDC - equity component	$ 6	$ 5	$ 17	$ 15
Defined benefit plans - non-service credits (Note 10)	1	1	3	4
Interest income	—	—	1	—
Miscellaneous	—	—	—	1
Total Other Income	7	6	21	20
Other Expense				
Charitable contributions	—	1	2	2
Miscellaneous	—	—	1	—
Total Other Expense	—	1	3	2
Other Income (Expense) - net	$ 7	$ 5	$ 18	$ 18

14. 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. See Note 1 in each Registrant's 2018 Form 10-K for information on the levels in the fair value hierarchy.

Recurring Fair Value Measurements

The assets and liabilities measured at fair value were:

	September 30, 2019				December 31, 2018			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
PPL								
Assets								
Cash and cash equivalents	$ 670	$ 670	$ —	$ —	$ 621	$ 621	$ —	$ —
Restricted cash and cash equivalents (a)	20	20	—	—	22	22	—	—
Special use funds (a):								
Money market fund	2	2	—	—	59	59	—	—
Commingled debt fund measured at NAV (b)	29	—	—	—	—	—	—	—
Commingled equity fund measured at NAV (b)	28	—	—	—	—	—	—	—
Total special use funds	59	2	—	—	59	59	—	—
Price risk management assets (c):								
Foreign currency contracts	224	—	224	—	202	—	202	—
Cross-currency swaps	195	—	195	—	135	—	135	—
Total price risk management assets	419	—	419	—	337	—	337	—
Total assets	$ 1,168	$ 692	$ 419	$ —	$ 1,039	$ 702	$ 337	$ —
Liabilities								
Price risk management liabilities (c):								
Interest rate swaps	$ 25	$ —	$ 25	$ —	$ 20	$ —	$ 20	$ —
Foreign currency contracts	3	—	3	—	2	—	2	—
Total price risk management liabilities	$ 28	$ —	$ 28	$ —	$ 22	$ —	$ 22	$ —
PPL Electric								
Assets								
Cash and cash equivalents	$ 27	$ 27	$ —	$ —	$ 267	$ 267	$ —	$ —
Restricted cash and cash equivalents (a)	2	2	—	—	2	2	—	—
Total assets	$ 29	$ 29	$ —	$ —	$ 269	$ 269	$ —	$ —
LKE								
Assets								
Cash and cash equivalents	$ 30	$ 30	$ —	$ —	$ 24	$ 24	$ —	$ —
Total assets	$ 30	$ 30	$ —	$ —	$ 24	$ 24	$ —	$ —
Liabilities								
Price risk management liabilities:								
Interest rate swaps	$ 25	$ —	$ 25	$ —	$ 20	$ —	$ 20	$ —
Total price risk management liabilities	$ 25	$ —	$ 25	$ —	$ 20	$ —	$ 20	$ —
LG&E								
Assets								
Cash and cash equivalents	$ 12	$ 12	$ —	$ —	$ 10	$ 10	$ —	$ —
Total assets	$ 12	$ 12	$ —	$ —	$ 10	$ 10	$ —	$ —

	September 30, 2019				December 31, 2018			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Liabilities								
Price risk management liabilities:								
Interest rate swaps	$ 25	$ —	$ 25	$ —	$ 20	$ —	$ 20	$ —
Total price risk management liabilities	$ 25	$ —	$ 25	$ —	$ 20	$ —	$ 20	$ —
KU								
Assets								
Cash and cash equivalents	$ 18	$ 18	$ —	$ —	$ 14	$ 14	$ —	$ —
Total assets	$ 18	$ 18	$ —	$ —	$ 14	$ 14	$ —	$ —

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

(b) In accordance with accounting guidance, certain investments that are measured at fair value using net asset value per share (NAV), or its equivalent, have not been classified in the fair value hierarchy. The fair value amounts presented in the table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

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

Special Use Funds

(PPL)

The special use funds are investments restricted for paying active union employee medical costs. In May 2018, PPL received a favorable private letter ruling from the IRS permitting a transfer of excess funds from the PPL Bargaining Unit Retiree Health Plan VEBA to a new subaccount within the VEBA to be used to pay medical claims of active bargaining unit employees. In 2019, the funds are invested primarily in commingled debt and equity funds measured at NAV. In 2018, the funds were invested in money market funds.

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.

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. 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, 2019		December 31, 2018	
	Carrying Amount (a)	Fair Value	Carrying Amount (a)	Fair Value
PPL	$ 21,547	$ 25,506	$ 20,599	$ 22,939
PPL Electric	4,085	4,764	3,694	3,901
LKE	6,001	6,901	5,502	5,768
LG&E	2,004	2,322	1,809	1,874
KU	2,623	3,064	2,321	2,451

(a) Amounts are net of debt issuance costs.

The carrying amounts of other current financial instruments (except for long-term debt due within one year) approximate their fair values because of their short-term nature.

15. Derivative Instruments and Hedging Activities

Risk Management Objectives

(All Registrants)

PPL has a risk management policy approved by the Board of Directors to manage market risk associated with commodities, interest rates on debt issuances and foreign exchange (including price, liquidity and volumetric risk) and credit risk (including non-performance risk and payment default risk). The Risk Management Committee, comprised of senior management and chaired by the Senior Director-Risk Management, oversees the risk management function. Key risk control activities designed to ensure compliance with the risk policy and detailed programs include, but are not limited to, credit review and approval, validation of transactions, verification of risk and transaction limits, value-at-risk analyses (VaR, a statistical model that attempts to estimate the value of potential loss over a given holding period under normal market conditions at a given confidence level) and the coordination and reporting of the Enterprise Risk Management program.

Market Risk

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

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

Interest Rate Risk

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

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

Foreign Currency Risk (PPL)

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

(All Registrants)

Commodity Price Risk

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

- PPL Electric is required to purchase electricity to fulfill its obligation as a PLR. Potential commodity price risk is insignificant and mitigated through its PUC-approved cost recovery mechanism and full-requirement supply agreements to serve its PLR customers which transfer the risk to energy suppliers.

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

Volumetric Risk

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

- WPD is exposed to volumetric risk which is significantly mitigated as a result of the method of regulation in the U.K. Under the RIIO-ED1 price control regulations, recovery of such exposure occurs on a two year lag. See Note 1 in PPL's 2018 Form 10-K for additional information on revenue recognition under RIIO-ED1.

- PPL Electric, LG&E and KU are exposed to volumetric risk on retail sales, mainly due to weather and other economic conditions for which there is limited mitigation between rate cases.

Equity Securities Price Risk

- PPL and its subsidiaries are exposed to equity securities price risk associated with the fair value of the defined benefit plans' assets. This risk is significantly mitigated at the regulated domestic utilities and for certain plans at WPD due to the recovery methods 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 PPL Electric, LG&E or KU defaults on its obligation, those Registrants 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, thereby 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 *(PPL, LKE, LG&E and KU)*

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 had a $40 million obligation to return cash collateral under master netting arrangements at September 30, 2019 and December 31, 2018.

PPL had no obligation to post cash collateral under master netting arrangements at September 30, 2019 and December 31, 2018.

LKE, LG&E and KU had no obligation to return cash collateral under master netting arrangements at September 30, 2019 and December 31, 2018.
LKE, LG&E and KU had no obligation to post cash collateral under master netting arrangements at September 30, 2019 and December 31, 2018.

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

Interest Rate Risk

(All Registrants)

PPL and its subsidiaries issue debt to finance their operations, which exposes them to interest rate risk. A variety of financial derivative instruments are utilized to adjust the mix of fixed and floating interest rates in their debt portfolios, adjust the duration of the debt portfolios and lock in benchmark interest rates in anticipation of future financing, when appropriate. Risk limits under PPL's risk management program are designed to balance risk exposure to volatility in interest expense and changes in the fair value of the debt portfolio due to changes in benchmark interest rates. In addition, the interest rate risk of certain subsidiaries is potentially mitigated as a result of the existing regulatory framework or the timing of rate cases.

Cash Flow Hedges *(PPL)*

Interest rate risks include exposure to adverse interest rate movements for outstanding variable rate debt and for future anticipated financings. Financial interest rate swap contracts that qualify as cash flow hedges may be entered into to hedge floating interest rate risk associated with both existing and anticipated debt issuances. PPL had no such contracts at September 30, 2019.

At September 30, 2019, PPL held an aggregate notional value in cross-currency interest rate swap contracts of $702 million that range in maturity from 2021 through 2028 to hedge the interest payments and principal of WPD's U.S. dollar-denominated senior notes.

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

For the three and nine months ended September 30, 2019 and 2018, PPL had no cash flow hedges reclassified into earnings associated with discontinued cash flow hedges.

At September 30, 2019, the amount of accumulated net unrecognized after-tax gains (losses) on qualifying derivatives expected to be reclassified into earnings during the next 12 months is insignificant. Amounts are reclassified as the hedged interest expense is recorded.

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

LG&E enters into interest rate swap contracts that economically hedge interest payments on variable rate debt. Because realized gains and losses from the swaps, including terminated swap contracts, 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, 2019, LG&E held contracts with a notional amount of $147 million that range in maturity through 2033.

Foreign Currency Risk *(PPL)*

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

Net Investment Hedges

PPL enters into foreign currency contracts on behalf of a subsidiary to protect the value of a portion of its net investment in WPD. There were no contracts outstanding at September 30, 2019.

At September 30, 2019 and December 31, 2018, PPL had $31 million of accumulated net investment hedge after tax gains (losses) that were included in the foreign currency translation adjustment component of AOCI.

Economic Activity

PPL enters into foreign currency contracts on behalf of a subsidiary to economically hedge GBP-denominated anticipated earnings. At September 30, 2019, the total exposure hedged by PPL was approximately £1 billion (approximately $1.5 billion based on contracted rates). These contracts have termination dates ranging from October 2019 through December 2020.

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 include certain full-requirement purchase contracts and other physical purchase contracts. Changes in the fair value of derivatives not designated as NPNS are recognized in earnings unless specific hedge accounting criteria are met and designated as such, except for the changes in fair values of LG&E's interest rate swaps that are recognized as regulatory assets or regulatory liabilities. See Note 7 for amounts recorded in regulatory assets and regulatory liabilities at September 30, 2019 and December 31, 2018.

See Note 1 in each Registrant's 2018 Form 10-K for additional information on accounting policies related to derivative instruments.

(PPL)

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

	September 30, 2019				December 31, 2018			
	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)	$ —	$ —	$ —	$ 5	$ —	$ —	$ —	$ 4
Cross-currency swaps (b)	7	—	—	—	6	—	—	—
Foreign currency contracts	—	—	202	3	—	—	103	2
Total current	7	—	202	8	6	—	103	6
Noncurrent:								
Price Risk Management								
Assets/Liabilities (a):								
Interest rate swaps (b)	—	—	—	20	—	—	—	16
Cross-currency swaps (b)	188	—	—	—	129	—	—	—
Foreign currency contracts	—	—	22	—	—	—	99	—
Total noncurrent	188	—	22	20	129	—	99	16
Total derivatives	$ 195	$ —	$ 224	$ 28	$ 135	$ —	$ 202	$ 22

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

(b) Excludes accrued interest, if applicable.

The following tables present the pre-tax effect of derivative instruments recognized in income, OCI or regulatory assets and regulatory liabilities for the periods ended September 30, 2019.

Derivative Relationships	Three Months Derivative Gain (Loss) Recognized in OCI	Nine Months Derivative Gain (Loss) Recognized in OCI	Location of Gain (Loss) Recognized in Income on Derivative	Three Months Gain (Loss) Reclassified from AOCI into Income	Nine Months Gain (Loss) Reclassified from AOCI into Income
Cash Flow Hedges:					
Interest rate swaps	$ (22)	$ (30)	Interest expense	$ (2)	$ (6)
Cross-currency swaps	41	69	Other income (expense) - net	27	34
Total	$ 19	$ 39		$ 25	$ 28
Net Investment Hedges:					
Foreign currency contracts	$ —	$ 1			

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	$ 44	$ 56
Interest rate swaps	Interest expense	(1)	(3)
	Total	$ 43	$ 53

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

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, 2018.

Derivative Relationships	Three Months Derivative Gain (Loss) Recognized in OCI	Nine Months Derivative Gain (Loss) Recognized in OCI	Location of Gain (Loss) Recognized in Income on Derivative	Three Months Gain (Loss) Reclassified from AOCI into Income	Nine Months Gain (Loss) Reclassified from AOCI into Income
Cash Flow Hedges:					
Interest rate swaps	$ —	$ —	Interest expense	$ (2)	$ (6)
Cross-currency swaps	27	26	Interest expense	1	1
			Other income (expense) - net	18	30
Total	$ 27	$ 26		$ 17	$ 25
Net Investment Hedges:					
Foreign currency contracts	$ —	$ 11			

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	$ 40	$ 92
Interest rate swaps	Interest expense	(1)	(4)
	Total	$ 39	$ 88

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized as Regulatory Liabilities/Assets	Three Months	Nine Months
Interest rate swaps	Regulatory assets - noncurrent	$ 2	$ 7

The following table presents the effect of cash flow hedge activity on the Statement of Income for the periods end September 30, 2019.

	Location and Amount of Gain (Loss) Recognized in Income on Hedging Relationships			
	Three Months		Nine Months	
	Interest Expense	Other Income (Expense) - net	Interest Expense	Other Income (Expense) - net
Total income and expense line items presented in the income statement in which the effect of cash flow hedges are recorded	$ 259	$ 126	$ 746	$ 309
The effects of cash flow hedges:				
Gain (Loss) on cash flow hedging relationships:				
Interest rate swaps:				
Amount of gain (loss) reclassified from AOCI to income	(2)	—	(6)	—
Cross-currency swaps:				
Hedged items	—	(27)	—	(34)
Amount of gain (loss) reclassified from AOCI to income	—	27	—	34

(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, 2019		December 31, 2018	
	Assets	Liabilities	Assets	Liabilities
Current:				
Price Risk Management				
Assets/Liabilities:				
Interest rate swaps	$ —	$ 5	$ —	$ 4
Total current	—	5	—	4
Noncurrent:				
Price Risk Management				
Assets/Liabilities:				
Interest rate swaps	—	20	—	16
Total noncurrent	—	20	—	16
Total derivatives	$ —	$ 25	$ —	$ 20

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, 2019.

Derivative Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Three Months	Nine Months
Interest rate swaps	Interest expense	$ (1)	$ (3)

Derivative Instruments	Location of Gain (Loss) Recognized in Regulatory Assets	Three Months	Nine Months
Interest rate swaps	Regulatory assets - noncurrent	$ (2)	$ (5)

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, 2018.

Derivative Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Three Months	Nine Months
Interest rate swaps	Interest expense	$ (1)	$ (4)

Derivative Instruments	Location of Gain (Loss) Recognized in Regulatory Assets	Three Months	Nine Months
Interest rate swaps	Regulatory assets - noncurrent	$ 2	$ 7

(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, 2019								
Treasury Derivatives								
PPL	$ 419	$ 3	$ 40	$ 376	$ 28	$ 3	$ —	$ 25
LKE	—	—	—	—	25	—	—	25
LG&E	—	—	—	—	25	—	—	25

	Assets				Liabilities			
		Eligible for Offset				Eligible for Offset		
	Gross	Derivative Instruments	Cash Collateral Received	Net	Gross	Derivative Instruments	Cash Collateral Pledged	Net
December 31, 2018								
Treasury Derivatives								
PPL	$ 337	$ 2	$ 40	$ 295	$ 22	$ 2	$ —	$ 20
LKE	—	—	—	—	20	—	—	20
LG&E	—	—	—	—	20	—	—	20

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, 2019, 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	$ 4	$ 4	$ 4
Aggregate fair value of collateral posted on these derivative instruments	—	—	—
Aggregate fair value of additional collateral requirements in the event of a credit downgrade below investment grade (a)	4	4	4

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

16. Asset Retirement Obligations

(PPL, LKE, LG&E and KU)

PPL's, LKE's, LG&E's and KU's ARO liabilities are primarily related to CCR closure costs. See Note 11 for information on the CCR rule. LG&E also has AROs related to natural gas mains and wells. LG&E's and KU's transmission and distribution lines largely operate under perpetual property easement agreements, which do not generally require restoration upon removal of the property. Therefore, no material AROs are recorded for transmission and distribution assets. For LKE, LG&E and KU, all ARO accretion and depreciation expenses are reclassified as a regulatory asset. ARO regulatory assets associated with certain CCR projects are amortized to expense in accordance with regulatory approvals. For other AROs, at the time of retirement, the related ARO regulatory asset is offset against the associated cost of removal regulatory liability, PP&E and ARO liability.

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

	PPL	LKE	LG&E	KU
Balance at December 31, 2018	$ 347	$ 296	$ 103	$ 193
Accretion	13	12	4	8
Effect of foreign exchange rates	(2)	—	—	—
Changes in estimated timing or cost	(5)	(2)	(2)	—
Obligations settled	(67)	(67)	(22)	(45)
Balance at September 30, 2019	$ 286	$ 239	$ 83	$ 156

17. Accumulated Other Comprehensive Income (Loss)

(PPL)

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

	Foreign currency translation adjustments	Unrealized gains (losses) on qualifying derivatives	Defined benefit plans: Prior service costs	Defined benefit plans: Actuarial gain (loss)	Total
PPL					
June 30, 2019	$ (1,616)	$ 6	$ (18)	$ (2,368)	$ (3,996)
Amounts arising during the period	(285)	16	—	(5)	(274)
Reclassifications from AOCI	—	(22)	—	20	(2)
Net OCI during the period	(285)	(6)	—	15	(276)
September 30, 2019	$ (1,901)	$ —	$ (18)	$ (2,353)	$ (4,272)

	Foreign currency translation adjustments	Unrealized gains (losses) on qualifying derivatives	Defined benefit plans: Prior service costs	Defined benefit plans: Actuarial gain (loss)	Total
December 31, 2018	$ (1,533)	$ (7)	$ (19)	$ (2,405)	$ (3,964)
Amounts arising during the period	(368)	32	—	(10)	(346)
Reclassifications from AOCI	—	(25)	1	62	38
Net OCI during the period	(368)	7	1	52	(308)
September 30, 2019	$ (1,901)	$ —	$ (18)	$ (2,353)	$ (4,272)
June 30, 2018	$ (1,223)	$ (21)	$ (7)	$ (2,244)	$ (3,495)
Amounts arising during the period	(187)	22	—	(8)	(173)
Reclassifications from AOCI	—	(14)	—	34	20
Net OCI during the period	(187)	8	—	26	(153)
September 30, 2018	$ (1,410)	$ (13)	$ (7)	$ (2,218)	$ (3,648)
December 31, 2017	$ (1,089)	$ (13)	$ (7)	$ (2,313)	$ (3,422)
Amounts arising during the period	(321)	21	(1)	(9)	(310)
Reclassifications from AOCI	—	(21)	1	104	84
Net OCI during the period	(321)	—	—	95	(226)
September 30, 2018	$ (1,410)	$ (13)	$ (7)	$ (2,218)	$ (3,648)

The following table presents PPL's gains (losses) and related income taxes for reclassifications from AOCI for the periods ended September 30.

Details about AOCI	Three Months 2019	Three Months 2018	Nine Months 2019	Nine Months 2018	Affected Line Item on the Statements of Income
Qualifying derivatives					
Interest rate swaps	$ (2)	$ (2)	$ (6)	$ (6)	Interest Expense
Cross-currency swaps	27	18	34	30	Other Income (Expense) - net
	—	1	—	1	Interest Expense
Total Pre-tax	25	17	28	25	
Income Taxes	(3)	(3)	(3)	(4)	
Total After-tax	22	14	25	21	
Defined benefit plans					
Prior service costs (a)	(1)	(1)	(2)	(2)	
Net actuarial loss (a)	(25)	(42)	(78)	(130)	
Total Pre-tax	(26)	(43)	(80)	(132)	
Income Taxes	6	9	17	27	
Total After-tax	(20)	(34)	(63)	(105)	
Total reclassifications during the period	$ 2	$ (20)	$ (38)	$ (84)	

(a) These AOCI components are included in the computation of net periodic defined benefit cost. See Note 10 for additional information.

18. New Accounting Guidance Pending Adoption

(All Registrants)

Accounting for Financial Instrument Credit Losses

In June 2016, the FASB issued accounting guidance that requires the use of a current expected credit loss (CECL) model for the measurement of credit losses on financial instruments within the scope of this guidance, which includes accounts receivable. The CECL model requires an entity to measure credit losses using historical information, current information and reasonable and supportable forecasts of future events, rather than the incurred loss impairment model required under current GAAP.

For public business entities, this guidance will be applied using a modified retrospective approach and is effective for fiscal years beginning after December 15, 2019, and interim periods within those years. The Registrants are currently assessing the impact of adopting this guidance and will adopt this standard on January 1, 2020 with a modified retrospective approach through a cumulative-effect adjustment to retained earnings at the date of adoption. Key implementation activities in process include finalizing the population of financial instruments within the scope of this guidance and identifying potential differences between the Registrants' current credit loss models and the requirements of this guidance.

Accounting for Implementation Costs in a Cloud Computing Service Arrangement

In August 2018, the FASB issued accounting guidance that requires a customer in a cloud computing hosting arrangement that is a service contract to capitalize implementation costs consistent with internal-use software guidance for non-service arrangements. Prior guidance had not addressed these implementation costs. The guidance requires these capitalized implementation costs to be amortized over the term of the hosting arrangement to the statement of income line item where the service arrangement costs are recorded. The guidance also prescribes the financial statement classification of the capitalized implementation costs and cash flows associated with the arrangement. Additional quantitative and qualitative disclosures are also required.

For public business entities, this guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. This standard must be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption.

The Registrants are currently assessing the impact of adopting this guidance and will adopt this standard prospectively as of the beginning of the period adopted, which will be January 1, 2020. Key implementation activities in process of being completed include assessing the population of cloud computing hosting arrangements in the scope of this guidance and identifying and evaluating industry issues.

(PPL, LKE, LG&E and KU)

Simplifying the Test for Goodwill Impairment

In January 2017, the FASB issued accounting guidance that simplifies the test for goodwill impairment by eliminating the second step of the quantitative test. 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. Under this new guidance, an entity will now compare the estimated fair value of a reporting unit with its carrying value and recognize an impairment charge for the amount the carrying amount exceeds the fair value of the reporting unit.

For public business entities, this guidance will be applied prospectively and is effective for annual or any interim goodwill impairment tests for fiscal years beginning after December 15, 2019. The Registrants will adopt this guidance on January 1, 2020. The Registrants are currently assessing the impact of adopting this guidance.

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, 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 individual Registrants when significant.

The following should be read in conjunction with the Registrants' Condensed Consolidated Financial Statements and the accompanying Notes and with the Registrants' 2018 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 and a discussion of important financial and operational developments.

- "Results of Operations" for all Registrants includes a "Statement of Income Analysis" which discusses significant changes in principal line items on the Statements of Income, comparing the three and nine months ended September 30, 2019 with the same periods in 2018. For PPL, "Results of Operations" also includes "Segment Earnings" and "Adjusted Gross Margins" which provide a detailed analysis of earnings by reportable segment. These discussions include non-GAAP financial measures, including "Earnings from Ongoing Operations" and "Adjusted Gross Margins" and provide explanations of the non-GAAP financial measures and a reconciliation of the non-GAAP financial measures to the most comparable GAAP measure. For PPL Electric, LKE, LG&E and KU, a summary of Earnings and Adjusted Gross Margins is also provided.

- "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.

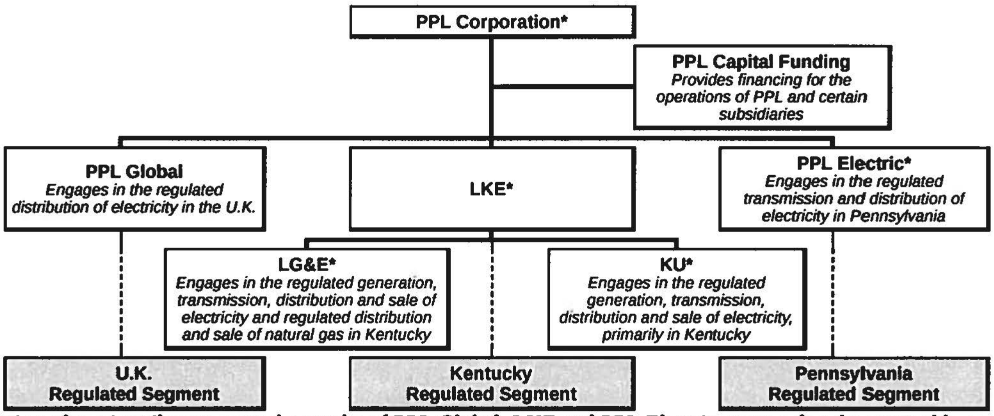
Overview

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 and Virginia; delivers natural gas to customers in Kentucky; and generates electricity from power plants in Kentucky.

PPL's principal subsidiaries are shown below (* denotes a Registrant).



PPL's reportable segments' results primarily represent the results of PPL Global, LKE and PPL Electric, except that the reportable segments are also allocated certain corporate level financing and other costs that are not included in the results of PPL Global, LKE and PPL Electric. PPL Global is not a Registrant. Unaudited annual consolidated financial statements for the U.K. Regulated segment are furnished on a Form 8-K with the SEC.

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

(PPL Electric)

PPL Electric, headquartered in Allentown, Pennsylvania, is a 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 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.

(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 separate corporate identities and serve customers in Kentucky under their respective names. KU also serves customers in Virginia under the Old Dominion Power 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 and Virginia. KU is subject to regulation as a public utility by the KPSC, the VSCC 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 Kentucky customers under the KU name and its Virginia customers under the Old Dominion Power name.

Business Strategy

(All Registrants)

PPL operates seven fully regulated, high-performing utilities. These utilities are located in the U.K., Pennsylvania and Kentucky, in constructive regulatory jurisdictions with distinct regulatory structures and customer classes. PPL believes this business portfolio positions the company well for continued success and provides earnings and dividend growth potential.

PPL's strategy, and that of the other Registrants, is to deliver best-in-sector operational performance, invest in a sustainable energy future, maintain a strong financial foundation, and engage and develop its people. PPL's business plan is designed to achieve 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 in the U.S. and RAV in the U.K. Rate base growth is being 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.

For the U.S. businesses, central to PPL's strategy is recovering 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, and 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 expenditures 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 to address the need. In Pennsylvania, the FERC transmission formula rate, DSIC mechanism, Smart Meter Rider and other recovery mechanisms operate to reduce regulatory lag and provide for timely recovery of and a return on, as appropriate, 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 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. See "Financial Condition - Risk Management" below for further information.

Earnings generated by PPL's U.K. subsidiaries are subject to foreign currency translation risk. Because WPD's earnings represent such a significant portion of PPL's consolidated earnings, PPL enters into foreign currency contracts to economically hedge the value of the GBP versus the U.S. dollar. These hedges do not receive hedge accounting treatment under GAAP. See "Financial and Operational Developments - U.K. Membership in European Union" for additional discussion of the U.K. earnings hedging activity.

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.

As discussed above, a key component of this strategy is to maintain constructive relationships with regulators in all jurisdictions in which the Registrants operate (U.K., U.S. federal and state). This is supported by a strong culture of integrity and delivering on commitments to customers, regulators and shareowners, and a commitment to continue to improve customer service, reliability and operational efficiency.

Financial and Operational Developments

U.S. Tax Reform (All Registrants)

The IRS issued proposed regulations for certain provisions of the TCJA in 2018, including interest deductibility and Global Intangible Low-Taxed Income (GILTI). In June 2019, the IRS issued both final and new proposed regulations relating to GILTI. PPL has determined that neither these final nor proposed regulations materially change PPL's current interpretation of the statutory impact of these rules on the Registrants. Proposed regulations relating to the limitation on the deductibility of interest expense were issued in November 2018 and such regulations provide detailed rules implementing the broader statutory provisions. These proposed regulations should not apply to the Registrants until the year in which the regulations are issued in final form, which is expected to be in the fourth quarter of 2019. It is uncertain what form the final regulations will take and, therefore, the Registrants cannot predict what impact the final regulations will have on the tax deductibility of interest expense. However, if the proposed regulations were issued as final in their current form, the Registrants could have a limitation on a portion of their interest expense deduction for tax purposes and such limitation could be significant. PPL expressed its views on these proposed regulations in a comment letter addressed to the IRS on February 26, 2019.

U.K. Membership in European Union (PPL)

Following a June 2016 voter referendum, on March 29, 2017, the U.K. invoked Article 50 (Article 50) of the Lisbon Treaty, formally beginning the two-year period provided by Article 50 for the U.K. to negotiate an agreement specifying the terms of its withdrawal from the European Union (EU), popularly referred to as Brexit. Any withdrawal agreement is subject to approval by the parliaments of both the U.K. and EU. In the absence of a withdrawal agreement, unless an extension of the two-year Article 50 time period were granted or the U.K. were to rescind its Article 50 notification, the U.K.'s membership in the EU would originally have terminated on March 29, 2019. On April 10, 2019, the U.K. requested an extension of the Article 50 process and the EU approved an extension until October 31, 2019. On October 28, 2019, the EU agreed to extend the Article 50 process until January 31, 2020. The U.K. Parliament subsequently approved an early general election for December 12, 2019.

Significant uncertainty continues to surround the outcome of the Brexit process. PPL believes that its greatest risk related to Brexit is an extended period of depressed value of the GBP or the potential further decline in the value of the GBP compared to the U.S. dollar, particularly if the U.K. leaves the EU without a withdrawal agreement. A decline in the value of the GBP compared to the U.S. dollar will reduce the value of WPD's earnings to PPL.

PPL has executed hedges to mitigate the foreign exchange risk to its U.K. earnings. As of September 30, 2019, PPL's foreign exchange exposure related to budgeted earnings is 100% hedged for the remainder of 2019 at an average rate of $1.45 per GBP and 70% hedged for 2020 at an average rate of $1.46 per GBP.

PPL cannot predict the impact, in either the short-term or long-term, on foreign exchange rates or PPL's financial condition that may be experienced as a result of the actions taken by the U.K. government to withdraw from the EU, although such impacts could be material.

PPL does not expect the financial condition and results of operations of WPD, itself, to change significantly as a result of Brexit. The regulatory environment and operation of WPD's businesses are not expected to change. RIIO-ED1, the current price control, with allowed revenues agreed with Ofgem runs through March 2023. The impact of a slower economy or recession on WPD would be mitigated in part because U.K. regulation provides that any reduction in the volume of electricity delivered will be recovered in allowed revenues in future periods through the K-factor adjustment. See "Item 1. Business - Segment Information - U.K. Regulated Segment" in PPL's 2018 Form 10-K for additional information on the current price control and K-factor adjustment. In addition, an increase in inflation would have a positive effect on revenues and RAV as annual inflation adjustments are applied to both revenues and RAV (and real returns are earned on inflated RAV). This impact, however, would be partially offset by higher operation and maintenance and interest expense on index-linked debt. With respect to access to financing, WPD has substantial borrowing capacity under existing credit facilities and expects to continue to have access to all major financial markets. With respect to access to and cost of equipment and other materials, WPD management continues to review U.K. government issued advice on preparations for Brexit without an approved plan of withdrawal and has taken actions to mitigate potential increasing costs and disruption to its critical sources of supply. Additionally, less than 1% of WPD's employees are non-U.K. EU nationals and no change in their domicile is expected.

Regulatory Requirements

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

(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, and ELGs. See Notes 7, 11 and 16 to the Financial Statements for a discussion of these significant environmental matters. These and other stringent environmental requirements led PPL, LKE, LG&E and KU to retire approximately 1,000 MW of coal-fired generating plants in Kentucky since 2015.

TCJA Impact on FERC Rates (All Registrants)

In November 2018, the FERC issued a Policy Statement stating that the appropriate ratemaking treatment for changes in accumulated deferred income taxes (ADIT) as a result of the TCJA would be addressed in a Notice of Proposed Rulemaking. Also in November 2018, the FERC issued the Notice of Proposed Rulemaking, which proposed that public utility transmission providers include mechanisms in their formula rates to deduct excess ADIT from, or add deficient ADIT to, rate base and adjust their income tax allowances by amortized excess or deficient ADIT. The Notice of Proposed Rulemaking did not prescribe the mechanism companies should use to adjust their formula rates.

LG&E and KU are currently assessing the Notice of Proposed Rulemaking and are continuing to monitor guidance issued by the FERC. On February 5, 2019, in connection with a separate element of federal and Kentucky state tax reform effects, LG&E and KU filed a request with the FERC to amend their transmission formula rates to incorporate reductions to corporate income tax rates as a result of the TCJA and HB 487. The FERC approved this request effective June 1, 2019. LG&E and KU do not anticipate the impact of the TCJA and HB 487 related to their FERC-jurisdictional rates to be significant.

On February 28, 2019, PPL Electric filed with the FERC proposed revisions to its transmission formula rate template pursuant to Section 205 of the Federal Power Act and Section 35.13 of the Rules and Regulations of the FERC. Specifically, PPL Electric proposed to modify its formula rate to permit the return or recovery of excess or deficient ADIT resulting from the TCJA and permit PPL Electric to prospectively account for the income tax expense associated with the depreciation of the equity component of the AFUDC. On April 29, 2019, the FERC accepted the proposed revisions to the formula rate template, which were effective June 1, 2019, as well as the proposed adjustments to ADIT, effective January 1, 2018.

Pennsylvania Alternative Ratemaking (PPL and PPL Electric)

In June 2018, Governor Tom Wolf signed into law Act 58 of 2018 (codified at 66 Pa. C.S. § 1330) authorizing public utilities to implement alternative rates and rate mechanisms in base rate proceedings before the PUC. The effective date of Act 58 was August 27, 2018. Under the new law, a public utility may file an application to establish alternative rates and rate mechanisms in a base rate proceeding. These alternative rates and rate mechanisms include, but are not limited to, decoupling mechanisms, performance-based rates, formula rates, multi-year rate plans, or a combination of those or other mechanisms.

On April 25, 2019, the PUC issued an Implementation Order adopting its interpretation and implementation of Act 58 and establishing the procedures through which utilities may seek PUC approval of alternative rates and rate mechanisms.

RIIO-ED2 Review (PPL)

In 2018, Ofgem published its decision on the overall RIIO-2 framework, which covers all U.K. gas and electricity transmission and distribution price controls, following its consultation process earlier in the year. See "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations - Overview - Financial and Operational Developments - Regulatory Requirements - RIIO-2 Framework Review," in PPL's 2018 Form 10-K for details about the decision document. Management expects significant electricity distribution network investment will be required in RIIO-ED2 to achieve the U.K.'s carbon reduction targets and that Ofgem will need to design a framework that sufficiently incentivizes delivery of those objectives.

On August 6, 2019, Ofgem published its open letter consultation officially commencing the RIIO-ED2 process. WPD and PPL have been fully engaged in the RIIO-2 process and have responded to this consultation, which closed on October 15, 2019. At this stage, PPL cannot predict the outcome of this process or the long-term impact the final RIIO-ED2 framework will have on its financial condition or results of operations. Any decision for RIIO-ED2 will not be finalized until November 2022. The RIIO-ED2 price control will come into effect on April 1, 2023.

FERC Transmission Rate Filing

(PPL, LKE, LG&E and KU)

In August 2018, LG&E and KU submitted an application to the FERC requesting elimination of certain on-going credits to a sub-set of transmission customers relating to the 1998 merger of LG&E's and KU's parent entities and the 2006 withdrawal of LG&E and KU from the Midcontinent Independent System Operator, Inc. (MISO), a regional transmission operator and energy market. The application sought termination of LG&E's and KU's commitment to provide mitigation for certain horizontal market power concerns arising out of the 1998 merger for certain transmission service between MISO and LG&E and KU. The affected transmission customers are a limited number of municipalities in Kentucky. The amounts at issue are generally waivers or credits granted to such customers for either LG&E and KU or MISO transmission charges incurred depending upon the direction of certain transmission service incurred by the municipalities. Due to the development of robust, accessible energy markets over time, LG&E and KU believe the mitigation commitments are no longer relevant or appropriate. On March 21, 2019, the FERC issued an Order granting LG&E's and KU's request to remove the on-going credits, conditioned upon the implementation by LG&E and KU of a transition mechanism for certain existing power supply arrangements, which transition mechanism will be subject to FERC review and approval. On July 12, 2019, LG&E and KU submitted their proposed transition mechanism to the FERC. On September 10, 2019, the FERC issued an order rejecting the proposed transition mechanism. On October 10, 2019, LG&E and KU filed a request for rehearing and clarification on the September order. LG&E and KU cannot predict the outcome of this proceeding. LG&E and KU currently receive recovery of waivers and credits provided through other rate mechanisms.

(PPL and PPL Electric)

In April 2019, PPL Electric filed its annual transmission formula rate update with the FERC, reflecting a revised revenue requirement, which includes the impact of the TCJA. The filing established the revenue requirement used to set rates that took effect in June 2019.

Rate Case Proceedings

(PPL, LKE, LG&E and KU)

On September 28, 2018, LG&E and KU filed requests with the KPSC for an increase in annual base electricity rates and gas rates and the elimination of the TCJA bill credit mechanism. On April 30, 2019, the KPSC issued orders eliminating the TCJA bill credit mechanism and increasing annual base electricity and gas rates providing for an annual revenue increase of $187 million ($114 million at KU and $73 million at LG&E), based on a 9.725% return-on-equity. The new base rates and all elements of the orders became effective May 1, 2019. See Note 7 to the financial statements for additional information.

(KU)

On July 12, 2019, KU filed a request with the VSCC for an increase in annual Virginia base electricity rates of approximately $13 million, representing an increase of 18.2%. KU's request is based on an authorized 10.5% return on equity. Subject to regulatory review and approval, new rates would become effective April 12, 2020.

PUC Petition to Distribute TCJA Savings

(PPL and PPL Electric)

PPL Electric submitted a petition for approval with the PUC on October 4, 2019 to distribute the tax savings of $43 million associated with the TCJA for the period between January 1, 2018 and June 30, 2018. As of September 30, 2019, these tax savings are classified as a noncurrent regulatory liability. PPL Electric has proposed that these amounts be distributed over the period of January 1, 2020 through December 31, 2020. The petition is contingent upon PUC approval.

Results of Operations

(PPL)

The "Statement of Income Analysis" discussion below describes significant changes in principal line items on PPL's Statements of Income, comparing the three and nine months ended September 30, 2019 with the same periods in 2018. The "Segment Earnings" and "Adjusted Gross Margins" discussions for PPL provide a review of results by reportable segment. These discussions include non-GAAP financial measures, including "Earnings from Ongoing Operations" and "Adjusted Gross Margins," and provide explanations of the non-GAAP financial measures and a reconciliation of those measures to the most comparable GAAP measure.

Tables analyzing changes in amounts between periods within "Statement of Income Analysis," "Segment Earnings" and "Adjusted Gross Margins" are presented on a constant GBP to U.S. dollar 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 GBP to U.S. dollar exchange rate basis are calculated by translating current year results at the prior year weighted-average GBP to U.S. dollar exchange rate.

(PPL Electric, LKE, LG&E and KU)

A "Statement of Income Analysis, Earnings and Adjusted Gross Margins" is presented separately for PPL Electric, LKE, LG&E and KU. The "Statement of Income Analysis" discussion below describes significant changes in principal line items on the Statements of Income, comparing the three and nine months ended September 30, 2019 with the same periods in 2018. The "Earnings" discussion provides a summary of earnings. The "Adjusted Gross Margins" discussion includes a reconciliation of non-GAAP financial measures to "Operating Income."

(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: Statement of Income Analysis, Segment Earnings and Adjusted Gross Margins

Statement of Income Analysis

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

	Three Months 2019	Three Months 2018	Three Months $ Change	Nine Months 2019	Nine Months 2018	Nine Months $ Change
Operating Revenues	$ 1,933	$ 1,872	$ 61	$ 5,815	$ 5,846	$ (31)
Operating Expenses						
Operation						
Fuel	194	206	(12)	556	609	(53)
Energy purchases	150	149	1	538	538	—
Other operation and maintenance	480	479	1	1,452	1,453	(1)
Depreciation	306	275	31	890	817	73
Taxes, other than income	77	77	—	232	234	(2)
Total Operating Expenses	1,207	1,186	21	3,668	3,651	17
Other Income (Expense) - net	126	106	20	309	297	12
Interest Expense	259	244	15	746	718	28
Income Taxes	118	103	15	328	362	(34)
Net Income	$ 475	$ 445	$ 30	$ 1,382	$ 1,412	$ (30)

Operating Revenues

The increase (decrease) in operating revenues for the periods ended September 30, 2019 compared with 2018 was due to:

	Three Months	Nine Months
Domestic:		
PPL Electric Distribution price (a)	$ 18	$ 20
PPL Electric PLR (b)	6	11
PPL Electric Transmission Formula Rate (c)	17	29
LKE Retail Rates (d)	42	77
LKE ECR	21	40
LKE Fuel and other energy purchase prices	(7)	(16)
LKE Municipal supply (e)	(22)	(37)
LKE Volumes (f)	9	(65)
Other	3	11
Total Domestic	87	70
U.K.:		
Price	15	66
Volume	(10)	(54)
Foreign currency exchange rates	(27)	(100)
Other	(4)	(13)
Total U.K.	(26)	(101)
Total	$ 61	$ (31)

(a) Distribution price variances were primarily due to reconcilable cost recovery mechanisms approved by the PUC.

(b) The increase for the nine months ended September 30, 2019 was primarily due to higher energy volumes partially offset by lower energy prices and lower transmission enhancement expenses.

(c) The increase for the three months ended September 30, 2019 was primarily due to increased returns on capital investments. The increase for the nine months ended September 30, 2019 was primarily due to $60 million of increased returns on capital investments partially offset by a $27 million unfavorable impact of the TCJA which reduced the revenue requirement that went into effect June 1, 2018.

(d) The higher retail rates were due to higher base rates, inclusive of the termination of the TCJA bill credit mechanism, effective May 1, 2019.

(e) The decreases were primarily due to the termination of eight supply contracts with Kentucky municipalities on April 30, 2019.

(f) The decrease for the nine months ended September 30, 2019 was primarily due to weather.

Fuel

Fuel decreased $12 million for the three months ended September 30, 2019 compared with 2018, primarily due to a $9 million decrease in commodity costs and an $8 million decrease in volumes driven by the termination of eight supply contracts with Kentucky municipalities on April 30, 2019, partially offset by a $3 million increase in volumes driven by weather in Kentucky.

Fuel decreased $53 million for the nine months ended September 30, 2019 compared with 2018, primarily due to a $22 million decrease in commodity costs, a $21 million decrease in volumes driven by weather, and a $14 million decrease in volumes driven by the termination of eight supply contracts with Kentucky municipalities on April 30, 2019 in Kentucky.

Energy Purchases

Energy purchases remained flat for the nine months ended September 30, 2019 compared with 2018, primarily due to higher PLR volumes of $28 million, partially offset by lower PLR prices of $12 million and lower transmission enhancement expenses of $8 million at PPL Electric as well as a $5 million decrease in commodity costs and a $4 million decrease in volumes due to expiration of a capacity purchase tolling agreement at LG&E.

Other Operation and Maintenance

The increase (decrease) in other operation and maintenance for the periods ended September 30, 2019 compared with 2018 was due to:

	Three Months	Nine Months
Domestic:		
LKE plant operations and maintenance	$ (7)	$ (9)
LKE gas distribution maintenance and compliance	2	6
LKE transmission credits	3	10
LKE DSM program costs	(4)	(11)
Storm Costs	(13)	(13)
Vegetation Management	6	10
Other operation and maintenance of Safari Energy (a)	5	18
Other	17	11
U.K.:		
Foreign currency exchange rates	(6)	(21)
Third-party engineering	(4)	(9)
Other	2	7
Total	$ 1	$ (1)

(a) Represents the increase for the three and nine months ended September 30. 2019 resulting from the other operation and maintenance expense of Safari Energy, which was acquired on June 1, 2018.

Depreciation

The increase (decrease) in depreciation for the periods ended September 30, 2019 compared with 2018 was due to:

	Three Months	Nine Months
Additions to PP&E, net	$ 16	$ 52
Foreign currency exchange rates	(3)	(11)
Depreciation rates (a)	20	33
Other	(2)	(1)
Total	$ 31	$ 73

(a) Higher depreciation rates were effective May 1, 2019 at LG&E and KU.

Other Income (Expense) - net

The increase (decrease) in other income (expense) - net for the periods ended September 30, 2019 compared with 2018 was due to:

	Three Months	Nine Months
Economic foreign currency exchange contracts (Note 15)	$ 4	$ (36)
Defined benefit plans - non-service credits (Note 10)	16	42
Other	—	6
Total	$ 20	$ 12

Interest Expense

The increase (decrease) in interest expense for the periods ended September 30, 2019 compared with 2018 was due to:

	Three Months	Nine Months
Long-term debt interest expense	$ 17	$ 31
Short-term debt interest expense	3	7
Foreign currency exchange rates	(5)	(17)
Other	—	7
Total	$ 15	$ 28

Income Taxes

The increase (decrease) in income taxes for the periods ended September 30, 2019 compared with 2018 was due to:

	Three Months	Nine Months
Change in pre-tax income	$ 15	$ (14)
Valuation allowances (a)	2	4
Deferred tax impact of Kentucky state tax reform (b)	—	(9)
Kentucky recycling credit, net of federal income tax expense (a)	—	(20)
Other	(2)	5
Total	$ 15	$ (34)

(a) During the second quarter of 2019, LKE recorded a deferred income tax benefit associated with two projects placed into service that prepare a generation waste material for reuse and, as a result, qualify for a Kentucky recycling credit. The applicable credit provides tax benefits for a portion of the equipment costs for major recycling projects in Kentucky, with the benefit recognized during the period in which the assets are placed into service. A valuation allowance of $3 million has been recognized related to this credit due to insufficient Kentucky taxable income projected at LKE. During the third quarter of 2019, LKE filed the Kentucky recycling credit application with the Kentucky Department of Revenue and expects a ruling in the fourth quarter of 2019.

(b) During the second quarter of 2018, LKE recorded deferred income tax expense, primarily associated with LKE's non-regulated entities, due to the Kentucky corporate income tax rate reduction from 6% to 5%, as enacted by HB 487, effective January 1, 2018.

Segment Earnings

PPL's Net Income by reportable segment for the periods ended September 30 was as follows:

	Three Months			Nine Months		
	2019	2018	$ Change	2019	2018	$ Change
U.K. Regulated	$ 236	$ 245	$ (9)	$ 784	$ 836	$ (52)
Kentucky Regulated	150	122	28	364	332	32
Pennsylvania Regulated	118	112	6	333	335	(2)
Corporate and Other (a)	(29)	(34)	5	(99)	(91)	(8)
Net Income	$ 475	$ 445	$ 30	$ 1,382	$ 1,412	$ (30)

(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.

Earnings from Ongoing Operations

Management utilizes "Earnings from Ongoing Operations" as a non-GAAP financial measure that should not be considered as an alternative to net income, 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 earnings performance as another criterion in making investment decisions. In addition, PPL's management uses Earnings from Ongoing Operations in measuring achievement of certain corporate performance goals, including targets for certain executive incentive compensation. Other companies may use different measures to present financial performance.

Earnings from Ongoing Operations is adjusted for the impact of special items. Special items are presented in the financial tables on an after-tax basis with the related income taxes on special items separately disclosed. Income taxes on special items, when applicable, are calculated based on the effective tax rate of the entity where the activity is recorded. Special items may include items such as:

- Unrealized gains or losses on foreign currency economic hedges (as discussed below).
- Gains and losses on sales of assets not in the ordinary course of business.
- Impairment charges.
- Significant workforce reduction and other restructuring effects.
- Acquisition and divestiture-related adjustments.
- Other charges or credits that are, in management's view, non-recurring or otherwise not reflective of the company's ongoing operations.

Unrealized gains or losses on foreign currency economic hedges include the changes in fair value of foreign currency contracts used to hedge GBP-denominated anticipated earnings. The changes in fair value of these contracts are recognized immediately within GAAP earnings. Management believes that excluding these amounts from Earnings from Ongoing Operations until settlement of the contracts provides a better matching of the financial impacts of those contracts with the economic value of PPL's underlying hedged earnings. See Note 15 to the Financial Statements and "Risk Management" below for additional information on foreign currency economic activity.

PPL's Earnings from Ongoing Operations by reportable segment for the periods ended September 30 were as follows:

	Three Months			Nine Months		
	2019	2018	$ Change	2019	2018	$ Change
U.K. Regulated	$ 205	$ 214	$ (9)	$ 773	$ 730	$ 43
Kentucky Regulated	150	120	30	364	339	25
Pennsylvania Regulated	118	117	1	333	340	(7)
Corporate and Other	(28)	(29)	1	(95)	(86)	(9)
Earnings from Ongoing Operations	$ 445	$ 422	$ 23	$ 1,375	$ 1,323	$ 52

See "Reconciliation of Earnings from Ongoing Operations" below for a reconciliation of this non-GAAP financial measure to Net Income.

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 GBP into U.S. dollars, and certain costs, such as U.S. income taxes, administrative costs and certain acquisition-related financing costs. The U.K. Regulated segment represents 57% of PPL's Net Income for the nine months ended September 30, 2019 and 38% of PPL's assets at September 30, 2019.

Net Income and Earnings from Ongoing Operations for the periods ended September 30 include the following results.

	Three Months			Nine Months		
	2019	2018	$ Change	2019	2018	$ Change
Operating revenues	$ 491	$ 517	$ (26)	$ 1,615	$ 1,716	$ (101)
Other operation and maintenance	125	131	(6)	376	400	(24)
Depreciation	60	61	(1)	186	186	—
Taxes, other than income	32	33	(1)	96	101	(5)
Total operating expenses	217	225	(8)	658	687	(29)
Other Income (Expense) - net	120	102	18	289	284	5
Interest Expense	110	106	4	305	310	(5)
Income Taxes	48	43	5	157	167	(10)
Net Income	236	245	(9)	784	836	(52)
Less: Special Items	31	31	—	11	106	(95)
Earnings from Ongoing Operations	$ 205	$ 214	$ (9)	$ 773	$ 730	$ 43

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 during the periods ended September 30.

		Three Months		Nine Months	
	Income Statement Line Item	2019	2018	2019	2018
Foreign currency economic hedges, net of tax of ($8), ($7), ($4), ($27) (a)	Other Income (Expense) - net	$ 31	$ 28	$ 15	$ 103
Other, net of tax of $0, $0, $1, $0 (b)	Other operation and maintenance	—	—	(4)	—
U.S. tax reform (c)	Income Taxes	—	3	—	3
Total Special Items		$ 31	$ 31	$ 11	$ 106

(a) Unrealized gains (losses) on contracts that economically hedge anticipated GBP-denominated earnings.

(b) Settlement of a contractual dispute.

(c) Adjustments to certain provisional amounts recognized in the December 31, 2017 Statement of Income related to the enactment of the TCJA.

The changes in the components of the U.K. Regulated segment's results between these periods are due to the factors set forth below, which reflect amounts classified as U.K. Adjusted 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.

	Three Months	Nine Months
U.K.		
U.K. Adjusted Gross Margins	$ 3	$ 7
Other operation and maintenance	(2)	—
Depreciation	(2)	(11)
Other Income (Expense) - net	18	57
Interest expense	(10)	(13)
Income taxes	(4)	(8)
U.S.		
Income taxes	1	2
Other	—	(1)
Foreign currency exchange, after-tax	(13)	10
Earnings from Ongoing Operations	(9)	43
Special items, after-tax	—	(95)
Net Income	$ (9)	$ (52)

U.K.

- See "Adjusted Gross Margins - Changes in Adjusted Gross Margins" for an explanation of U.K. Adjusted Gross Margins.

- Higher other income (expense) - net for the three and nine month periods primarily from higher pension income.

Kentucky Regulated Segment

The Kentucky Regulated segment consists primarily of LKE's regulated electricity generation, transmission and distribution operations conducted by LG&E and KU, as well as LG&E's regulated distribution and sale of natural gas. In addition, certain acquisition-related financing costs are allocated to the Kentucky Regulated segment. The Kentucky Regulated segment represents 26% of PPL's Net Income for the nine months ended September 30, 2019 and 35% of PPL's assets at September 30, 2019.

Net Income and Earnings from Ongoing Operations for the periods ended September 30 include the following results.

	Three Months			Nine Months		
	2019	2018	$ Change	2019	2018	$ Change
Operating revenues	$ 844	$ 802	$ 42	$ 2,421	$ 2,417	$ 4
Fuel	194	206	(12)	556	609	(53)
Energy purchases	19	22	(3)	125	135	(10)
Other operation and maintenance	205	216	(11)	627	632	(5)
Depreciation	144	119	25	402	354	48
Taxes, other than income	19	18	1	55	53	2
Total operating expenses	581	581	—	1,765	1,783	(18)
Other Income (Expense) - net	2	—	2	2	(2)	4
Interest Expense	74	69	5	222	205	17
Income Taxes	41	30	11	72	95	(23)
Net Income	150	122	28	364	332	32
Less: Special Items	—	2	(2)	—	(7)	7
Earnings from Ongoing Operations	$ 150	$ 120	$ 30	$ 364	$ 339	$ 25

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 during the periods ended September 30.

		Three Months		Nine Months	
	Income Statement Line Item	2019	2018	2019	2018
Kentucky state tax reform (a)	Income Taxes	$ —	$ —	$ —	$ (9)
U.S. tax reform (b)	Income Taxes	—	2	—	2
Total Special Items		$ —	$ 2	$ —	$ (7)

(a) During the second quarter of 2018, LKE recorded deferred income tax expense, primarily associated with LKE's non-regulated entities, due to the Kentucky corporate income tax rate reduction from 6% to 5%, as enacted by HB 487, effective January 1, 2018.

(b) Adjustments to certain provisional amounts recognized in the December 31, 2017 Statement of Income related to the enactment of the TCJA.

The changes in the components of the Kentucky Regulated segment's results between these periods are due to the factors set forth below, which reflect amounts classified as Kentucky Adjusted Gross Margins and the items that management considers special, on separate lines and not in their respective Statement of Income line items.

	Three Months	Nine Months
Kentucky Adjusted Gross Margins	$ 44	$ 42
Other operation and maintenance	10	1
Depreciation	(10)	(19)
Taxes, other than income	(2)	(2)
Other Income (Expense) - net	2	4
Interest Expense	(5)	(17)
Income Taxes	(9)	16
Earnings from Ongoing Operations	30	25
Special items, after-tax	(2)	7
Net Income	$ 28	$ 32

- See "Adjusted Gross Margins - Changes in Adjusted Gross Margins" for an explanation of Kentucky Adjusted Gross Margins.

- Lower other operation and maintenance expense for the three month period primarily due to a decrease in storm costs.

- Higher depreciation expense for the three month period primarily due to a $6 million increase related to higher depreciation rates effective May 1, 2019 and a $4 million increase related to additional assets placed into service, net of retirements.

- Higher depreciation expense for the nine month period primarily due to a $10 million increase related to higher depreciation rates effective May 1, 2019 and a $9 million increase related to additional assets placed into service, net of retirements.

- Higher interest expense for the nine month period primarily due to increased borrowings and higher interest rates.

- Higher income taxes for the three month period primarily due to the higher pre-tax income.

- Lower income taxes for the nine month period primarily due to the recording of a deferred tax benefit related to a Kentucky recycling credit.

Pennsylvania Regulated Segment

The Pennsylvania Regulated segment includes the regulated electricity transmission and distribution operations of PPL Electric. In addition, certain costs are allocated to the Pennsylvania Regulated segment. The Pennsylvania Regulated segment represents 24% of PPL's Net Income for the nine months ended September 30, 2019 and 27% of PPL's assets at September 30, 2019.

Net Income and Earnings from Ongoing Operations for the periods ended September 30 include the following results.

	Three Months			Nine Months		
	2019	2018	$ Change	2019	2018	$ Change
Operating revenues	$ 590	$ 548	$ 42	$ 1,756	$ 1,704	$ 52
Energy purchases	132	127	5	413	403	10
Other operation and maintenance	137	127	10	417	419	(2)
Depreciation	99	89	10	290	262	28
Taxes, other than income	29	27	2	84	81	3
Total operating expenses	397	370	27	1,204	1,165	39
Other Income (Expense) - net	8	9	(1)	21	23	(2)
Interest Expense	43	40	3	126	116	10
Income Taxes	40	35	5	114	111	3
Net Income	118	112	6	333	335	(2)
Less: Special Item	—	(5)	5	—	(5)	5
Earnings from Ongoing Operations	$ 118	$ 117	$ 1	$ 333	$ 340	$ (7)

The following after-tax gains (losses), which management considers special items, impacted the Pennsylvania Regulated segment's results and are excluded from Earnings from Ongoing Operations during the periods ended September 30.

		Three Months		Nine Months	
	Income Statement Line Item	2019	2018	2019	2018
IT transformation, net of tax of $0, $2, $0, $2 (a)	Other operation and maintenance	$ —	$ (5)	$ —	$ (5)
Total Special Item		$ —	$ (5)	$ —	$ (5)

(a) In June 2018, PPL EU Services' IT department announced an internal reorganization, which was substantially completed in the third quarter of 2018. As a result, $5 million of after-tax costs, which includes separation benefits as well as outside services for strategic consulting to establish the new IT organization, were incurred.

The changes in the components of the Pennsylvania Regulated segment's results between these periods are due to the factors set forth below, which reflect amounts classified as Pennsylvania Adjusted Gross Margins on a separate line and not in their respective Statement of Income line items.

	Three Months	Nine Months
Pennsylvania Adjusted Gross Margins	$ 24	$ 30
Other operation and maintenance	(10)	(5)
Depreciation	(6)	(18)
Taxes, other than income	—	(1)
Other Income (Expense) - net	(1)	(2)
Interest Expense	(3)	(10)
Income Taxes	(3)	(1)
Earnings from Ongoing Operations	1	(7)
Special Item, after tax	5	5
Net Income	$ 6	$ (2)

- See "Adjusted Gross Margins - Changes in Adjusted Gross Margins" for an explanation of Pennsylvania Adjusted Gross Margins.
- Higher other operation and maintenance expense for the three month period primarily due to a $4 million increase related to higher vegetation management costs and a $2 million increase related to higher support costs.
- Higher depreciation expense for the nine month period primarily due to additional assets placed into service, related to the ongoing efforts to ensure the reliability of the delivery system and the replacement of aging infrastructure, net of retirements.
- Higher interest expense for the nine month period primarily due to the June 2018 issuance of $400 million of 4.15% First Mortgage Bonds due 2048 and the September 2019 issuance of $400 million of 3.00% First Mortgage Bonds due 2049.

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" for the periods ended September 30.

	2019 Three Months				
	U.K. Regulated	KY Regulated	PA Regulated	Corporate and Other	Total
Net Income	$ 236	$ 150	$ 118	$ (29)	$ 475
Less: Special Items (expense) benefit:					
Foreign currency economic hedges, net of tax of ($8)	31	—	—	—	31
Talen litigation costs, net of tax of $0 (a)	—	—	—	(1)	(1)
Total Special Items	31	—	—	(1)	30
Earnings from Ongoing Operations	$ 205	$ 150	$ 118	$ (28)	$ 445

	2018 Three Months				
	U.K. Regulated	KY Regulated	PA Regulated	Corporate and Other	Total
Net Income	$ 245	$ 122	$ 112	$ (34)	$ 445
Less: Special Items (expense) benefit:					
Foreign currency economic hedges, net of tax of ($7)	28	—	—	—	28
U.S. tax reform	3	2	—	(5)	—
IT transformation, net of tax of $2	—	—	(5)	—	(5)
Total Special Items	31	2	(5)	(5)	23
Earnings from Ongoing Operations	$ 214	$ 120	$ 117	$ (29)	$ 422

	2019 Nine Months									
		U.K. Regulated		KY Regulated		PA Regulated		Corporate and Other		Total
Net Income	$	784	$	364	$	333	$	(99)	$	1,382
Less: Special Items (expense) benefit:										
Foreign currency economic hedges, net of tax of ($4)		15		—		—		—		15
Talen litigation costs, net of tax of $1 (a)		—		—		—		(4)		(4)
Other, net of tax of $1		(4)		—		—		—		(4)
Total Special Items		11		—		—		(4)		7
Earnings from Ongoing Operations	$	773	$	364	$	333	$	(95)	$	1,375

	2018 Nine Months									
		U.K. Regulated		KY Regulated		PA Regulated		Corporate and Other		Total
Net Income	$	836	$	332	$	335	$	(91)	$	1,412
Less: Special Items (expense) benefit:										
Foreign currency economic hedges, net of tax of ($27)		103		—		—		—		103
U.S. tax reform		3		2		—		(5)		—
Kentucky state tax reform		—		(9)		—		—		(9)
IT transformation, net of tax of $2		—		—		(5)		—		(5)
Total Special Items		106		(7)		(5)		(5)		89
Earnings from Ongoing Operations	$	730	$	339	$	340	$	(86)	$	1,323

(a) PPL incurred legal expenses related to litigation with its former affiliate, Talen Montana, and related cases. See Note 11 to the Financial Statements for additional information.

Adjusted Gross Margins

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

- "U.K. Adjusted 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 connection charges from National Grid, which owns and manages the electricity transmission network in England and Wales, and Ofgem license fees (recorded in "Other operation and maintenance" on the Statements 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 Adjusted 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 in "Other operation and maintenance" on the Statements of Income) are deducted from operating revenues. In addition, certain other expenses, recorded in "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 Adjusted Gross Margins" is a single financial performance measure of the electricity transmission and distribution 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, Storm Damage and Universal Service program costs), "Depreciation," (which is primarily related to the Act 129 Smart Meter program) and "Taxes, other than income," (which is primarily gross receipts tax) on the Statements of Income. 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 operations and analyze actual results compared with budget.

Changes in Adjusted Gross Margins

The following table shows Adjusted Gross Margins 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		
	2019	2018	$ Change	2019	2018	$ Change
U.K. Regulated						
U.K. Adjusted Gross Margins	$ 446	$ 467	$ (21)	$ 1,492	$ 1,578	$ (86)
Impact of changes in foreign currency exchange rates			(24)			(93)
U.K. Adjusted Gross Margins excluding impact of foreign currency exchange rates			$ 3			$ 7
Kentucky Regulated						
Kentucky Adjusted Gross Margins						
LG&E	$ 262	$ 240	$ 22	$ 720	$ 697	$ 23
KU	310	288	22	866	847	19
Total Kentucky Adjusted Gross Margins	$ 572	$ 528	$ 44	$ 1,586	$ 1,544	$ 42
Pennsylvania Regulated						
Pennsylvania Adjusted Gross Margins						
Distribution	$ 232	$ 225	$ 7	$ 696	$ 695	$ 1
Transmission	155	138	17	440	411	29
Total Pennsylvania Adjusted Gross Margins	$ 387	$ 363	$ 24	$ 1,136	$ 1,106	$ 30

U.K. Adjusted Gross Margins

U.K. Adjusted Gross Margins, excluding the impact of changes in foreign currency exchange rates, increased for the three months ended September 30, 2019 compared with 2018, primarily due to $15 million from the April 1, 2019 price increase, partially offset by $10 million of lower volumes.

U.K. Adjusted Gross Margins, excluding the impact of changes in foreign currency exchange rates, increased for the nine months ended September 30, 2019 compared with 2018, primarily due to $66 million from the April 1, 2018 and 2019 price increases, partially offset by $54 million of lower volumes.

Kentucky Adjusted Gross Margins

Kentucky Adjusted Gross Margins increased for the three months ended September 30, 2019 compared with 2018, primarily due to higher retail rates approved by the KPSC of $42 million ($15 million at LG&E and $27 million at KU), inclusive of the termination of the TCJA bill credit mechanism and $9 million of increased sales volumes primarily due to weather ($4 million at LG&E and $5 million at KU). This was partially offset by a $14 million decrease at KU primarily due to the termination of eight supply contracts with Kentucky municipalities on April 30, 2019.

Kentucky Adjusted Gross Margins increased for the nine months ended September 30, 2019 compared with 2018, primarily due to higher retail rates approved by the KPSC of $77 million ($29 million at LG&E and $48 million at KU), inclusive of the termination of the TCJA bill credit mechanism. This was partially offset by $27 million of decreased sales volumes primarily due to weather ($12 million at LG&E and $15 million at KU) and a $22 million decrease at KU primarily due to the termination of eight supply contracts with Kentucky municipalities on April 30, 2019.

Pennsylvania Adjusted Gross Margins

Distribution

Distribution Adjusted Gross Margins increased for the three months ended September 30, 2019 compared with 2018, primarily due to returns on additional distribution system improvement capital investments.

Transmission

Transmission Adjusted Gross Margins increased for the three months ended September 30, 2019 compared with 2018, primarily due to an increase from returns on additional transmission capital investments focused on replacing aging infrastructure.

Transmission Adjusted Gross Margins increased for the nine months ended September 30, 2019 compared with 2018, primarily due to an increase of $60 million from returns on additional transmission capital investments focused on replacing aging infrastructure and improving reliability, partially offset by $27 million from the impact of the reduced U.S. federal corporate income taxes as a result of the TCJA in the first five months of 2019.

Reconciliation of Adjusted Gross 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 periods ended September 30.

	2019 Three Months				
	U.K. Adjusted Gross Margins	Kentucky Adjusted Gross Margins	Pennsylvania Adjusted Gross Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 481 (c)	$ 844	$ 590	$ 18	$ 1,933
Operating Expenses					
Fuel	—	194	—	—	194
Energy purchases	—	19	132	(1)	150
Other operation and maintenance	35	25	30	390	480
Depreciation	—	33	14	259	306
Taxes, other than income	—	1	27	49	77
Total Operating Expenses	35	272	203	697	1,207
Total	$ 446	$ 572	$ 387	$ (679)	$ 726

	2018 Three Months				
	U.K. Adjusted Gross Margins	Kentucky Adjusted Gross Margins	Pennsylvania Adjusted Gross Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 508 (c)	$ 802	$ 548	$ 14	$ 1,872
Operating Expenses					
Fuel	—	206	—	—	206
Energy purchases	—	22	127	—	149
Other operation and maintenance	41	26	23	389	479
Depreciation	—	18	10	247	275
Taxes, other than income	—	2	25	50	77
Total Operating Expenses	41	274	185	686	1,186
Total	$ 467	$ 528	$ 363	$ (672)	$ 686

	2019 Nine Months				
	U.K. Adjusted Gross Margins	Kentucky Adjusted Gross Margins	Pennsylvania Adjusted Gross Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 1,586 (c)	$ 2,421	$ 1,756	$ 52	$ 5,815
Operating Expenses					
Fuel	—	556	—	—	556
Energy purchases	—	125	413	—	538
Other operation and maintenance	94	70	92	1,196	1,452
Depreciation	—	81	36	773	890
Taxes, other than income	—	3	79	150	232
Total Operating Expenses	94	835	620	2,119	3,668
Total	$ 1,492	$ 1,586	$ 1,136	$ (2,067)	$ 2,147

	2018 Nine Months				
	U.K. Adjusted Gross Margins	Kentucky Adjusted Gross Margins	Pennsylvania Adjusted Gross Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 1,687 (c)	$ 2,417	$ 1,704	$ 38	$ 5,846
Operating Expenses					
Fuel	—	609	—	—	609
Energy purchases	—	135	403	—	538
Other operation and maintenance	109	74	92	1,178	1,453
Depreciation	—	52	26	739	817
Taxes, other than income	—	3	77	154	234
Total Operating Expenses	109	873	598	2,071	3,651
Total	$ 1,578	$ 1,544	$ 1,106	$ (2,033)	$ 2,195

(a) Represents amounts excluded from Adjusted Gross Margins.

(b) As reported on the Statements of Income.

(c) Excludes ancillary revenues of $10 million and $29 million for the three and nine months ended September 30, 2019 and $8 million and $29 million for the three and nine months ended September 30, 2018.

PPL Electric: Statement of Income Analysis, Earnings and Adjusted Gross Margins

Statement of Income Analysis

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

	Three Months			Nine Months		
	2019	2018	$ Change	2019	2018	$ Change
Operating Revenues	$ 590	$ 548	$ 42	$ 1,756	$ 1,704	$ 52
Operating Expenses						
Operation						
Energy purchases	132	127	5	413	403	10
Other operation and maintenance	137	127	10	417	419	(2)
Depreciation	99	89	10	290	262	28
Taxes, other than income	29	27	2	84	81	3
Total Operating Expenses	397	370	27	1,204	1,165	39
Other Income (Expense) - net	7	5	2	18	18	—
Interest Income from Affiliate	1	4	(3)	3	5	(2)
Interest Expense	43	41	2	126	117	9
Income Taxes	40	35	5	114	111	3
Net Income	$ 118	$ 111	$ 7	$ 333	$ 334	$ (1)

Operating Revenues

The increase (decrease) in operating revenues for the periods ended September 30, 2019 compared with 2018 was due to:

	Three Months	Nine Months
Distribution price (a)	$ 18	$ 20
Distribution volume	1	(3)
PLR (b)	6	11
Transmission Formula Rate (c)	17	29
TCJA refund (d)	1	(6)
Other	(1)	1
Total	$ 42	$ 52

(a) Distribution price variances were primarily due to reconcilable cost recovery mechanisms approved by the PUC.

(b) The increase for the nine months ended September 30, 2019 was primarily due to higher energy volumes partially offset by lower energy prices and lower transmission enhancement expenses as described below.

(c) The increase for the three months ended September 30, 2019 was primarily due to increased returns on capital investments. The increase for the nine months ended September 30, 2019 was primarily due to $60 million of increased returns on capital investments partially offset by a $27 million unfavorable impact of the TCJA which reduced the revenue requirement that went into effect June 1, 2018.

(d) Represents the estimated income tax savings owed to or already returned to distribution customers related to the reduced U.S. federal corporate income taxes as a result of the TCJA. The TCJA customer refund for the period January through June 2018 was recorded as a regulatory liability during the second quarter of 2018 and the negative surcharge rate for distribution customers went into effect July 1, 2018, based on the PUC Order.

Energy Purchases

Energy purchases increased $10 million for the nine months ended September 30, 2019 compared with 2018, primarily due to higher PLR volumes of $28 million, partially offset by lower PLR prices of $12 million and lower transmission enhancement expenses of $8 million.

Other Operation and Maintenance

The decrease in other operation and maintenance for the periods ended September 30, 2019 compared with 2018 was due to:

	Three Months	Nine Months
Storm costs	$ (4)	$ (5)
Vegetation management	4	7
Support costs	2	(4)
Act 129	4	3
Act 129 Smart Meter Program	—	(3)
Contractor-related expenses	(3)	3
Other	7	(3)
Total	$ 10	$ (2)

Depreciation

Depreciation increased $10 million and $28 million for the three and nine months ended September 30, 2019 compared with 2018, primarily due to additional assets placed into service, related to the ongoing efforts to ensure the reliability of the delivery system and the replacement of aging infrastructure as well as the roll-out of the Act 129 Smart Meter program, net of retirements.

Interest Expense

Interest expense increased $9 million for the nine months ended September 30, 2019 compared with 2018, primarily due to the June 2018 issuance of $400 million of 4.15% First Mortgage Bonds due 2048 and the September 2019 issuance of $400 million of 3.00% First Mortgage Bonds due 2049.

Income Taxes

The increase (decrease) in income taxes for the periods ended September 30, 2019 compared with 2018 was due to:

	Three Months		Nine Months	
Change in pre-tax income	$	4	$	2
Other		1		1
Total	$	5	$	3

Earnings

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2019		2018		2019		2018	
Net Income	$	118	$	111	$	333	$	334
Special Item, gain (loss), after-tax (a)		—		(5)		—		(5)

(a) In June 2018, PPL EU Services' IT department announced an internal reorganization which was substantially completed in the third quarter of 2018. As a result, $5 million of after-tax costs, which includes separation benefits as well as outside services for strategic consulting to establish the new IT organization, were incurred.

Earnings increased for the three month period in 2019 compared with 2018, driven primarily by returns on additional capital investments in transmission primarily offset by higher operation and maintenance expense.

Earnings decreased for the nine month period in 2019 compared with 2018, driven primarily by year-over-year differences in the impact of reduced income taxes in rates due to U.S. tax reform, higher depreciation expense and higher interest expense, offset by returns on additional capital investments in transmission.

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

	Three Months		Nine Months	
Pennsylvania Adjusted Gross Margins	$	24	$	30
Other operation and maintenance		(10)		(5)
Depreciation		(6)		(18)
Taxes, other than income		—		(1)
Other Income (Expense) - net		(1)		(2)
Interest Expense		(2)		(9)
Income Taxes		(3)		(1)
Special Item, after tax (a)		5		5
Net Income	$	7	$	(1)

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

Adjusted Gross Margins

"Adjusted Gross 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 - Adjusted Gross Margins" for information on why management believes this measure is useful and for explanations of the underlying drivers of the changes between periods. Within PPL's discussion, PPL Electric's Adjusted Gross Margins are referred to as "Pennsylvania Adjusted 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.

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	2019 Three Months			2018 Three Months		
	Adjusted Gross Margins	Other (a)	Operating Income (b)	Adjusted Gross Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 590	$ —	$ 590	$ 548	$ —	$ 548
Operating Expenses						
Energy purchases	132	—	132	127	—	127
Other operation and maintenance	30	107	137	23	104	127
Depreciation	14	85	99	10	79	89
Taxes, other than income	27	2	29	25	2	27
Total Operating Expenses	203	194	397	185	185	370
Total	$ 387	$ (194)	$ 193	$ 363	$ (185)	$ 178

	2019 Nine Months			2018 Nine Months		
	Adjusted Gross Margins	Other (a)	Operating Income (b)	Adjusted Gross Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 1,756	$ —	$ 1,756	$ 1,704	$ —	$ 1,704
Operating Expenses						
Energy purchases	413	—	413	403	—	403
Other operation and maintenance	92	325	417	92	327	419
Depreciation	36	254	290	26	236	262
Taxes, other than income	79	5	84	77	4	81
Total Operating Expenses	620	584	1,204	598	567	1,165
Total	$ 1,136	$ (584)	$ 552	$ 1,106	$ (567)	$ 539

(a) Represents amounts excluded from Adjusted Gross Margins.

(b) As reported on the Statements of Income.

LKE: Statement of Income Analysis, Earnings and Adjusted Gross Margins

Statement of Income Analysis

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

	Three Months			Nine Months		
	2019	2018	$ Change	2019	2018	$ Change
Operating Revenues	$ 844	$ 802	$ 42	$ 2,421	$ 2,417	$ 4
Operating Expenses						
Operation						
Fuel	194	206	(12)	556	609	(53)
Energy purchases	19	22	(3)	125	135	(10)
Other operation and maintenance	205	216	(11)	627	632	(5)
Depreciation	144	119	25	402	354	48
Taxes, other than income	19	18	1	55	53	2
Total Operating Expenses	581	581	—	1,765	1,783	(18)
Other Income (Expense) - net	2	—	2	2	(2)	4
Interest Expense	57	52	5	169	154	15
Interest Expense with Affiliate	7	7	—	23	18	5
Income Taxes	43	32	11	78	102	(24)
Net Income	$ 158	$ 130	$ 28	$ 388	$ 358	$ 30

Operating Revenues

The increase (decrease) in operating revenues for the periods ended September 30, 2019 compared with 2018 was due to:

	Three Months	Nine Months
Higher retail rates (a)	$ 42	$ 77
ECR	21	40
Fuel and other energy purchase prices	(7)	(16)
Municipal supply (b)	(22)	(37)
Volumes (c)	9	(65)
Other	(1)	5
Total	$ 42	$ 4

(a) The higher retail rates were due to higher base rates, inclusive of the termination of the TCJA bill credit mechanism, effective May 1, 2019.

(b) The decreases were primarily due to the termination of eight supply contracts with Kentucky municipalities on April 30, 2019.

(c) The decrease for the nine months ended September 30, 2019 was primarily due to weather.

Fuel

Fuel decreased $12 million for the three months ended September 30, 2019 compared with 2018, primarily due to a $9 million decrease in commodity costs and an $8 million decrease in volumes driven by the termination of eight supply contracts with Kentucky municipalities on April 30, 2019, partially offset by a $3 million increase in volumes driven by weather.

Fuel decreased $53 million for the nine months ended September 30, 2019 compared with 2018, primarily due to a $22 million decrease in commodity costs, a $21 million decrease in volumes driven by weather and a $14 million decrease in volumes driven by the termination of eight supply contracts with Kentucky municipalities on April 30, 2019.

Other Operation and Maintenance

The increase (decrease) in other operation and maintenance for the periods ended September 30, 2019 compared with 2018 was due to:

	Three Months	Nine Months
DSM program costs	$ (4)	$ (11)
Plant operations and maintenance	(7)	(9)
Storm costs	(9)	(8)
Administrative and general	2	2
Vegetation management	2	3
Gas distribution maintenance and compliance	2	6
Transmission credits	3	10
Other	—	2
Total	$ (11)	$ (5)

Depreciation

Depreciation increased $25 million for the three months ended September 30, 2019 compared with 2018, primarily due to higher depreciation rates effective May 1, 2019.

Depreciation increased $48 million for the nine months ended September 30, 2019 compared with 2018, primarily due to a $33 million increase related to higher depreciation rates effective May 1, 2019 and an $11 million increase related to additional assets placed into service, net of retirements.

Income Taxes

The increase (decrease) in income taxes for the periods ended September 30, 2019 compared with 2018 was due to:

	Three Months	Nine Months
Change in pre-tax income	$ 10	$ 1
Amortization of excess deferred income tax	(2)	(3)
Kentucky state tax reform (a)	—	(9)
Kentucky recycling credit, net of federal income tax expense (b)	—	(20)
Valuation allowance adjustments (b)	—	3
Other	3	4
Total	$ 11	$ (24)

(a) During the second quarter of 2018, LKE recorded deferred income tax expense, primarily associated with LKE's non-regulated entities, due to the Kentucky corporate income tax rate reduction from 6% to 5%, as enacted by HB 487, effective January 1, 2018.

(b) During the second quarter of 2019, LKE recorded a deferred income tax benefit associated with two projects placed into service that prepare a generation waste material for reuse and, as a result, qualify for a Kentucky recycling credit. The applicable credit provides tax benefits for a portion of the equipment costs for major recycling projects in Kentucky, with the benefit recognized during the period in which the assets are placed into service. A portion of this amount has been reserved due to insufficient Kentucky taxable income projected at LKE. During the third quarter of 2019, LKE filed the Kentucky recycling credit application with the Kentucky Department of Revenue and expects a ruling in the fourth quarter of 2019.

Earnings

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net Income	$ 158	$ 130	$ 388	$ 358
Special items, gains (losses), after-tax	—	2	—	(7)

Excluding special items, earnings increased for the three month period in 2019 compared with 2018, primarily due to higher retail rates approved by the KPSC, inclusive of the termination of the TCJA bill credit mechanism, effective May 1, 2019, higher sales volumes primarily driven by weather and lower other operation and maintenance expense. This was partially offset by lower municipal supply revenues primarily due to the termination of eight supply contracts with Kentucky municipalities on April 30, 2019, higher depreciation expense and higher income taxes.

Excluding special items, earnings increased for the nine month period in 2019 compared with 2018, primarily due to higher retail rates approved by the KPSC, inclusive of the termination of the TCJA bill credit mechanism, effective May 1, 2019, lower other operation and maintenance expense and lower income taxes. This was partially offset by lower municipal supply revenues primarily due to the termination of eight supply contracts with Kentucky municipalities, lower sales volumes primarily driven by weather, higher depreciation expense and higher interest expense.

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

	Three Months	Nine Months
Adjusted Gross Margins	$ 44	$ 42
Other operation and maintenance	10	1
Depreciation	(10)	(19)
Taxes, other than income	(2)	(2)
Other Income (Expense) - net	2	4
Interest Expense	(5)	(20)
Income Taxes	(9)	17
Special items, gains (losses), after-tax (a)	(2)	7
Net Income	$ 28	$ 30

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

Adjusted Gross Margins

"Adjusted Gross 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 - Adjusted Gross Margins" for an explanation of why management believes this measure is useful and the factors underlying changes between periods. Within PPL's discussion, LKE's Adjusted Gross Margins are referred to as "Kentucky Adjusted 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.

	2019 Three Months			2018 Three Months		
	Adjusted Gross Margins	Other (a)	Operating Income (b)	Adjusted Gross Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 844	$ —	$ 844	$ 802	$ —	$ 802
Operating Expenses						
Fuel	194	—	194	206	—	206
Energy purchases	19	—	19	22	—	22
Other operation and maintenance	25	180	205	26	190	216
Depreciation	33	111	144	18	101	119
Taxes, other than income	1	18	19	2	16	18
Total Operating Expenses	272	309	581	274	307	581
Total	$ 572	$ (309)	$ 263	$ 528	$ (307)	$ 221

	2019 Nine Months			2018 Nine Months		
	Adjusted Gross Margins	Other (a)	Operating Income (b)	Adjusted Gross Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 2,421	$ —	$ 2,421	$ 2,417	$ —	$ 2,417
Operating Expenses						
Fuel	556	—	556	609	—	609
Energy purchases	125	—	125	135	—	135
Other operation and maintenance	70	557	627	74	558	632
Depreciation	81	321	402	52	302	354
Taxes, other than income	3	52	55	3	50	53
Total Operating Expenses	835	930	1,765	873	910	1,783
Total	$ 1,586	$ (930)	$ 656	$ 1,544	$ (910)	$ 634

(a) Represents amounts excluded from Adjusted Gross Margins.

(b) As reported on the Statements of Income.

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

Statement of Income Analysis

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

	Three Months			Nine Months		
	2019	2018	$ Change	2019	2018	$ Change
Operating Revenues						
Retail and wholesale	$ 380	$ 357	$ 23	$ 1,105	$ 1,095	$ 10
Electric revenue from affiliate	2	5	(3)	21	21	—
Total Operating Revenues	382	362	20	1,126	1,116	10
Operating Expenses						
Operation						
Fuel	79	83	(4)	226	234	(8)
Energy purchases	14	17	(3)	110	121	(11)
Energy purchases from affiliate	2	2	—	6	10	(4)
Other operation and maintenance	92	95	(3)	282	277	5
Depreciation	61	49	12	168	146	22
Taxes, other than income	10	9	1	29	27	2
Total Operating Expenses	258	255	3	821	815	6
Other Income (Expense) - net	—	(3)	3	(1)	(5)	4
Interest Expense	22	20	2	65	57	8
Income Taxes	22	18	4	51	51	—
Net Income	$ 80	$ 66	$ 14	$ 188	$ 188	$ —

Operating Revenues

The increase (decrease) in operating revenues for the periods ended September 30, 2019 compared with 2018 was due to:

	Three Months	Nine Months
Higher retail rates (a)	$ 15	$ 29
ECR	8	17
Fuel and other energy purchase prices	(3)	(2)
Volumes (b)	1	(35)
Other	(1)	1
Total	$ 20	$ 10

(a) The higher retail rates were due to higher base rates, inclusive of the termination of the TCJA bill credit mechanism, effective May 1, 2019.

(b) For the nine months ended September 30, 2019, the decrease was primarily due to weather.

Fuel

Fuel decreased $4 million for the three months ended September 30, 2019 compared with 2018, primarily due to a decrease in commodity costs.

Energy Purchases

Energy purchases decreased $11 million for the nine months ended September 30, 2019 compared with 2018, primarily due to a $5 million decrease in commodity costs and a $4 million decrease in volumes due to the expiration of a capacity purchase tolling agreement.

Depreciation

Depreciation increased $12 million for the three months ended September 30, 2019 compared with 2018, primarily due to higher depreciation rates effective May 1, 2019.

Depreciation increased $22 million for the nine months ended September 30, 2019 compared with 2018, primarily due to a $16 million increase related to higher depreciation rates effective May 1, 2019 and a $6 million increase related to additional assets placed into service, net of retirements.

Income Taxes

Income taxes increased $4 million for the three months ended September 30, 2019 compared with 2018 primarily due to higher pre-tax income.

Earnings

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net Income	$ 80	$ 66	$ 188	$ 188
Special items, gains (losses), after-tax (a)	—	—	—	—

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

Earnings increased for the three month period in 2019 compared with 2018, primarily due to higher retail rates approved by the KPSC, inclusive of the termination of the TCJA bill credit mechanism, effective May 1, 2019 and higher sales volumes primarily driven by weather, partially offset by higher depreciation expense and higher income taxes.

Earnings are comparable for the nine month period in 2019 compared with 2018, primarily due to higher retail rates approved by the KPSC, inclusive of the termination of the TCJA bill credit mechanism, effective May 1, 2019 offset by lower sales volumes primarily driven by weather, higher other operation and maintenance expense, higher depreciation expense and higher interest expense.

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

	Three Months	Nine Months
Adjusted Gross Margins	$ 22	$ 23
Other operation and maintenance	2	(8)
Depreciation	(4)	(8)
Taxes, other than income	(3)	(3)
Other Income (Expense) - net	3	4
Interest Expense	(2)	(8)
Income Taxes	(4)	—
Net Income	$ 14	$ —

Adjusted Gross Margins

"Adjusted Gross 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 - Adjusted Gross Margins" for an explanation of why management believes this measure is useful and the factors underlying changes between periods. Within PPL's discussion, LG&E's Adjusted Gross Margins are included in "Kentucky Adjusted 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.

	2019 Three Months			2018 Three Months		
	Adjusted Gross Margins	Other (a)	Operating Income (b)	Adjusted Gross Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 382	$ —	$ 382	$ 362	$ —	$ 362
Operating Expenses						
Fuel	79	—	79	83	—	83
Energy purchases, including affiliate	16	—	16	19	—	19
Other operation and maintenance	9	83	92	10	85	95
Depreciation	16	45	61	8	41	49
Taxes, other than income	—	10	10	2	7	9
Total Operating Expenses	120	138	258	122	133	255
Total	$ 262	$ (138)	$ 124	$ 240	$ (133)	$ 107

	2019 Nine Months			2018 Nine Months		
	Adjusted Gross Margins	Other (a)	Operating Income (b)	Adjusted Gross Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 1,126	$ —	$ 1,126	$ 1,116	$ —	$ 1,116
Operating Expenses						
Fuel	226	—	226	234	—	234
Energy purchases, including affiliate	116	—	116	131	—	131
Other operation and maintenance	26	256	282	29	248	277
Depreciation	37	131	168	23	123	146
Taxes, other than income	1	28	29	2	25	27
Total Operating Expenses	406	415	821	419	396	815
Total	$ 720	$ (415)	$ 305	$ 697	$ (396)	$ 301

(a) Represents amounts excluded from Adjusted Gross Margins.

(b) As reported on the Statements of Income.

KU: Statement of Income Analysis, Earnings and Adjusted Gross Margins

Statement of Income Analysis

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

	Three Months			Nine Months		
	2019	2018	$ Change	2019	2018	$ Change
Operating Revenues						
Retail and wholesale	$ 464	$ 445	$ 19	$ 1,316	$ 1,322	$ (6)
Electric revenue from affiliate	2	2	—	6	10	(4)
Total Operating Revenues	466	447	19	1,322	1,332	(10)
Operating Expenses						
Operation						
Fuel	115	123	(8)	330	375	(45)
Energy purchases	5	5	—	15	14	1
Energy purchases from affiliate	2	5	(3)	21	21	—
Other operation and maintenance	107	114	(7)	320	331	(11)
Depreciation	83	70	13	233	208	25
Taxes, other than income	9	9	—	26	26	—
Total Operating Expenses	321	326	(5)	945	975	(30)
Other Income (Expense) - net	4	1	3	4	1	3
Interest Expense	28	24	4	82	74	8
Income Taxes	26	21	5	62	59	3
Net Income	$ 95	$ 77	$ 18	$ 237	$ 225	$ 12

Operating Revenues

The increase (decrease) in operating revenues for the periods ended September 30, 2019 compared with 2018 was due to:

	Three Months	Nine Months
Municipal supply (a)	(22)	(37)
Volumes (b)	7	(29)
Fuel and other energy purchase prices	(4)	(16)
ECR	13	23
Higher Retail Rates (c)	27	48
Other	(2)	1
Total	$ 19	$ (10)

(a) The decreases were primarily due to the termination of eight supply contracts with Kentucky municipalities on April 30, 2019.

(b) For the nine months ended September 30, 2019, the decrease was primarily due to weather.

(c) The higher retail rates were due to higher base rates, inclusive of the termination of the TCJA bill credit mechanism, effective May 1, 2019.

Fuel

Fuel decreased $8 million for the three months ended September 30, 2019 compared with 2018, primarily due to an $8 million decrease in volumes driven by the termination of eight supply contracts with Kentucky municipalities on April 30, 2019 and a $6 million decrease in commodity costs, partially offset by a $5 million increase in volumes primarily driven by weather.

Fuel decreased $45 million for the nine months ended September 30, 2019 compared with 2018, primarily due to a $17 million decrease in volumes driven by weather, a $16 million decrease in commodity costs and a $14 million decrease in volumes driven by the termination of eight supply contracts with Kentucky municipalities on April 30, 2019.

Other Operation and Maintenance

The increase (decrease) in other operation and maintenance for the periods ended September 30, 2019 compared with 2018 was due to:

	Three Months	Nine Months
Plant operations and maintenance	$ (6)	$ (10)
DSM program costs	(2)	(5)
Storm costs	(5)	(5)
Transmission credits	2	7
Other	4	2
Total	$ (7)	$ (11)

Depreciation

Depreciation increased $13 million for the three months ended September 30, 2019 compared with 2018, primarily due to higher depreciation rates effective May 1, 2019.

Depreciation increased $25 million for the nine months ended September 30, 2019 compared with 2018, primarily due to a $17 million increase related to higher depreciation rates effective May 1, 2019 and a $5 million increase related to additional assets placed into service, net of retirements.

Income Taxes

Income taxes increased $5 million for the three months ended September 30, 2019 compared with 2018 primarily due to higher pre-tax income.

Earnings

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Net Income	$ 95	$ 77	$ 237	$ 225
Special items, gains (losses), after-tax (a)	—	—	—	—

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

Earnings increased for the three month period in 2019 compared with 2018, primarily due to higher retail rates approved by the KPSC, inclusive of the termination of the TCJA bill credit mechanism, effective May 1, 2019, higher sales volumes primarily driven by weather and lower other operation and maintenance expense, partially offset by lower municipal supply revenues primarily due to the termination of eight supply contracts with Kentucky municipalities, higher depreciation expense and higher income taxes.

Earnings increased for the nine month period in 2019 compared with 2018, primarily due to higher retail rates approved by the KPSC, inclusive of the termination of the TCJA bill credit mechanism, effective May 1, 2019, and lower other operation and maintenance expense, partially offset by lower municipal supply revenues primarily due to the termination of eight supply contracts with Kentucky municipalities, lower sales volumes primarily driven by weather, higher depreciation expense and higher interest expense.

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

	Three Months	Nine Months
Adjusted Gross Margins	$ 22	$ 19
Other operation and maintenance	7	10
Depreciation	(6)	(10)
Taxes, other than income	1	1
Other Income (Expense) - net	3	3
Interest Expense	(4)	(8)
Income Taxes	(5)	(3)
Net Income	$ 18	$ 12

Adjusted Gross Margins

"Adjusted Gross 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 - Adjusted Gross Margins" for an explanation of why management believes this measure is useful and the factors underlying changes between periods. Within PPL's discussion, KU's Adjusted Gross Margins are included in "Kentucky Adjusted 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.

	2019 Three Months			2018 Three Months		
	Adjusted Gross Margins	Other (a)	Operating Income (b)	Adjusted Gross Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 466	$ —	$ 466	$ 447	$ —	$ 447
Operating Expenses						
Fuel	115	—	115	123	—	123
Energy purchases, including affiliate	7	—	7	10	—	10
Other operation and maintenance	16	91	107	16	98	114
Depreciation	17	66	83	10	60	70
Taxes, other than income	1	8	9	—	9	9
Total Operating Expenses	156	165	321	159	167	326
Total	$ 310	$ (165)	$ 145	$ 288	$ (167)	$ 121

	2019 Nine Months			2018 Nine Months		
	Adjusted Gross Margins	Other (a)	Operating Income (b)	Adjusted Gross Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 1,322	$ —	$ 1,322	$ 1,332	$ —	$ 1,332
Operating Expenses						
Fuel	330	—	330	375	—	375
Energy purchases, including affiliate	36	—	36	35	—	35
Other operation and maintenance	44	276	320	45	286	331
Depreciation	44	189	233	29	179	208
Taxes, other than income	2	24	26	1	25	26
Total Operating Expenses	456	489	945	485	490	975
Total	$ 866	$ (489)	$ 377	$ 847	$ (490)	$ 357

(a) Represents amounts excluded from Adjusted Gross Margins.

(b) As reported on the Statements of Income.

Financial Condition

The remainder of this Item 2 in this Form 10-Q is presented on a combined basis, providing information, as applicable, for all Registrants.

Liquidity and Capital Resources

(All Registrants)

The Registrants had the following at:

	PPL (a)	PPL Electric	LKE	LG&E	KU
September 30, 2019					
Cash and cash equivalents	$ 670	$ 27	$ 30	$ 12	$ 18
Short-term debt	1,387	—	101	99	2
Long-term debt due within one year	—	—	—	—	—
Notes payable with affiliates		—	129	—	—
December 31, 2018					
Cash and cash equivalents	$ 621	$ 267	$ 24	$ 10	$ 14
Short-term debt	1,430	—	514	279	235
Long-term debt due within one year	530	—	530	434	96
Notes payable with affiliates		—	113	—	—

(a) At September 30, 2019, $279 million of cash and cash equivalents were denominated in GBP. If these amounts would be remitted as dividends, PPL would not anticipate an incremental U.S tax cost. See Note 6 to the Financial Statements in PPL's 2018 Form 10-K for additional information on undistributed earnings of WPD.

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

	PPL	PPL Electric	LKE	LG&E	KU
2019					
Operating activities	$ 1,888	$ 609	$ 813	$ 417	$ 471
Investing activities	(2,194)	(1,361)	(761)	(323)	(436)
Financing activities	363	512	(46)	(92)	(31)
2018					
Operating activities	$ 2,210	$ 650	$ 787	$ 410	$ 485
Investing activities	(2,466)	(837)	(825)	(420)	(404)
Financing activities	618	552	37	6	(78)
Change - Cash Provided (Used)					
Operating activities	$ (322)	$ (41)	$ 26	$ 7	$ (14)
Investing activities	272	(524)	64	97	(32)
Financing activities	(255)	(40)	(83)	(98)	47

Operating Activities

The components of the change in cash provided by (used in) operating activities for the nine months ended September 30, 2019 compared with 2018 were as follows.

	PPL	PPL Electric	LKE	LG&E	KU
Change - Cash Provided (Used)					
Net income	$ (30)	$ (1)	$ 30	$ —	$ 12
Non-cash components	138	19	59	24	36
Working capital	(282)	(68)	(140)	(74)	(97)
Defined benefit plan funding	3	7	92	53	50
Other operating activities	(151)	2	(15)	4	(15)
Total	$ (322)	$ (41)	$ 26	$ 7	$ (14)

(PPL)

PPL's cash provided by operating activities in 2019 decreased $322 million compared with 2018.

- Net income decreased $30 million between the periods and included an increase in non-cash charges of $138 million. The increase in non-cash charges was primarily due to a decrease in unrealized gains on hedging activities and an increase in depreciation expense (primarily due to additional assets placed into service, related to the ongoing efforts to ensure the reliability of the delivery system and the replacement of aging infrastructure, net of retirements and higher depreciation rates), partially offset by an increase in the U.K. net periodic defined benefit credits (primarily due to lower levels of unrecognized losses being amortized).

- The $282 million decrease in cash from changes in working capital was primarily due to an increase in net regulatory assets and liabilities (primarily due to the impact of the TCJA and timing of rate recovery mechanisms), an increase in unbilled revenues (primarily due to weather and higher retail rates effective May 1, 2019), a decrease in accounts payable (primarily due to timing of payments) and a decrease in other current liabilities (primarily due to timing of payments), partially offset by an increase in accrued interest (primarily due larger debt balances and timing of interest payments).

- The $151 million decrease in cash provided by other operating activities was primarily due to the $65 million transfer of excess benefits funds, in 2018, related to the favorable private letter ruling received by PPL from the IRS permitting a transfer of excess funds from the PPL Bargaining Unit Retiree Health Plan VEBA to a new subaccount within the VEBA, to be used to pay for medical claims of active bargaining unit employees, a decrease in non-current regulatory liabilities (primarily due to a $41 million TCJA liability in 2018) and an increase in ARO expenditures.

(PPL Electric)

PPL Electric's cash provided by operating activities in 2019 decreased $41 million compared with 2018.

- Net income decreased $1 million between the periods and included an increase in non-cash components of $19 million. The increase in non-cash components was primarily due to a $28 million increase in depreciation expense (primarily due to additional assets placed into service, related to the ongoing efforts to ensure reliability of the delivery system and the replacement of aging infrastructure as well as the roll-out of the Act 129 Smart Meter program), partially offset by a $7 million decrease in deferred income taxes (due to book versus tax plant timing differences and Federal net operating losses, partially offset by a book to tax timing difference related to the TCJA regulatory liability).

- The $68 million decrease in cash from changes in working capital was primarily due to an increase in unbilled revenue (primarily due to colder weather in the fourth quarter of 2017 compared with 2018), an increase in prepayments (primarily due to an increase in the 2019 gross receipts tax prepayment compared to 2018 and a 2018 state income tax overpayment to be applied to the 2019 state income tax liability), an increase in net regulatory assets and liabilities (due to timing of rate recovery mechanisms and colder weather in the fourth quarter of 2018 compared with the third quarter of 2019) and in increase in Other (primarily due to timing of payments for other current liabilities and a 2018 initiative to decrease material and supply levels), partially offset by a decrease in accounts receivable (primarily due to timing of receipts).

- Defined benefit plan funding was $7 million lower in 2019.

- The $2 million increase in cash provided by other operating activities was primarily due to a decrease in non-current regulatory liabilities (primarily due to a $41 million TCJA liability in 2018), partially offset by a decrease in non-current regulatory assets (due to timing of rate recovery mechanisms, amortization of storm costs incurred in the prior year and $22 million of storm costs incurred in 2018).

(LKE)
LKE's cash provided by operating activities in 2019 increased $26 million compared with 2018.

- Net income increased $30 million between the periods and included an increase in non-cash charges of $59 million. The increase in non-cash charges was primarily driven by an increase in depreciation expense (primarily due to higher depreciation rates and additional assets placed into service, net of retirements).
- The decrease in cash from changes in working capital was primarily driven by an increase in net regulatory assets and liabilities (primarily due to the impact of the TCJA and timing of rate recovery mechanisms), an increase in unbilled revenues (primarily due to weather and higher retail rates effective May 1, 2019) and a decrease in accounts payable (primarily due to timing of payments).
- Defined benefit plan funding was $92 million lower in 2019.
- The decrease in cash from LKE's other operating activities was primarily driven by an increase in ARO expenditures.

(LG&E)
LG&E's cash provided by operating activities in 2019 increased $7 million compared with 2018.

- Net income was consistent between the periods and included an increase in non-cash charges of $24 million. The increase in non-cash charges was primarily driven by an increase in depreciation expense (primarily due to higher depreciation rates and additional assets placed into service, net of retirements).
- The decrease in cash from changes in working capital was primarily driven by an increase in net regulatory assets and liabilities (primarily due to the impact of the TCJA and the timing of rate recovery mechanisms), an increase in unbilled revenues (primarily due to weather and higher retail rates effective May 1, 2019) and a decrease in accounts payable (primarily due to timing of payments).
- Defined benefit plan funding was $53 million lower in 2019.

(KU)
KU's cash provided by operating activities in 2019 decreased $14 million compared with 2018.

- Net income increased $12 million between the periods and included an increase in non-cash charges of $36 million. The increase in non-cash charges was primarily driven by an increase in depreciation expense (primarily due to higher depreciation rates and additional assets placed into service, net of retirements).
- The decrease in cash from changes in working capital was primarily driven by an increase in net regulatory assets and liabilities (primarily due to the impact of the TCJA and timing of rate recovery mechanisms), an increase in unbilled revenues (primarily due to weather and higher retail rates effective May 1, 2019) and a decrease in accounts payable (primarily due to timing of payments).
- Defined benefit plan funding was $50 million lower in 2019.
- The decrease in cash from KU's other operating activities was primarily driven by an increase in ARO expenditures.

Investing Activities

Expenditures for Property, Plant and Equipment (All Registrants)
Investment in PP&E is the primary investing activity of the Registrants. The changes in cash used in expenditures for PP&E for the nine months ended September 30, 2019 compared with 2018 were as follows.

	PPL	PPL Electric	LKE	LG&E	KU
Change - Cash Provided (Used)					
Expenditures for PP&E	$ 147	$ 20	$ 65	$ 97	$ (31)

For PPL, the decrease in expenditures was due to lower project expenditures at WPD, PPL Electric, LKE and LG&E, partially offset by higher project expenditures at KU. The decrease in expenditures at WPD was primarily due to a decrease in expenditures to enhance system reliability and a decrease in foreign currency exchange rates. The decrease in expenditures at PPL Electric was primarily due to timing differences on capital spending projects related to the ongoing efforts to improve reliability and replace aging infrastructure. The decrease in expenditures at LKE was primarily due to decreased spending for environmental water projects at LG&E's Mill Creek and Trimble County plants and KU's Ghent plant, offset by spending on various other projects at KU that are not individually significant.

Other Significant Changes in Components of Investing Activities (PPL Electric)

For PPL Electric, the changes in "Notes receivable with affiliates activity, net" resulted in funding of $546 million to affiliates for general corporate purposes.

Financing Activities

(All Registrants)

The components of the change in cash provided by (used in) financing activities for the nine months ended September 30, 2019 compared with 2018 were as follows.

	PPL	PPL Electric	LKE	LG&E	KU
Change - Cash Provided (Used)					
Debt issuance/retirement, net	$ 940	$ (5)	$ 414	$ 99	$ 315
Debt issuance/retirement with affiliate, net		—	(250)	—	—
Stock issuances/redemptions, net	(629)	—	—	—	—
Dividends	(47)	(5)	—	(17)	29
Capital contributions/distributions, net	—	(29)	74	(18)	23
Change in short-term debt, net	(515)	—	(473)	(157)	(316)
Notes payable with affiliate		—	161	—	—
Other financing activities	(4)	(1)	(9)	(5)	(4)
Total	$ (255)	$ (40)	$ (83)	$ (98)	$ 47

See Note 8 to the Financial Statements in this Form 10-Q for information on 2019 short-term and long-term debt activity, equity transactions and PPL dividends. See Note 8 to the Financial Statements in the Registrants' 2018 Form 10-K for information on 2018 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, 2019, the total committed borrowing capacity under credit facilities and the borrowings under these facilities were:

External

	Committed Capacity	Borrowed	Letters of Credit and Commercial Paper Issued	Unused Capacity
PPL Capital Funding Credit Facilities	$ 1,550	$ —	$ 996	$ 554
PPL Electric Credit Facility	650	—	1	649
LG&E Credit Facilities	500	—	99	401
KU Credit Facilities	400	—	2	398
Total LKE	900	—	101	799
Total U.S. Credit Facilities (a)	$ 3,100	$ —	$ 1,098	$ 2,002
Total U.K. Credit Facilities (b)	£ 1,055	£ 216	£ —	£ 840

(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 - 8%, PPL Electric - 6%, LKE - 7%, LG&E - 7% and KU - 7%.

(b) The amounts borrowed at September 30, 2019 were a USD-denominated borrowing of $200 million and GBP-denominated borrowings of £51 million which equated to $62 million. The unused capacity reflects the USD denominated borrowing amount borrowed in GBP of £164 million as of the date borrowed. At September 30, 2019, the USD equivalent of unused capacity under the U.K. committed credit facilities was $1 billion.

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

In September 2019, KU terminated its $198 million letter of credit facility in connection with the remarketing of variable rate debt to long-term mode bonds.

See Note 8 to the Financial Statements for further discussion of the Registrants' credit facilities.

Intercompany (LKE, LG&E and KU)

	Committed Capacity	Borrowed	Non-affiliate Used Capacity	Unused Capacity
LKE Credit Facility	$ 375	$ 129	$ —	$ 246
LG&E Money Pool (a)	500	—	99	401
KU Money Pool (a)	500	—	2	498

(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 aggregate short-term debt limit for each utility at $500 million from all covered sources.

See Note 12 to the Financial Statements for further discussion of intercompany credit facilities.

Commercial Paper *(All Registrants)*

PPL, PPL Electric, LG&E and KU maintain commercial paper programs to provide an additional financing source to fund short-term liquidity needs, as necessary. Commercial paper issuances, included in "Short-term debt" on the Balance Sheets, are supported by the respective Registrant's credit facility. The following commercial paper programs were in place at September 30, 2019:

	Capacity	Commercial Paper Issuances	Unused Capacity
PPL Capital Funding	$ 1,500	$ 981	$ 519
PPL Electric	650	—	650
LG&E	350	99	251
KU	350	2	348
Total LKE	700	101	599
Total PPL	$ 2,850	$ 1,082	$ 1,768

Long-term Debt *(All Registrants)*

See Note 8 to the Financial Statements for information regarding the Registrants' long-term debt activities.

(PPL)

Equity Securities Activities

ATM

In February 2018, PPL entered into an equity distribution agreement, pursuant to which PPL may sell, from time to time, up to an aggregate of $1.0 billion of its common stock through an at-the-market offering program; including a forward sales component. The compensation paid to the selling agents by PPL may be up to 2% of the gross offering proceeds of the shares. There were no issuances under the ATM program for the three and nine months ended September 30, 2019.

Common Stock Dividends
In August 2019, PPL declared a quarterly common stock dividend, payable October 1, 2019, of 41.25 cents per share (equivalent to $1.65 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.

Rating Agency Actions
(All Registrants)
Moody's and S&P 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 and S&P are not a recommendation to buy, sell or hold any securities of the Registrants or their subsidiaries. Such ratings may be subject to revisions or withdrawal by the agencies at any time and should be evaluated independently of each other and any other rating that may be assigned to the securities.

The credit ratings of the Registrants and their subsidiaries affect their liquidity, access to capital markets and cost of borrowing under their credit facilities. A downgrade in the Registrants' or their subsidiaries' credit ratings could result in higher borrowing costs and reduced access to capital markets. The Registrants and their subsidiaries have no credit rating triggers that would result in the reduction of access to capital markets or the acceleration of maturity dates of outstanding debt.
The rating agencies have taken the following actions related to the Registrants and their subsidiaries during 2019:

(PPL)

In September 2019, Moody's and S&P assigned ratings of Baa1 and A- to WPD (East Midlands) £250 million of 1.75% Senior Notes due 2031.

(PPL, LKE and LG&E)

In March 2019, Moody's and S&P assigned ratings of A1 and A to LG&E's $400 million 4.25% First Mortgage Bonds due 2049. The bonds were issued April 1, 2019.

In March 2019, Moody's and S&P assigned ratings of A1 and A to the County of Jefferson, Kentucky's $128 million 1.85% Pollution Control Revenue Bonds, 2001 Series A, due 2033, previously issued on behalf of LG&E. The bonds were remarketed April 1, 2019.

In May 2019, Moody's assigned a rating of A1, and in June 2019, S&P assigned a rating of A to the County of Jefferson, Kentucky's $31 million 1.65% Series A Environmental Facilities Revenue Refunding Bonds, due 2033, previously issued on behalf of LG&E. The bonds were remarketed June 1, 2019.

In May 2019, Moody's assigned a rating of A1, and in June 2019, S&P assigned a rating of A to the County of Jefferson, Kentucky's $35 million 1.65% Series B Environmental Facilities Revenue Refunding Bonds, due 2033, previously issued on behalf of LG&E. The bonds were remarketed June 1, 2019.

In September 2019, Moody's and S&P assigned ratings of A1 and A to the County of Jefferson, Kentucky's $40 million 1.75% Pollution Control Revenue Bonds, 2005 Series A, due 2035, previously issued on behalf of LG&E.

(PPL, LKE and KU)

In March 2019, Moody's assigned a rating of A1 and S&P assigned a rating of A to KU's $300 million 4.375% First Mortgage Bonds due 2045. The bonds were issued April 1, 2019.

In August 2019, Moody's assigned a rating of A1, and in September 2019, S&P assigned a rating of A to the County of Carroll, Kentucky's $96 million 1.55% Pollution Control Revenue Refunding Bonds, 2016 Series A (Kentucky Utilities Company Project), due 2042, previously issued on behalf of KU. The bonds were remarketed September 3, 2019.

In August 2019, Moody's assigned a rating of A1, and in September 2019, S&P lowered its rating to A to the following bonds:

- County of Carroll, Kentucky’s $50 million 1.75% Environmental Facilities Revenue Bonds, 2004 Series A due 2034;
- County of Carroll, Kentucky’s $54 million 1.20% Environmental Facilities Revenue Refunding Bonds, 2006 Series B due 2034;
- County of Carroll, Kentucky’s $78 million 1.20% Environmental Facilities Revenue Bonds, 2006 Series B due 2032;
- County of Mercer, Kentucky’s $13 million 1.30% Solid Waste Disposal Facility Revenue Bonds, 2000 Series A due 2023.

The bonds, previously issued on behalf of KU, were remarketed September 3, 2019. S&P and Moody’s lowered their ratings as a result of KU's termination of the letters of credit that previously provided credit enhancement for these bonds. See Note 8 to the Financial Statements for additional information.

(PPL and PPL Electric)

In September 2019, Moody’s and S&P assigned ratings of A1 and A to PPL Electric’s $400 million 3.00% First Mortgage Bonds due 2049.

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 15 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, 2019.

(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' 2018 Form 10-K.

Risk Management

Market Risk

(All Registrants)

See Notes 14 and 15 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 are not precise indicators of expected future losses, but are rather only indicators of possible losses under normal market conditions at a given confidence level.

Interest Rate Risk

The Registrants and their subsidiaries issue debt to finance their operations, which exposes them to interest rate risk. The Registrants and their subsidiaries utilize various financial derivative instruments to adjust the mix of fixed and floating interest rates in their debt portfolios, adjust the duration of their debt portfolios and lock in benchmark interest rates in anticipation of future financing, when appropriate. Risk limits under the risk management program are designed to balance risk exposure to volatility in interest expense and changes in the fair value of the debt portfolios due to changes in the absolute level of interest rates. In addition, the interest rate risk of certain subsidiaries is potentially mitigated as a result of the existing regulatory framework or the timing of rate cases.

The following interest rate hedges were outstanding at September 30, 2019.

	Exposure Hedged	Fair Value, Net - Asset (Liability) (a)	Effect of a 10% Adverse Movement in Rates (b)	Maturities Ranging Through
PPL				
Cash flow hedges				
Cross-currency swaps (c)	$ 702	$ 198	$ (69)	2028
Economic hedges				
Interest rate swaps (d)	147	(25)	(1)	2033
LKE				
Economic hedges				
Interest rate swaps (d)	147	(25)	(1)	2033
LG&E				
Economic hedges				
Interest rate swaps (d)	147	(25)	(1)	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 these instruments are recorded in equity and reclassified into earnings in the same period during which the item being hedged affects earnings.

(d) Realized changes in the fair value of such economic hedges are recoverable through regulated rates and any subsequent changes in the fair value of these derivatives are included in regulatory assets or regulatory liabilities.

The Registrants are exposed to a potential increase in interest expense and to changes in the fair value of their debt portfolios. The estimated impact of a 10% adverse movement in interest rates on interest expense at September 30, 2019 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, 2019 is shown below.

	10% Adverse Movement in Rates
PPL	$ 641
PPL Electric	198
LKE	198
LG&E	85
KU	104

Foreign Currency Risk (PPL)

PPL is exposed to foreign currency risk primarily through investments in and earnings of 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, 2019.

	Exposure Hedged	Fair Value, Net - Asset (Liability)	Effect of a 10% Adverse Movement in Foreign Currency Exchange Rates (a)	Maturities Ranging Through
Economic hedges (b)	£ 1,004	$ 220	$ (105)	2020

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

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

(All Registrants)
Commodity Price Risk
PPL is exposed to commodity price risk through its domestic subsidiaries as described below.

- PPL Electric is required to purchase electricity to fulfill its obligation as a PLR. Potential commodity price risk is insignificant and mitigated through its PUC-approved cost recovery mechanism and full-requirement supply agreements to serve its PLR customers which transfer the risk to energy suppliers.

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

Volumetric Risk
PPL is exposed to volumetric risk through its subsidiaries as described below.
- WPD is exposed to volumetric risk which is significantly mitigated as a result of the method of regulation in the U.K. Under the RIIO-ED1 price control regulations, recovery of such exposure occurs on a two year lag. See Note 1 in PPL's 2018 Form 10-K for additional information on revenue recognition under RIIO-ED1.

- PPL Electric, LG&E and KU are exposed to volumetric risk on retail sales, mainly due to weather and other economic conditions for which there is limited mitigation between rate cases.

Credit Risk *(All Registrants)*
See Notes 14 and 15 to the Financial Statements in this Form 10-Q and "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations - Financial Condition - Risk Management - Credit Risk" in the Registrants' 2018 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 $369 million for the nine months ended September 30, 2019, which primarily reflected a $599 million decrease to PP&E, a $114 million decrease to goodwill and a $16 million decrease to other net assets, partially offset by a $360 million decrease to long-term debt. Changes in this exchange rate resulted in a foreign currency translation loss of $330 million for the nine months ended September 30, 2018, which primarily reflected a $549 million decrease to PP&E and a $110 million decrease to goodwill, partially offset by a $319 million decrease to long-term debt and a $10 million decrease to other net liabilities. The impact of foreign currency translation is recorded in AOCI.

Related Party Transactions *(All Registrants)*
The Registrants are not aware of any material ownership interests or operating responsibility by senior management in outside partnerships, including leasing transactions with variable interest entities, or other entities doing business with the Registrants. See Note 12 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.

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

As a result of environmental requirements and energy efficiency measures, KU retired two older coal-fired electricity generating units at the E.W. Brown plant in February 2019 with a combined summer rating capacity of 272 MW. Despite the retirement of these units, LG&E and KU maintain sufficient generating capacity to serve their load.

Environmental Matters

(All Registrants)
Extensive federal, state and local environmental laws and regulations are applicable to PPL's, PPL Electric's, LKE's, LG&E's and KU's air emissions, water discharges and the management of hazardous and solid waste, as well as other aspects of the Registrants' businesses. The cost of compliance or alleged non-compliance cannot be predicted with certainty but could be significant. In addition, costs may increase significantly if the requirements or scope of environmental laws or regulations, or similar rules, are expanded or changed. Costs may take the form of increased capital expenditures or operating and maintenance expenses, monetary fines, penalties or other restrictions. Many of these environmental law considerations are also applicable to the operations of key suppliers, or customers, such as coal producers and industrial power users, and may impact the cost for their products or their demand for the Registrants' services. Increased capital and operating costs are subject to rate recovery. PPL, PPL Electric, LKE, LG&E and KU can provide no assurances as to the ultimate outcome of future environmental or rate proceedings before regulatory authorities.
See below for further discussion of the EPA's CCR Rule and Note 11 to the Financial Statements for a discussion of other significant environmental matters including Legal Matters, NAAQS, Climate Change, and ELGs. Additionally, see "Item 1. Business - Environmental Matters" in the Registrants' 2018 Form 10-K for additional information.

EPA's CCR Rule (PPL, LKE, LG&E and KU)

Over the next several years, LG&E and KU anticipate undertaking extensive measures, including significant capital expenditures, to comply with the provisions of the EPA's CCR Rule. Although LG&E and KU have identified compliance strategies and are finalizing closure plans and schedules as required by the CCR Rule, remaining regulatory uncertainties could substantially impact current plans. As a result of a judicial settlement, legislative amendments, and the EPA's review of the current program, the EPA is in the process of undertaking significant revisions to the CCR Rule. In July 2018, the EPA published certain amendments to the CCR Rule which include extending the deadline for commencement of closure of certain impoundments to October 2020. The EPA released additional proposed amendments to the rule on November 4, 2019, with further proposed amendments expected in the future. In August 2018, the D.C. Circuit Court of Appeals vacated and remanded portions of the CCR Rule, including provisions allowing unlined impoundments to continue operating and provisions exempting certain inactive impoundments from regulation. The exact impact of the judicial decision will be highly dependent on the EPA's rulemaking actions on remand and any subsequent legal challenges. LG&E and KU are evaluating the specific plan impacts of developments to date and will continue to monitor the EPA's ongoing regulatory proceedings.

In connection with the final CCR Rule, LG&E and KU recorded adjustments to existing AROs beginning in 2015 and continue to record adjustments as required. See Note 16 in this Form 10-Q and Note 19 to the Financial Statements in the Registrants' 2018 Form 10-K for additional information on AROs. LG&E and KU continue to perform technical evaluations related to their plans to close impoundments at all their generating plants. Although LG&E and KU believe their recorded liabilities appropriately reflect their obligations under current rules, changes to current compliance strategies as a result of ongoing regulatory proceedings or other developments could result in additional closure costs. It is not currently possible to determine the magnitude of any potential cost increases related to changes in compliance strategies or plans, and the timing of future cash outflows are indeterminable at this time. As rules are revised, technical evaluations are completed, and the timing and details of impoundment closures develop further on a plant by-plant basis, LG&E and KU will update their cost estimates and record any changes as necessary to their ARO liability, which could be material. These 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' 2018 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
Income Taxes	X	X	X	X	X
Regulatory Assets and Liabilities	X	X	X	X	X
Price Risk Management	X				
Goodwill Impairment	X		X	X	X
AROs	X		X	X	X
Revenue Recognition - Unbilled Revenue			X	X	X

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

The Registrants' principal executive officers and principal financial officers, based on their evaluation of the Registrants' disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Securities Exchange Act of 1934) have concluded that, as of September 30, 2019, 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 controls over financial reporting during the Registrants' third fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Registrants' internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

For information regarding legal, tax, regulatory, environmental or other administrative proceedings that became reportable events or were pending in the third quarter of 2019 see:

- "Item 3. Legal Proceedings" in each Registrant's 2018 Form 10-K; and
- Notes 6, 7 and 11 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' 2018 Form 10-K.

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)-23 are incorporated herein by reference. Exhibits indicated by a [_] are filed or listed pursuant to Item 601(b)(10)(iii) of Regulation S-K.

*1(a)	- Final Terms, dated September 5, 2019, of Western Power Distribution (East Midlands) plc £250,000,000 Fixed Rate Notes due 2031 under the £4,000,000,000 Euro Medium Term Note Programme
4(a)	- Supplemental Indenture No. 21, dated as of September 1, 2019, of PPL Electric Utilities Corporation to The Bank of New York Mellon, as Trustee (Exhibit 4(a) to PPL Corporation Form 8-K Report (File No. 1-11459) dated September 6, 2019)

Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, for the quarterly period ended September 30, 2019, 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, 2019, 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 - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL 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
104	- The Cover Page Interactive Data File is formatted as Inline XBRL and contained in Exhibits 101.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrants have duly caused this report to be signed on their behalf by the undersigned thereunto duly authorized. The signature for each undersigned company shall be deemed to relate only to matters having reference to such company or its subsidiaries.

PPL Corporation

(Registrant)

Date: November 5, 2019

/s/ Marlene C. Beers

Marlene C. Beers
Vice President and Controller
(Principal Accounting Officer)

PPL Electric Utilities Corporation

(Registrant)

Date: November 5, 2019

/s/ Stephen K. Breininger

Stephen K. Breininger
Vice President-Finance and Regulatory Affairs 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: November 5, 2019

/s/ Kent W. Blake

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

FINAL TERMS

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended or superseded) (**MiFID II**); or (ii) a customer within the meaning of Directive 2016/97/EU (as amended or superseded) (the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Regulation (EU) 2017/1129 (as amended or superseded) (the **Prospectus Regulation**). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended or superseded) (the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MIFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II, and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Prohibition of sales to consumers in Belgium: The Notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any consumer (*consument/consommateur*) within the meaning of the Belgian Code of Economic Law (*Wetboek van economisch recht/Code de droit économique*).

5 September 2019

Western Power Distribution (East Midlands) plc

Legal Entity Identifier: 549300KXFU5Q7NZE9L79

Issue of £250,000,000 Fixed Rate Notes due 2031 (the "Notes")

under the £4,000,000,000

Euro Medium Term Note Programme

PART 1 CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 12 August 2019, which constitutes a base prospectus (the **Prospectus**) for the purposes of the Prospectus Regulation (EU) 2017/1129 (as amended or superseded) (the **Prospectus Regulation**). This document constitutes the final terms of the Notes described herein (the **Final Terms**) for the purposes of Article 8 of the Prospectus Regulation and must be read in conjunction with such Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. The Prospectus is available for viewing at www.westernpower.co.uk/about-us/financial-information and during normal business hours at Avonbank, Feeder Road, Bristol BS2 0TB and copies may be obtained from Avonbank, Feeder Road, Bristol BS2 0TB. The Prospectus and (in the case of Notes listed and admitted to trading on the regulated market of the London Stock Exchange) the applicable Final Terms will also be published on the website of the London Stock Exchange: www.londonstockexchange.com/exchange/news/market-news/market-news-home.html.

1.	Issuer:	Western Power Distribution (East Midlands) plc
2.	(a) Series Number:	2019-1
	(b) Tranche Number:	1
	(c) Date on which the Notes will be consolidated and form a single Series	Not Applicable
3.	Specified Currency or Currencies:	Pound sterling (£)
4.	Aggregate Nominal Amount:	
	(a) Series:	£250,000,000
	(b) Tranche:	£250,000,000
5.	(a) Issue Price of Tranche:	98.671 per cent. of the Aggregate Nominal Amount
6.	(a) Specified Denominations:	£ 200,000 and integral multiples of £1,000 in excess thereof up to and including £299,000. No Notes in definitive form will be issued with a denomination of integral multiples above £299,000.
	(b) Calculation Amount: (Applicable to Notes in definitive form)	£1,000
7.	(a) Issue Date:	9 September 2019
	(b) Interest Commencement Date:	Issue Date
8.	Maturity Date:	9 September 2031
9.	Interest Basis:	1.750 per cent. Fixed Rate (further particulars specified below)
10.	Redemption Basis:	Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount
11.	Change of Interest Basis or Redemption/ Payment Basis:	Not Applicable
12.	Put/Call Options:	Restructuring Put Option Issuer Call (further particulars specified in paragraphs 20 and 22 below)
13.	Date approval by Committee of the Board of Directors for issuance of Notes obtained:	27 August 2019

Provisions Relating to Interest (if any) Payable

14.	**Fixed Rate Note Provisions**	Applicable
	(a) Rate of Interest:	1.750 per cent. per annum payable annually in arrear

	(b) Interest Payment Date(s):	9 September in each year up to and including the Maturity Date
	(c) Fixed Coupon Amount: (Applicable to Notes in definitive form)	£1,000 per Calculation Amount
	(d) Broken Amount(s): (Applicable to Notes in definitive form)	Not Applicable
	(e) Day Count Fraction:	Actual/Actual ICMA
	(f) Determination Date(s):	9 September in each year
15.	**Floating Rate Note Provisions**	Not Applicable
16.	**Zero Coupon Note Provisions**	Not Applicable
17.	**Index Linked Interest Note Provisions**	Not Applicable
18.	**Ratings Downgrade Rate Adjustment**	Not Applicable

Provisions Relating to Redemption

19.	**Index Linked Redemption Provisions**	Not Applicable
20.	**Issuer Call**	Applicable
	(a) Optional Redemption Date(s):	In whole at any time, on any date(s) falling on or after 9 June 2031 and prior to 9 September 2031
	(b) Optional Redemption Amount(s):	£1,000 per Calculation Amount
	(c) Redeemable in part:	Not Applicable
21.	**Investor Put**	Not Applicable
22.	**Restructuring Put Option**	Applicable (Condition 6(i) (*Redemption at the Option of the Noteholders on a Restructuring Event*) applies)
	(a) Optional Redemption Amount(s):	£1,000 per Calculation Amount
23.	Final Redemption Amount:	£1,000 per Calculation Amount
24.	Early Redemption Amount payable on redemption for taxation reasons or on event of default	£1,000 per Calculation Amount
25.	Pre-Maturity Call Option:	Applicable (Condition 6(f) (*Pre-Maturity Call Option by the Issuer*) applies)
26.	Clean-up Call Option:	Not Applicable
27.	Make-Whole Redemption	Applicable (Condition 6(e) (*Redemption at the Option of the Relevant Issuer*) applies)
	(a) Make-Whole Redemption Margin:	+0.25 per cent. per annum
	(b) Notice Period:	Refer to Condition 6(e) (*Redemption at the Option of the Relevant Issuer*)
	(c) Make-Whole Reference Bond:	UKT 4.750% 12/07/2030

(d) Reference Dealers:	Not Applicable
(e) Quotation Time:	Not Applicable
(f) Determination Date:	Not Applicable
(g) If redeemable in part:	Not Applicable

General Provisions Applicable to the Notes

28.	Form of Notes:	Bearer
		Temporary Global Note exchangeable for a permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the permanent Global Note.
	New Global Note:	Yes (NGN)
29.	Additional Financial Centre(s) or other special provisions relating to payment dates:	Not Applicable
30.	Talons for future Coupons to be attached to Definitive Notes:	No

Signed on behalf of

Western Power Distribution (East Midlands) plc

By: Ian R Williams

Part 2
OTHER INFORMATION

1. **Listing and Admission to Trading**

(a) Listing and admission to trading:	Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange's regulated market and listing on the Official List of the FCA and this is expected to be effective from 9 September 2019.
(b) Estimate of total expenses related to admission to trading:	£5,515

2. **Ratings**

Ratings:	The Notes have been rated: Baa1 by Moody's Investors Service Limited (**Moody's**); and A- by Standard & Poor's Credit Market Services Europe Limited (**S&P**). Each of Moody's and S&P is established in the European Union and registered under Regulation (EC) No. 1060/2009 (as amended).

3. **Interests of Natural and Legal Persons Involved in the Issue**

Save for any fees payable to the Managers, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer.

4. **Reasons for the Offer, Estimated Net Proceeds and Total Expenses**

(a) Reasons for the offer	See the section entitled "Use of proceeds" in the Prospectus.
(b) Estimated net proceeds:	Not Applicable
(c) Estimated total expenses:	Not Applicable

5. **Yield** (Fixed Rate Notes only)

Indication of yield:	1.875 per cent.

6. **Operational Information**

(a) ISIN:	XS2050806434
(b) Common Code:	205080643
(c) CFI:	See the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN
(d) FISN:	See the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN
(e) Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking S.A. and the relevant identification number(s):	Not Applicable

(f) Delivery:	Delivery against payment
(g) Names and addresses of additional Paying Agent(s) (if any):	Not applicable
(h) Intended to be held in a manner which would allow Eurosystem eligibility:	Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the international central securities depositories (ICSD) as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the European Central Bank (the ECB) being satisfied that Eurosystem eligibility criteria have been met.

7. Distribution

(a) Method of distribution:	Syndicated
(b) If syndicated, names and addresses of Managers):	Banco Santander, S.A. Ciudad Grupo Santander Edificio Encinar Avenida de Cantabria s/n 28660, Boadilla del Monte Madrid, Spain HSBC Bank plc 8 Canada Square London E14 5HQ United Kingdom Mizuho International plc Mizuho House 30 Old Bailey London EC4M 7AU United Kingdom RBC Europe Limited Riverbank House 2 Swan Lane London EC4R 3BF United Kingdom
(c) Stabilisation Manager(s) (if any):	Mizuho International plc
(d) U.S. Selling Restrictions:	Reg. S Compliance Category 2; TEFRA D
(e) Prohibition of Sales to EEA Retail Investors:	Applicable

Exhibit 31(a)

CERTIFICATION

I, WILLIAM H. SPENCE, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 5, 2019

/s/ William H. Spence

William H. Spence
Chairman and Chief Executive Officer
(Principal Executive Officer)
PPL Corporation

Exhibit 31(b)

CERTIFICATION

I, JOSEPH P. BERGSTEIN, JR., certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 5, 2019

/s/ Joseph P. Bergstein, Jr.

Joseph P. Bergstein, Jr.
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)
PPL Corporation

Exhibit 31(c)

CERTIFICATION

I, GREGORY N. DUDKIN, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 5, 2019

/s/ Gregory N. Dudkin

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

Exhibit 31(d)

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: November 5, 2019

/s/ Stephen K. Breininger

Stephen K. Breininger
Vice President-Finance and Regulatory Affairs and Controller
(Principal Financial Officer)
PPL Electric Utilities Corporation

Exhibit 31(e)

CERTIFICATION

I, PAUL W. THOMPSON, certify that:

1. I have reviewed this quarterly report on Form 10-Q of LG&E and KU Energy LLC (the "registrant");

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

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

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

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

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

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

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

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

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

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

Date: November 5, 2019

/s/ Paul W. Thompson

Paul W. Thompson
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: November 5, 2019

/s/ Kent W. Blake

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

Exhibit 31(g)

CERTIFICATION

I, PAUL W. THOMPSON, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Louisville Gas and Electric Company (the "registrant");

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

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

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

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

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

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

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

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

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

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

Date: November 5, 2019

/s/ Paul W. Thompson
Paul W. Thompson
Chairman of the Board, Chief Executive Officer and President
(Principal Executive Officer)
Louisville Gas and Electric Company

Exhibit 31(h)

CERTIFICATION

I, KENT W. BLAKE, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Louisville Gas and Electric Company (the "registrant");

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

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

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

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

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

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

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

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

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

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

Date: November 5, 2019

/s/ Kent W. Blake

Kent W. Blake
Chief Financial Officer
(Principal Financial Officer)
Louisville Gas and Electric Company

Exhibit 31(i)

CERTIFICATION

I, PAUL W. THOMPSON, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 5, 2019

/s/ Paul W. Thompson

Paul W. Thompson
Chairman of the Board, Chief Executive Officer and President
(Principal Executive Officer)
Kentucky Utilities Company

Exhibit 31(j)

CERTIFICATION

I, KENT W. BLAKE, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 5, 2019

/s/ Kent W. Blake

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

Exhibit 32(a)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL CORPORATION'S FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2019

In connection with the quarterly report on Form 10-Q of PPL Corporation (the "Company") for the quarter ended September 30, 2019, 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 Joseph P. Bergstein, Jr., the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 5, 2019

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

/s/ Joseph P. Bergstein, Jr.
Joseph P. Bergstein, Jr.
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, 2019

In connection with the quarterly report on Form 10-Q of PPL Electric Utilities Corporation (the "Company") for the quarter ended September 30, 2019, 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 Stephen K. Breininger, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 5, 2019

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

/s/ Stephen K. Breininger
Stephen K. Breininger
Vice President-Finance and Regulatory Affairs and Controller
(Principal Financial 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 SEPTEMBER 30, 2019

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, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Paul W. Thompson, the Principal Executive Officer of the Company, and Kent W. Blake, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 5, 2019

/s/ Paul W. Thompson

Paul W. Thompson
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)
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, 2019

In connection with the quarterly report on Form 10-Q of Louisville Gas and Electric Company (the "Company") for the quarter ended September 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Paul W. Thompson, the Principal Executive Officer of the Company, and Kent W. Blake, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

- The Covered Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

- The information contained in the Covered Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 5, 2019

/s/ Paul W. Thompson

Paul W. Thompson
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)
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 SEPTEMBER 30, 2019

In connection with the quarterly report on Form 10-Q of Kentucky Utilities Company (the "Company") for the quarter ended September 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Paul W. Thompson, the Principal Executive Officer of the Company, and Kent W. Blake, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

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

Date: November 5, 2019

/s/ Paul W. Thompson

Paul W. Thompson
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)
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.