PPL companies

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LG&E and KU Energy LLC
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Kent A. Chandler
Acting Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602-0615

November 5, 2020

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

Dear Mr Chandler:

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 the Securities and Exchange Commission ("SEC") Form 10-Q for PPL Corporation and its current and former subsidiaries for Period Ended September 30, 2020. This information is being made pursuant to Appendix C, Commitment No. 21. Also, pursuant to the Commission's Order dated March 16, 2020 for Case No. 2020-00085, specifically Ordering Paragraph No. 4, the Companies are submitting this information via e-mail to PSCED@ky.gov.

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".

Should you have any questions regarding the information filed herewith, please call me or Don Harris at 502-627-2021.

Sincerely,

Rick E. Lovekamp

Rick E. Lovekamp

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, 2020

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from _________ to ___________

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

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, 768,827,321 shares outstanding at October 31, 2020.
PPL Electric Utilities Corporation	Common stock, no par value, 66,368,056 shares outstanding and all held by PPL Corporation at October 31, 2020.
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, 2020.
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, 2020.

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, 2020

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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 (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.

2019 Form 10-K - Annual Report to the SEC on Form 10-K for the year ended December 31, 2019.

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).

Advanced Metering Infrastructure - meters and meter reading infrastructure that provide two-way communication capabilities, which communicate usage and other relevant data to LG&E and KU at regular intervals, and are also able to receive information from LG&E and KU, such as software upgrades and requests to provide meter readings in real time.

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.

COVID-19 - the disease caused by the novel coronavirus identified in 2019 that has caused a global pandemic in 2020.

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. A CPCN is required for any capital addition in excess of $100 million.

CPI - consumer price index, a measure of inflation in the U.K. published monthly by the Office for National Statistics.

CPIH - consumer price index including owner-occupiers' housing costs. An aggregate measure of changes in the cost of living in the U.K., including a measure of owner-occupiers' housing costs.

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.

DSO - Distribution System Operation in the U.K. is the effective delivery of a range of functions and services that need to happen to run an advanced electricity distribution network. These functions cover long-term network planning; operations, real-time processes and planning, and markets and settlement. This does not focus on a single party as an operator; but recognizes roles for a range of parties to deliver DSO.

DSP - Default Service Provider.

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.

IBEW - International Brotherhood of Electrical Workers

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.

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.

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.

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.

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.

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 after 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 2019 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 COVID-19 pandemic and its impact on economic conditions and financial markets;
- other pandemic health events or other catastrophic events such as fires, earthquakes, explosions, floods, droughts, tornadoes, hurricanes and other storms;
- strategic acquisitions, dispositions, or similar transactions, including the potential sale of our U.K. utility business, and our ability to consummate these business transactions or realize expected benefits from them;
- 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 withdrawal from the European Union and any responses thereto;
- the amount of WPD's pension deficit funding recovered in revenues after March 31, 2021, following the triennial pension review which began in March 2019 and is due to conclude at the end of 2020;
- 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 their 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;
- 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;
- collective labor bargaining negotiations; and
- the outcome of litigation involving the Registrants and their subsidiaries.

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

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

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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,	
	2020	2019	2020	2019
Operating Revenues	$ **1,885**	$ 1,933	$ **5,678**	$ 5,815
Operating Expenses				
Operation				
Fuel	**177**	194	**478**	556
Energy purchases	**136**	150	**470**	538
Other operation and maintenance	**483**	480	**1,446**	1,452
Depreciation	**323**	306	**959**	890
Taxes, other than income	**79**	77	**226**	232
Total Operating Expenses	**1,198**	1,207	**3,579**	3,668
Operating Income	**687**	726	**2,099**	2,147
Other Income (Expense) - net	**52**	126	**253**	309
Interest Expense	**249**	259	**750**	746
Income Before Income Taxes	**490**	593	**1,602**	1,710
Income Taxes	**209**	118	**423**	328
Net Income	$ **281**	$ 475	$ **1,179**	$ 1,382
Earnings Per Share of Common Stock:				
Net Income Available to PPL Common Shareowners:				
Basic	$ **0.37**	$ 0.66	$ **1.53**	$ 1.91
Diluted	$ **0.37**	$ 0.65	$ **1.53**	$ 1.89
Weighted-Average Shares of Common Stock Outstanding (in thousands)				
Basic	**768,786**	722,259	**768,502**	721,693
Diluted	**769,660**	731,151	**769,270**	730,677

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,	
	2020	**2019**	**2020**	**2019**
Net income	**$ 281**	$ 475	**$ 1,179**	$ 1,382
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, $1, $0	**643**	(285)	**291**	(368)
Qualifying derivatives, net of tax of $12, ($3), $4, ($7)	**(52)**	16	**(16)**	32
Defined benefit plans:				
Net actuarial gain (loss), net of tax of $5, $2, $6, $4	**(16)**	(5)	**(17)**	(10)
Reclassifications from AOCI - (gains) losses, net of tax expense (benefit):				
Qualifying derivatives, net of tax of ($12), $3, ($8), $3	**48**	(22)	**25**	(25)
Defined benefit plans:				
Prior service costs, net of tax of ($1), ($1), ($1), ($1)	**—**	—	**2**	1
Net actuarial (gain) loss, net of tax of ($12), ($5), ($35), ($16)	**52**	20	**146**	62
Total other comprehensive income (loss)	**675**	(276)	**431**	(308)
Comprehensive income	**$ 956**	$ 199	**$ 1,610**	$ 1,074

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, 2020	2019
Cash Flows from Operating Activities		
Net income	**$ 1,179**	$ 1,382
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**959**	890
Amortization	**47**	60
Defined benefit plans - (income) expense	**(155)**	(198)
Deferred income taxes and investment tax credits	**355**	257
Unrealized (gains) losses on derivatives, and other hedging activities	**98**	(18)
Stock-based compensation expense	**17**	24
Other	**(6)**	(15)
Change in current assets and current liabilities		
Accounts receivable	**(40)**	57
Accounts payable	**(35)**	(116)
Unbilled revenues	**126**	58
Fuel, materials and supplies	**(8)**	9
Prepayments	**(53)**	(53)
Regulatory assets and liabilities, net	**(44)**	(62)
Accrued interest	**86**	74
Other current liabilities	**(29)**	(94)
Other	**20**	(6)
Other operating activities		
Defined benefit plans - funding	**(264)**	(281)
Other assets	**(7)**	(24)
Other liabilities	**1**	(56)
Net cash provided by operating activities	**2,247**	1,888
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	**(2,348)**	(2,197)
Purchase of investments	**—**	(55)
Proceeds from the sale of investments	**2**	63
Other investing activities	**(12)**	(5)
Net cash used in investing activities	**(2,358)**	(2,194)
Cash Flows from Financing Activities		
Issuance of long-term debt	**1,598**	1,465
Retirement of long-term debt	**(975)**	(200)
Proceeds from project financing	**152**	—
Issuance of common stock	**32**	49
Payment of common stock dividends	**(956)**	(893)
Issuance of term loan	**300**	—
Net increase (decrease) in short-term debt	**(94)**	(34)
Other financing activities	**(24)**	(24)
Net cash provided by financing activities	**33**	363
Effect of Exchange Rates on Cash, Cash Equivalents and Restricted Cash	**11**	(10)
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	**(67)**	47
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	**836**	643
Cash, Cash Equivalents and Restricted Cash at End of Period	**$ 769**	$ 690
Supplemental Disclosures of Cash Flow Information		
Significant non-cash transactions:		
Accrued expenditures for property, plant and equipment at September 30,	**$ 279**	$ 363
Accrued expenditures for intangible assets at September 30,	**$ 86**	$ 67

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, 2020	December 31, 2019
Assets		
Current Assets		
Cash and cash equivalents	**$ 746**	$ 815
Accounts receivable (less reserve: 2020, $73; 2019, $58)		
Customer	**742**	687
Other	**88**	105
Unbilled revenues (less reserve: 2020, $3; 2019, $0)	**382**	504
Fuel, materials and supplies	**351**	332
Prepayments	**134**	79
Price risk management assets	**136**	147
Other current assets	**116**	98
Total Current Assets	**2,695**	2,767
Property, Plant and Equipment		
Regulated utility plant	**45,058**	42,709
Less: accumulated depreciation - regulated utility plant	**8,726**	8,055
Regulated utility plant, net	**36,332**	34,654
Non-regulated property, plant and equipment	**490**	357
Less: accumulated depreciation - non-regulated property, plant and equipment	**98**	109
Non-regulated property, plant and equipment, net	**392**	248
Construction work in progress	**1,596**	1,580
Property, Plant and Equipment, net	**38,320**	36,482
Other Noncurrent Assets		
Regulatory assets	**1,450**	1,492
Goodwill	**3,283**	3,198
Other intangibles	**763**	742
Pension benefit asset	**972**	464
Price risk management assets	**53**	149
Other noncurrent assets	**388**	386
Total Other Noncurrent Assets	**6,909**	6,431
Total Assets	**$ 47,924**	$ 45,680

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, 2020	December 31, 2019
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 1,368**	$ 1,151
Long-term debt due within one year	**1,525**	1,172
Accounts payable	**864**	956
Taxes	**93**	99
Interest	**385**	294
Dividends	**319**	317
Customer deposits	**298**	261
Regulatory liabilities	**90**	115
Other current liabilities	**500**	535
Total Current Liabilities	**5,442**	4,900
Long-term Debt	**21,243**	20,721
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**3,569**	3,088
Investment tax credits	**122**	124
Accrued pension obligations	**485**	587
Asset retirement obligations	**223**	212
Regulatory liabilities	**2,543**	2,572
Other deferred credits and noncurrent liabilities	**611**	485
Total Deferred Credits and Other Noncurrent Liabilities	**7,553**	7,068
Commitments and Contingent Liabilities (Notes 7 and 11)		
Equity		
Common stock - $0.01 par value (a)	**8**	8
Additional paid-in capital	**12,260**	12,214
Earnings reinvested	**5,345**	5,127
Accumulated other comprehensive loss	**(3,927)**	(4,358)
Total Equity	**13,686**	12,991
Total Liabilities and Equity	**$ 47,924**	$ 45,680

(a) 1,560,000 shares authorized; 768,797 and 767,233 shares issued and outstanding at September 30, 2020 and December 31, 2019.

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, 2020	768,783	$ 8	$ 12,255	$ 5,383	$ (4,602)	$ 13,044
Common stock issued	14		1			1
Stock-based compensation			4			4
Net income				281		281
Dividends and dividend equivalents (b)				(319)		(319)
Other comprehensive income (loss)					675	675
September 30, 2020	768,797	$ 8	$ 12,260	$ 5,345	$ (3,927)	$ 13,686
December 31, 2019	767,233	$ 8	$ 12,214	$ 5,127	$ (4,358)	$ 12,991
Common stock issued	1,564		48			48
Stock-based compensation			(2)			(2)
Net income				1,179		1,179
Dividends and dividend equivalents (b)				(959)		(959)
Other comprehensive income (loss)					431	431
Adoption of financial instrument credit losses guidance cumulative effect adjustment (Note 2), net of tax of $0				(2)		(2)
September 30, 2020	768,797	$ 8	$ 12,260	$ 5,345	$ (3,927)	$ 13,686
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

(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 $0.4150 and $1.2450 for the three and nine months ended September 30, 2020 and $0.4125 and $1.2375 for the three and nine months ended September 30, 2019.

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, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Operating Revenues	**$ 586**	$ 590	**$ 1,748**	$ 1,756
Operating Expenses				
Operation				
Energy purchases	**118**	132	**373**	413
Other operation and maintenance	**122**	137	**388**	417
Depreciation	**102**	99	**301**	290
Taxes, other than income	**30**	29	**78**	84
Total Operating Expenses	**372**	397	**1,140**	1,204
Operating Income	**214**	193	**608**	552
Other Income (Expense) - net	**7**	7	**15**	18
Interest Income from Affiliate	**1**	1	**2**	3
Interest Expense	**44**	43	**130**	126
Income Before Income Taxes	**178**	158	**495**	447
Income Taxes	**44**	40	**125**	114
Net Income (a)	**$ 134**	$ 118	**$ 370**	$ 333

(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, 2020	Nine Months Ended September 30, 2019
Cash Flows from Operating Activities		
Net income	**$ 370**	$ 333
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**301**	290
Amortization	**21**	18
Defined benefit plans - expense (income)	**(1)**	—
Deferred income taxes and investment tax credits	**68**	70
Other	**—**	(14)
Change in current assets and current liabilities		
Accounts receivable	**(35)**	34
Accounts payable	**(7)**	(46)
Unbilled revenues	**54**	28
Materials and supplies	**(23)**	(7)
Prepayments	**(30)**	(36)
Regulatory assets and liabilities, net	**(31)**	(42)
Taxes payable	**4**	(4)
Other	**(3)**	(13)
Other operating activities		
Defined benefit plans - funding	**(21)**	(21)
Other assets	**(20)**	11
Other liabilities	**9**	8
Net cash provided by operating activities	**656**	609
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	**(840)**	(815)
Expenditures for intangible assets	**(5)**	(4)
Increase in notes receivable from affiliate	**—**	(546)
Other investing activities	**1**	4
Net cash used in investing activities	**(844)**	(1,361)
Cash Flows from Financing Activities		
Issuance of long-term debt	**—**	393
Contributions from parent	**740**	400
Return of capital to parent	**(745)**	—
Payment of common stock dividends to parent	**(323)**	(276)
Net increase in short-term debt	**280**	—
Other financing activities	**—**	(5)
Net cash used in financing activities	**(48)**	**512**
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	**(236)**	(240)
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	**264**	269
Cash, Cash Equivalents and Restricted Cash at End of Period	**$ 28**	$ 29
Supplemental Disclosure of Cash Flow Information		
Significant non-cash transactions:		
Accrued expenditures for property, plant and equipment at September 30,	**$ 150**	$ 168

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, 2020	December 31, 2019
Assets		
Current Assets		
Cash and cash equivalents	**$ 26**	$ 262
Accounts receivable (less reserve: 2020, $38; 2019, $28)		
Customer	**298**	258
Other	**18**	22
Accounts receivable from affiliates	**10**	11
Unbilled revenues (less reserve: 2020, $1; 2019, $0)	**80**	134
Materials and supplies	**64**	33
Prepayments	**36**	6
Regulatory assets	**28**	26
Other current assets	**15**	9
Total Current Assets	**575**	761
Property, Plant and Equipment		
Regulated utility plant	**13,240**	12,589
Less: accumulated depreciation - regulated utility plant	**3,276**	3,078
Regulated utility plant, net	**9,964**	9,511
Construction work in progress	**635**	597
Property, Plant and Equipment, net	**10,599**	10,108
Other Noncurrent Assets		
Regulatory assets	**708**	726
Intangibles	**265**	263
Other noncurrent assets	**66**	43
Total Other Noncurrent Assets	**1,039**	1,032
Total Assets	**$ 12,213**	$ 11,901

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, 2020	December 31, 2019
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 280**	$ —
Long-term debt due within one year	**400**	—
Accounts payable	**394**	438
Accounts payable to affiliates	**39**	32
Taxes	**17**	13
Interest	**47**	41
Regulatory liabilities	**73**	96
Other current liabilities	**88**	93
Total Current Liabilities	**1,338**	713
Long-term Debt	**3,587**	3,985
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**1,539**	1,447
Accrued pension obligations	**151**	179
Regulatory liabilities	**582**	599
Other deferred credits and noncurrent liabilities	**142**	146
Total Deferred Credits and Other Noncurrent Liabilities	**2,414**	2,371
Commitments and Contingent Liabilities (Notes 7 and 11)		
Equity		
Common stock - no par value (a)	**364**	364
Additional paid-in capital	**3,553**	3,558
Earnings reinvested	**957**	910
Total Equity	**4,874**	4,832
Total Liabilities and Equity	**$ 12,213**	$ 11,901

(a) 170,000 shares authorized; 66,368 shares issued and outstanding at September 30, 2020 and December 31, 2019.

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

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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, 2020	66,368	$ 364	$ 3,553	$ 900	$ 4,817
Net income				134	134
Capital contributions from parent			485		485
Return of capital to parent			(485)		(485)
Dividends declared on common stock				(77)	(77)
September 30, 2020	66,368	$ 364	$ 3,553	$ 957	$ 4,874
December 31, 2019	66,368	$ 364	$ 3,558	$ 910	$ 4,832
Net income				370	370
Capital contributions from parent			740		740
Return of capital to parent			(745)		(745)
Dividends declared on common stock				(323)	(323)
September 30, 2020	66,368	$ 364	$ 3,553	$ 957	$ 4,874
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

(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.

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,	
	2020	**2019**	**2020**	**2019**
Operating Revenues	**$ 806**	$ 844	**$ 2,331**	$ 2,421
Operating Expenses				
Operation				
Fuel	**177**	194	**478**	556
Energy purchases	**18**	19	**97**	125
Other operation and maintenance	**205**	205	**616**	627
Depreciation	**152**	144	**452**	402
Taxes, other than income	**21**	19	**57**	55
Total Operating Expenses	**573**	581	**1,700**	1,765
Operating Income	**233**	263	**631**	656
Other Income (Expense) - net	**1**	2	**3**	2
Interest Expense	**56**	57	**172**	169
Interest Expense with Affiliate	**10**	7	**25**	23
Income Before Income Taxes	**168**	201	**437**	466
Income Taxes	**31**	43	**82**	78
Net Income (a)	**$ 137**	$ 158	**$ 355**	$ 388

(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 COMPREHENSIVE INCOME
LG&E and KU Energy LLC and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	**2019**	**2020**	**2019**
Net income	**$ 137**	$ 158	**$ 355**	$ 388
Other comprehensive income (loss):				
Amounts arising during the period - gains (losses), net of tax (expense) benefit:				
Defined benefit plans:				
Net actuarial gain (loss), net of tax of $3, $0, $3, $0	**(8)**	—	**(9)**	(2)
Reclassifications from AOCI - (gains) losses, net of tax expense (benefit):				
Defined benefit plans:				
Prior service costs, net of tax of $0, $0, $0, $0	**—**	—	**1**	1
Net actuarial (gain) loss, net of tax of $2, $0, $3, $0	**5**	—	**7**	(1)
Total other comprehensive income (loss)	**(3)**	—	**(1)**	(2)
Comprehensive income	**$ 134**	$ 158	**$ 354**	$ 386

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, 2020	Nine Months Ended September 30, 2019
Cash Flows from Operating Activities		
Net income	**$ 355**	$ 388
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**452**	402
Amortization	**14**	20
Defined benefit plans - expense	**11**	9
Deferred income taxes and investment tax credits	**58**	78
Other	**(1)**	(2)
Change in current assets and current liabilities		
Accounts receivable	**(8)**	13
Accounts payable	**(20)**	(34)
Accounts payable to affiliates	**7**	6
Unbilled revenues	**37**	5
Fuel, materials and supplies	**21**	16
Regulatory assets and liabilities, net	**(15)**	(19)
Taxes payable	**—**	(7)
Accrued interest	**42**	57
Other	**(32)**	(31)
Other operating activities		
Defined benefit plans - funding	**(28)**	(34)
Expenditures for asset retirement obligations	**(59)**	(67)
Other assets	**(2)**	(4)
Other liabilities	**40**	17
Net cash provided by operating activities	**872**	813
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	**(710)**	(761)
Other investing activities	**3**	—
Net cash used in investing activities	**(707)**	(761)
Cash Flows from Financing Activities		
Net increase in notes payable with affiliate	**3**	16
Issuance of long-term debt with affiliate	**550**	—
Issuance of long-term debt	**498**	705
Retirement of long-term debt	**(975)**	(200)
Acquisition of outstanding bonds	**—**	(40)
Remarketing of reacquired bonds	**—**	40
Net decrease in short-term debt	**(43)**	(413)
Distributions to member	**(194)**	(206)
Contributions from member	**—**	63
Other financing activities	**(6)**	(11)
Net cash used in financing activities	**(167)**	(46)
Net Increase (Decrease) in Cash and Cash Equivalents	**(2)**	6
Cash and Cash Equivalents at Beginning of Period	**27**	24
Cash and Cash Equivalents at End of Period	**$ 25**	$ 30
Supplemental Disclosure of Cash Flow Information		
Significant non-cash transactions:		
Accrued expenditures for property, plant and equipment at September 30,	**$ 78**	$ 107

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, 2020	December 31, 2019
Assets		
Current Assets		
Cash and cash equivalents	**$ 25**	$ 27
Accounts receivable (less reserve: 2020, $30; 2019, $28)		
Customer	**269**	260
Other	**63**	71
Unbilled revenues (less reserve: 2020, $1; 2019, $0)	**127**	164
Fuel, materials and supplies	**230**	250
Prepayments	**34**	30
Regulatory assets	**54**	41
Other current assets	**1**	2
Total Current Assets	**803**	845
Property, Plant and Equipment		
Regulated utility plant	**15,259**	14,646
Less: accumulated depreciation - regulated utility plant	**2,627**	2,356
Regulated utility plant, net	**12,632**	12,290
Construction work in progress	**735**	794
Property, Plant and Equipment, net	**13,367**	13,084
Other Noncurrent Assets		
Regulatory assets	**742**	766
Goodwill	**996**	996
Other intangibles	**63**	69
Other noncurrent assets	**117**	171
Total Other Noncurrent Assets	**1,918**	2,002
Total Assets	**$ 16,088**	$ 15,931

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, 2020	December 31, 2019
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 345**	$ 388
Long-term debt due within one year	**424**	975
Notes payable with affiliates	**153**	150
Accounts payable	**253**	316
Accounts payable to affiliates	**18**	11
Customer deposits	**64**	62
Taxes	**58**	58
Price risk management liabilities	**2**	4
Regulatory liabilities	**17**	19
Interest	**82**	40
Asset retirement obligations	**44**	70
Other current liabilities	**134**	153
Total Current Liabilities	**1,594**	2,246
Long-term Debt		
Long-term debt	**4,449**	4,377
Long-term debt to affiliate	**1,200**	650
Total Long-term Debt	**5,649**	5,027
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**1,156**	1,069
Investment tax credits	**122**	124
Price risk management liabilities	**24**	17
Accrued pension obligations	**163**	233
Asset retirement obligations	**163**	145
Regulatory liabilities	**1,961**	1,973
Other deferred credits and noncurrent liabilities	**154**	155
Total Deferred Credits and Other Noncurrent Liabilities	**3,743**	3,716
Commitments and Contingent Liabilities (Notes 7 and 11)		
Member's Equity	**5,102**	4,942
Total Liabilities and Equity	**$ 16,088**	$ 15,931

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, 2020	$ 5,022
Net income	137
Distributions to member	(54)
Other comprehensive income (loss)	(3)
September 30, 2020	$ 5,102
December 31, 2019	$ 4,942
Net income	355
Distributions to member	(194)
Other comprehensive income (loss)	(1)
September 30, 2020	$ 5,102
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	(2)
September 30, 2019	$ 4,966

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, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Operating Revenues				
Retail and wholesale	**$ 362**	$ 380	**$ 1,075**	$ 1,105
Electric revenue from affiliate	**1**	2	**17**	21
Total Operating Revenues	**363**	382	**1,092**	1,126
Operating Expenses				
Operation				
Fuel	**64**	79	**188**	226
Energy purchases	**13**	14	**83**	110
Energy purchases from affiliate	**8**	2	**16**	6
Other operation and maintenance	**93**	92	**277**	282
Depreciation	**64**	61	**193**	168
Taxes, other than income	**11**	10	**30**	29
Total Operating Expenses	**253**	258	**787**	821
Operating Income	**110**	124	**305**	305
Other Income (Expense) - net	**(1)**	—	**(1)**	(1)
Interest Expense	**22**	22	**66**	65
Income Before Income Taxes	**87**	102	**238**	239
Income Taxes	**16**	22	**47**	51
Net Income (a)	**$ 71**	$ 80	**$ 191**	$ 188

(a) Net income equals comprehensive income.

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

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

	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Cash Flows from Operating Activities		
Net income	**$ 191**	$ 188
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**193**	168
Amortization	**6**	13
Defined benefit plans - expense	**2**	—
Deferred income taxes and investment tax credits	**1**	45
Other	**—**	2
Change in current assets and current liabilities		
Accounts receivable	**6**	13
Accounts receivable from affiliates	**7**	9
Accounts payable	**(23)**	(10)
Accounts payable to affiliates	**(8)**	(5)
Unbilled revenues	**22**	4
Fuel, materials and supplies	**9**	7
Regulatory assets and liabilities, net	**5**	(5)
Taxes payable	**(1)**	—
Accrued interest	**18**	22
Other	**(13)**	(15)
Other operating activities		
Defined benefit plans - funding	**(6)**	(6)
Expenditures for asset retirement obligations	**(12)**	(22)
Other assets	**(1)**	(1)
Other liabilities	**23**	10
Net cash provided by operating activities	**419**	417
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	**(329)**	(323)
Net cash used in investing activities	**(329)**	(323)
Cash Flows from Financing Activities		
Issuance of long-term debt	**—**	399
Retirement of long-term debt	**—**	(200)
Acquisition of outstanding bonds	**—**	(40)
Remarketing of reacquired bonds	**—**	40
Net decrease in short-term debt	**(32)**	(180)
Payment of common stock dividends to parent	**(115)**	(130)
Contributions from parent	**53**	25
Other financing activities	**(1)**	(6)
Net cash used in financing activities	**(95)**	(92)
Net Increase (Decrease) in Cash and Cash Equivalents	**(5)**	2
Cash and Cash Equivalents at Beginning of Period	**15**	10
Cash and Cash Equivalents at End of Period	**$ 10**	$ 12
Supplemental Disclosure of Cash Flow Information		
Significant non-cash transactions:		
Accrued expenditures for property, plant and equipment at September 30,	**$ 43**	$ 53

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

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CONDENSED BALANCE SHEETS
Louisville Gas and Electric Company

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

	September 30, 2020	December 31, 2019
Assets		
Current Assets		
Cash and cash equivalents	$ **10**	$ 15
Accounts receivable (less reserve: 2020, $2; 2019, $1)		
Customer	**118**	121
Other	**31**	41
Unbilled revenues (less reserve: 2020, $0; 2019, $0)	**54**	76
Accounts receivable from affiliates	**12**	18
Fuel, materials and supplies	**113**	122
Prepayments	**16**	14
Regulatory assets	**23**	25
Other current assets	**2**	1
Total Current Assets	**379**	433
Property, Plant and Equipment		
Regulated utility plant	**6,571**	6,372
Less: accumulated depreciation - regulated utility plant	**978**	846
Regulated utility plant, net	**5,593**	5,526
Construction work in progress	**366**	297
Property, Plant and Equipment, net	**5,959**	5,823
Other Noncurrent Assets		
Regulatory assets	**360**	380
Goodwill	**389**	389
Other intangibles	**37**	41
Other noncurrent assets	**97**	67
Total Other Noncurrent Assets	**883**	877
Total Assets	$ **7,221**	$ 7,133

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, 2020	December 31, 2019
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 206**	$ 238
Long-term debt due within one year	**292**	—
Accounts payable	**125**	172
Accounts payable to affiliates	**26**	31
Customer deposits	**32**	31
Taxes	**32**	33
Price risk management liabilities	**2**	4
Regulatory liabilities	**5**	2
Interest	**33**	15
Asset retirement obligations	**14**	24
Other current liabilities	**40**	47
Total Current Liabilities	**807**	597
Long-term Debt	**1,714**	2,005
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**712**	697
Investment tax credits	**33**	34
Price risk management liabilities	**24**	17
Asset retirement obligations	**63**	49
Regulatory liabilities	**885**	883
Other deferred credits and noncurrent liabilities	**92**	89
Total Deferred Credits and Other Noncurrent Liabilities	**1,809**	1,769
Commitments and Contingent Liabilities (Notes 7 and 11)		
Stockholder's Equity		
Common stock - no par value (a)	**424**	424
Additional paid-in capital	**1,873**	1,820
Earnings reinvested	**594**	518
Total Equity	**2,891**	2,762
Total Liabilities and Equity	**$ 7,221**	$ 7,133

(a) 75,000 shares authorized; 21,294 shares issued and outstanding at September 30, 2020 and December 31, 2019.

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, 2020	21,294	$ 424	$ 1,873	$ 562	$ 2,859
Net income				71	71
Cash dividends declared on common stock				(39)	(39)
September 30, 2020	21,294	$ 424	$ 1,873	$ 594	$ 2,891
December 31, 2019	21,294	$ 424	$ 1,820	$ 518	$ 2,762
Net income				191	191
Capital contributions from parent			53		53
Cash dividends declared on common stock				(115)	(115)
September 30, 2020	21,294	$ 424	$ 1,873	$ 594	$ 2,891
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

(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,	
	2020	**2019**	**2020**	**2019**
Operating Revenues				
Retail and wholesale	**$ 444**	$ 464	**$ 1,256**	$ 1,316
Electric revenue from affiliate	**8**	2	**16**	6
Total Operating Revenues	**452**	466	**1,272**	1,322
Operating Expenses				
Operation				
Fuel	**113**	115	**290**	330
Energy purchases	**5**	5	**14**	15
Energy purchases from affiliate	**1**	2	**17**	21
Other operation and maintenance	**105**	107	**316**	320
Depreciation	**88**	83	**258**	233
Taxes, other than income	**10**	9	**27**	26
Total Operating Expenses	**322**	321	**922**	945
Operating Income	**130**	145	**350**	377
Other Income (Expense) - net	**1**	4	**2**	4
Interest Expense	**28**	28	**85**	82
Income Before Income Taxes	**103**	121	**267**	299
Income Taxes	**19**	26	**50**	62
Net Income (a)	**$ 84**	$ 95	**$ 217**	$ 237

(a) Net income equals comprehensive income.

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

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

	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Cash Flows from Operating Activities		
Net income	**$ 217**	$ 237
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**258**	233
Amortization	**6**	7
Deferred income taxes and investment tax credits	**20**	44
Other	**(1)**	(3)
Change in current assets and current liabilities		
Accounts receivable	**(22)**	—
Accounts payable	**7**	(16)
Accounts payable to affiliates	**(18)**	(14)
Unbilled revenues	**15**	1
Fuel, materials and supplies	**12**	9
Regulatory assets and liabilities, net	**(20)**	(14)
Taxes payable	**1**	5
Accrued interest	**23**	28
Other	**(15)**	(6)
Other operating activities		
Defined benefit plans - funding	**(1)**	(3)
Expenditures for asset retirement obligations	**(47)**	(45)
Other assets	**—**	(2)
Other liabilities	**11**	10
Net cash provided by operating activities	**446**	471
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	**(381)**	(436)
Other investing activities	**3**	—
Net cash used in investing activities	**(378)**	(436)
Cash Flows from Financing Activities		
Issuance of long-term debt	**498**	306
Retirement of long-term debt	**(500)**	—
Net decrease in short-term debt	**(11)**	(233)
Payment of common stock dividends to parent	**(145)**	(167)
Contributions from parent	**98**	68
Other financing activities	**(5)**	(5)
Net cash used in financing activities	**(65)**	(31)
Net Increase in Cash and Cash Equivalents	**3**	4
Cash and Cash Equivalents at Beginning of Period	**12**	14
Cash and Cash Equivalents at End of Period	**$ 15**	$ 18
Supplemental Disclosure of Cash Flow Information		
Significant non-cash transactions:		
Accrued expenditures for property, plant and equipment at September 30,	**$ 35**	$ 54

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, 2020	December 31, 2019
Assets		
Current Assets		
Cash and cash equivalents	**$ 15**	$ 12
Accounts receivable (less reserve: 2020, $1; 2019, $1)		
Customer	**151**	139
Other	**38**	27
Unbilled revenues (less reserve: 2020, $1; 2019, $0)	**73**	88
Fuel, materials and supplies	**117**	128
Prepayments	**16**	14
Regulatory assets	**31**	16
Other current assets	**—**	1
Total Current Assets	**441**	425
Property, Plant and Equipment		
Regulated utility plant	**8,673**	8,262
Less: accumulated depreciation - regulated utility plant	**1,644**	1,507
Regulated utility plant, net	**7,029**	6,755
Construction work in progress	**369**	496
Property, Plant and Equipment, net	**7,398**	7,251
Other Noncurrent Assets		
Regulatory assets	**382**	386
Goodwill	**607**	607
Other intangibles	**27**	28
Other noncurrent assets	**125**	128
Total Other Noncurrent Assets	**1,141**	1,149
Total Assets	**$ 8,980**	$ 8,825

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

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

	September 30, 2020	December 31, 2019
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 139**	$ 150
Long-term debt due within one year	**132**	500
Accounts payable	**109**	121
Accounts payable to affiliates	**39**	52
Customer deposits	**32**	31
Taxes	**27**	26
Regulatory liabilities	**12**	17
Interest	**43**	20
Asset retirement obligations	**30**	46
Other current liabilities	**45**	51
Total Current Liabilities	**608**	1,014
Long-term Debt	**2,485**	2,123
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**828**	792
Investment tax credits	**89**	90
Asset retirement obligations	**100**	96
Regulatory liabilities	**1,076**	1,090
Other deferred credits and noncurrent liabilities	**50**	46
Total Deferred Credits and Other Noncurrent Liabilities	**2,143**	2,114
Commitments and Contingent Liabilities (Notes 7 and 11)		
Stockholder's Equity		
Common stock - no par value (a)	**308**	308
Additional paid-in capital	**2,827**	2,729
Earnings reinvested	**609**	537
Total Equity	**3,744**	3,574
Total Liabilities and Equity	**$ 8,980**	$ 8,825

(a) 80,000 shares authorized; 37,818 shares issued and outstanding at September 30, 2020 and December 31, 2019.

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, 2020	37,818	$ 308	$ 2,766	$ 581	$ 3,655
Net income				84	84
Capital contributions from parent			61		61
Cash dividends declared on common stock				(56)	(56)
September 30, 2020	37,818	$ 308	$ 2,827	$ 609	$ 3,744
December 31, 2019	37,818	$ 308	$ 2,729	$ 537	$ 3,574
Net income				217	217
Capital contributions from parent			98		98
Cash dividends declared on common stock				(145)	(145)
September 30, 2020	37,818	$ 308	$ 2,827	$ 609	$ 3,744
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

(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. Acquisitions, Development and Divestitures	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		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 Registrant's 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, 2019 is derived from that Registrant's 2019 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 2019 Form 10-K. The results of operations for the three and nine months ended September 30, 2020 are not necessarily indicative of the results to be expected for the full year ending December 31, 2020 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 2019 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, 2020	December 31, 2019	September 30, 2020	December 31, 2019
Cash and cash equivalents	$ 746	$ 815	$ 26	$ 262
Restricted cash - current (a)	3	3	2	2
Restricted cash - noncurrent (a)	20	18	—	—
Total Cash, Cash Equivalents and Restricted Cash	$ 769	$ 836	$ 28	$ 264

(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."

Current Expected Credit Losses

(All Registrants)

Financing receivable collectability is evaluated using a combination of factors, including past due status based on contractual terms, trends in write-offs and the age of the receivable. Specific events, such as bankruptcies, are also considered when applicable. Adjustments to the reserve for credit losses are made when necessary based on the results of analysis, the aging of receivables and historical and industry trends. The Registrants periodically evaluate the impact of observable external factors on the collectability of the financing receivables to determine if adjustments to the reserve for credit losses should be made based on current conditions or reasonable and supportable forecasts.

Accounts receivable are written off in the period in which the receivable is deemed uncollectible.

(PPL and PPL Electric)

PPL Electric has identified one class of financing receivables, “accounts receivable-customer”, which includes financing receivables for all billed and unbilled sales with residential and non-residential customers. All other financing receivables are classified as other. Within the credit loss model for the residential customer accounts receivables, customers are disaggregated based on their projected propensity to pay, which is derived from historical trends and the current activity of the individual customer accounts. Conversely, the non-residential customer accounts receivables are not further segmented due to the varying nature of the individual customers, which lack readily identifiable risk characteristics for disaggregation.

(PPL, LKE, LG&E and KU)

LKE, LG&E and KU have identified one class of financing receivables, “accounts receivable-customer”, which includes financing receivables for all billed and unbilled sales with customers. All other financing receivables are classified as other.

(All Registrants)

The following table shows changes in the allowance for credit losses for the nine months ended September 30, 2020:

	Balance at Beginning of Period (a)	Charged to Income	Deductions (b)	Balance at End of Period
PPL				
Accounts Receivable - Customer and Unbilled Revenue	$ 30	$ 22	$ 9	$ 43
Other (c)	27	2	—	29

	Balance at Beginning of Period (a)	Charged to Income	Deductions (b)	Balance at End of Period
PPL Electric				
Accounts Receivable - Customer and Unbilled Revenue	$ 25	$ 12	$ 3	$ 34
Other	1	1	—	2
LKE				
Accounts Receivable - Customer and Unbilled Revenue	$ 2	$ 7	$ 5	$ 4
Other (c)	26	1	—	27
LG&E				
Accounts Receivable - Customer and Unbilled Revenue	$ 1	$ 4	$ 3	$ 2
KU				
Accounts Receivable - Customer and Unbilled Revenue	$ 1	$ 3	$ 2	$ 2

(a) Reflects cumulative-effect adjustment upon adoption of current expected credit loss guidance.
(b) Primarily related to uncollectible accounts receivable written off.
(c) Primarily related to receivables at WKE, which are fully reserved.

Asset Impairment (Excluding Investments)

(PPL, LKE, LG&E and KU)

PPL, LKE, LG&E and KU review goodwill for impairment at the reporting unit level annually or more frequently when events or circumstances indicate that the carrying amount of a reporting unit may be greater than the unit's fair value. PPL's, LKE's, LG&E's and KU's reporting units are primarily at the operating segment level.

During the three month period ended March 31, 2020, PPL, LKE, LG&E and KU considered whether the economic events associated with COVID-19, which resulted in PPL's shares experiencing volatility and a decrease in market value, would more likely than not reduce the fair value of the Registrants' reporting units below their carrying amounts. See "Risks and Uncertainties" in Note 11 for additional information about COVID-19. Based on our assessment, a quantitative impairment test was not required for the LKE, LG&E and KU reporting units, but was required for the U.K. Regulated segment reporting unit, the allocated goodwill of which was $2.5 billion at March 31, 2020. The test did not indicate impairment of the reporting unit.

During the three month periods ended June 30, 2020 and September 30, 2020, no goodwill impairment triggers were identified. However, an impairment charge could occur in future periods if PPL's share price or any of the assumptions used in determining fair value of the reporting units are negatively impacted.

(PPL)

On August 10, 2020, PPL announced that it is initiating a formal process to sell its U.K. utility business. As a result of the potential sale, PPL assessed the recoverability of the assets of its U.K. utility business. See Note 9 for additional information.

New Accounting Guidance Adopted

(All Registrants)

Accounting for Financial Instrument Credit Losses

Effective January 1, 2020, the Registrants adopted accounting guidance, using a modified retrospective approach, 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 the 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 previous GAAP. The adoption of this guidance did not have a material impact on the Registrants.

Accounting for Implementation Costs in a Cloud Computing Service Arrangement

Effective January 1, 2020, the Registrants prospectively adopted 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. 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. The adoption of this guidance did not have a material impact on the Registrants.

(PPL, LKE, LG&E and KU)

Simplifying the Test for Goodwill Impairment

Effective January 1, 2020, the Registrants adopted 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 required a calculation of the implied fair value of goodwill, which was determined in the same manner as the amount of goodwill in a business combination. Under the new guidance, the fair value of a reporting unit will be compared with the carrying value and an impairment charge will be recognized if the carrying amount exceeds the fair value of the reporting unit. The adoption of this guidance did not have a material impact on the Registrants.

3. Segment and Related Information

(PPL)

See Note 2 in PPL's 2019 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	
	2020	2019	2020	2019
Operating Revenues from external customers				
U.K. Regulated	$ 485	$ 491	$ 1,575	$ 1,615
Kentucky Regulated	806	844	2,331	2,421
Pennsylvania Regulated	586	590	1,748	1,756
Corporate and Other	8	8	24	23
Total	$ 1,885	$ 1,933	$ 5,678	$ 5,815
Net Income				
U.K. Regulated (a)	$ 55	$ 236	$ 574	$ 784
Kentucky Regulated	129	150	330	364
Pennsylvania Regulated	135	118	371	333
Corporate and Other	(38)	(29)	(96)	(99)
Total	$ 281	$ 475	$ 1,179	$ 1,382

(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, 2020	December 31, 2019
Assets		
U.K. Regulated (a) (b)	$ 19,183	$ 17,622
Kentucky Regulated	15,754	15,597
Pennsylvania Regulated	12,225	11,918
Corporate and Other (c)	762	543
Total	$ 47,924	$ 45,680

(a) Includes $14.2 billion and $13.2 billion of net PP&E as of September 30, 2020 and December 31, 2019. WPD is not subject to accounting for the effects of certain types of regulation as prescribed by GAAP.

(b) Includes $2.6 billion and $2.5 billion of goodwill as of September 30, 2020 and December 31, 2019. 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 2019 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.

	2020 Three Months				
	PPL	PPL Electric	LKE	LG&E	KU
Operating Revenues (a)	$ 1,885	$ 586	$ 806	$ 363	$ 452
Revenues derived from:					
Alternative revenue programs (b)	(1)	(5)	4	2	2
Other (c)	(5)	—	(4)	(2)	(2)
Revenues from Contracts with Customers	$ 1,879	$ 581	$ 806	$ 363	$ 452

	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

	2020 Nine Months				
	PPL	PPL Electric	LKE	LG&E	KU
Operating Revenues (a)	$ 5,678	$ 1,748	$ 2,331	$ 1,092	$ 1,272
Revenues derived from:					
Alternative revenue programs (b)	(12)	(6)	(6)	(2)	(4)
Other (c)	(22)	(3)	(14)	(6)	(8)
Revenues from Contracts with Customers	$ 5,644	$ 1,739	$ 2,311	$ 1,084	$ 1,260

	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

(a) PPL includes $485 million and $1,575 million for the three and nine months ended September 30, 2020 and $491 million and $1,615 million for the three and nine months ended September 30, 2019 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 lease and other miscellaneous revenues.

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

	2020 Three Months				
	PPL (d)	PPL Electric (d)	LKE	LG&E	KU
Licensed energy suppliers (a)	$ 440	$ —	$ —	$ —	$ —
Residential	651	303	348	173	175
Commercial	310	79	231	112	119
Industrial	156	13	143	47	96
Other (b)	130	12	66	28	38
Wholesale - municipality	7	—	7	—	7
Wholesale - other (c)	11	—	11	3	17
Transmission	174	174	—	—	—
Revenues from Contracts with Customers	$ 1,879	$ 581	$ 806	$ 363	$ 452

	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

	2020 Nine Months				
	PPL (d)	PPL Electric (d)	LKE	LG&E	KU
Licensed energy suppliers (a)	$ 1,472	$ —	$ —	$ —	$ —
Residential	1,948	937	1,011	509	502
Commercial	896	234	662	336	326
Industrial	434	33	401	130	271
Other (b)	354	38	194	84	110
Wholesale - municipality	15	—	15	—	15
Wholesale - other (c)	28	—	28	25	36
Transmission	497	497	—	—	—
Revenues from Contracts with Customers	$ 5,644	$ 1,739	$ 2,311	$ 1,084	$ 1,260

	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

(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.
(d) In the fourth quarter of 2019, management deemed it appropriate to present the revenue offset associated with network integration transmission service (NITS) as distribution revenue rather than transmission revenue.

As discussed in Note 2 in PPL's 2019 Form 10-K, PPL segments its business 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. PPL Electric's revenues from contracts with customers are further disaggregated by distribution and transmission, which were $407 million and $174 million for the three months ended September 30, 2020 and $1.2 billion and $497 million for the nine months ended September 30, 2020. PPL Electric's revenue from contracts with customers disaggregated by distribution and transmission 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.

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 and unbilled revenues balances that were impaired for the periods ended September 30.

	Three Months		Nine Months	
	2020	2019	2020	2019
PPL	$ 8	$ 11	$ 22	$ 22
PPL Electric	3	8	12	14
LKE	4	2	7	5
LG&E	3	1	4	2
KU	1	1	3	3

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, 2019	$ 44	$ 21	$ 9	$ 5	$ 4
Contract liabilities at September 30, 2020	40	18	9	5	4
Revenue recognized during the nine months ended September 30, 2020 that was included in the contract liability balance at December 31, 2019	28	9	9	5	4
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 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, 2020, PPL had $40 million of performance obligations attributable to Corporate and Other that have not been satisfied. Of this amount, PPL expects to recognize approximately $40 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 dilutive securities include the PPL common stock forward sale agreements, which were settled in 2019. The forward sale agreements were dilutive under the Treasury Stock Method to the extent the average stock price of PPL's common shares exceeded 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	
	2020	2019	2020	2019
Income (Numerator)				
Net income	$ 281	$ 475	$ 1,179	$ 1,382
Less amounts allocated to participating securities	—	—	1	2
Net income available to PPL common shareowners - Basic and Diluted	$ 281	$ 475	$ 1,178	$ 1,380
Shares of Common Stock (Denominator)				
Weighted-average shares - Basic EPS	768,786	722,259	768,502	721,693
Add incremental non-participating securities:				
Share-based payment awards	874	1,106	768	1,009
Forward sale agreements	—	7,786	—	7,975
Weighted-average shares - Diluted EPS	769,660	731,151	769,270	730,677
Basic EPS				
Net Income available to PPL common shareowners	$ 0.37	$ 0.66	$ 1.53	$ 1.91
Diluted EPS				
Net Income available to PPL common shareowners	$ 0.37	$ 0.65	$ 1.53	$ 1.89

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	
	2020	2019	2020	2019
Stock-based compensation plans	14	38	621	680
DRIP	—	430	943	1,305

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	
	2020	2019	2020	2019
Stock-based compensation awards	364	—	595	—

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6. Income Taxes

Reconciliations of income tax expense (benefit) for the periods ended September 30 are as follows.

(PPL)

	Three Months		Nine Months	
	2020	2019	2020	2019
Federal income tax on Income Before Income Taxes at statutory tax rate - 21%	$ 103	$ 125	$ 336	$ 359
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	15	13	39	34
Valuation allowance adjustments	7	7	20	21
Impact of lower U.K. income tax rates	2	(6)	(18)	(20)
Impact of the U.K. Finance Acts on deferred tax balances (a)	104	(5)	101	(8)
Depreciation and other items not normalized	—	(2)	(4)	(5)
Amortization of excess deferred federal and state income taxes	(11)	(9)	(34)	(30)
Federal and state income tax return adjustments	(9)	—	(9)	1
Interest benefit on U.K. financing entities	(3)	(3)	(8)	(9)
Officers compensation disallowance	1	—	5	2
Kentucky recycling credit, net of federal income tax expense (b)	—	—	—	(20)
Other	—	(2)	(5)	3
Total increase (decrease)	106	(7)	87	(31)
Total income tax expense (benefit)	$ 209	$ 118	$ 423	$ 328

(a) The U.K. corporation tax rate was scheduled to be reduced from 19% to 17%, effective April 1, 2020. On March 11, 2020, the U.K. Finance Act 2020 included a cancellation of the tax rate reduction to 17%, thereby maintaining the corporation tax rate at 19%. The Finance Act 2020 was formally enacted on July 22, 2020. The primary impact of the cancellation of the corporation tax rate reduction was an increase in deferred tax liabilities and a corresponding deferred tax expense of $106 million.
(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. A portion of this amount has been reserved due to insufficient Kentucky taxable income projected at LKE.

(PPL Electric)

	Three Months		Nine Months	
	2020	2019	2020	2019
Federal income tax on Income Before Income Taxes at statutory tax rate - 21%	$ 37	$ 33	$ 104	$ 94
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	14	13	39	36
Federal and state income tax return adjustments	(4)	—	(4)	1
Depreciation and other items not normalized	—	(2)	(4)	(5)
Amortization of excess deferred federal and state income taxes	(4)	(4)	(12)	(12)
Other	1	—	2	—
Total increase (decrease)	7	7	21	20
Total income tax expense (benefit)	$ 44	$ 40	$ 125	$ 114

(LKE)

	Three Months		Nine Months	
	2020	2019	2020	2019
Federal income tax on Income Before Income Taxes at statutory tax rate - 21%	$ 35	$ 42	$ 92	$ 98
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	7	8	17	18
Amortization of investment tax credit	(1)	(1)	(2)	(2)
Valuation allowance adjustments (a)	—	—	—	3
Amortization of excess deferred federal and state income taxes	(7)	(5)	(20)	(17)
Federal and state income tax return adjustments	(5)	1	(5)	1
Kentucky recycling credit, net of federal income tax expense (a)	—	—	—	(20)
Other	2	(2)	—	(3)
Total increase (decrease)	(4)	1	(10)	(20)
Total income tax expense (benefit)	$ 31	$ 43	$ 82	$ 78

(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. A portion of this amount has been reserved due to insufficient Kentucky taxable income projected at LKE.

(LG&E)

	Three Months		Nine Months	
	2020	2019	2020	2019
Federal income tax on Income Before Income Taxes at statutory tax rate - 21%	$ 18	$ 21	$ 50	$ 50
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	3	4	9	9
Valuation allowance adjustments (a)	—	—	—	15
Amortization of excess deferred federal and state income taxes	(3)	(2)	(8)	(7)
Federal and state income tax return adjustments	(2)	1	(2)	1
Kentucky recycling credit, net of federal income tax expense (a)	—	—	—	(15)
Other	—	(2)	(2)	(2)
Total increase (decrease)	(2)	1	(3)	1
Total income tax expense (benefit)	$ 16	$ 22	$ 47	$ 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. This amount has been reserved due to insufficient Kentucky taxable income projected at LG&E.

(KU)

	Three Months		Nine Months	
	2020	2019	2020	2019
Federal income tax on Income Before Income Taxes at statutory tax rate - 21%	$ 22	$ 25	$ 56	$ 63
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	4	5	11	12
Valuation allowance adjustments (a)	—	—	—	5
Amortization of excess deferred federal and state income taxes	(4)	(3)	(12)	(10)
Federal and state income tax return adjustments	(3)	—	(3)	—
Kentucky recycling credit, net of federal income tax expense (a)	—	—	—	(5)
Other	—	(1)	(2)	(3)
Total increase (decrease)	(3)	1	(6)	(1)
Total income tax expense (benefit)	$ 19	$ 26	$ 50	$ 62

(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. This amount has been reserved due to insufficient Kentucky taxable income projected at KU.

Other

2020 TCJA Regulatory Update (All Registrants)

In July 2020, the IRS issued final and new proposed regulations relating to limitations on interest deductibility for tax purposes. The Registrants will apply the final regulations beginning in the 2021 tax year. The proposed regulations will apply in the year in which the regulations are issued in final form, which is expected to be in 2021 or later. The Registrants are evaluating the final and proposed regulations, but do not expect the regulations to have a material impact on the Registrants' financial condition or results of operations.

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, 2020	December 31, 2019	September 30, 2020	December 31, 2019
Current Regulatory Assets:				
Plant outage costs	$ 44	$ 32	$ —	$ —
Gas supply clause	4	8	—	—
Smart meter rider	17	13	17	13
Transmission formula rate	9	3	9	3
Transmission service charge	2	10	2	10
Other	6	1	—	—
Total current regulatory assets (a)	$ 82	$ 67	$ 28	$ 26
Noncurrent Regulatory Assets:				
Defined benefit plans	$ 750	$ 800	$ 450	$ 467
Storm costs	27	39	9	15
Unamortized loss on debt	33	41	11	18
Interest rate swaps	26	22	—	—
Terminated interest rate swaps	77	81	—	—
Accumulated cost of removal of utility plant	237	220	237	220
AROs	297	279	—	—
Act 129 compliance rider	—	6	—	6
Other	3	4	1	—
Total noncurrent regulatory assets	$ 1,450	$ 1,492	$ 708	$ 726

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	PPL		PPL Electric	
	September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019
Current Regulatory Liabilities:				
Generation supply charge	$ 23	$ 23	$ 23	$ 23
Environmental cost recovery	6	5	—	—
Universal service rider	14	9	14	9
Fuel adjustment clause	8	8	—	—
TCJA customer refund	21	61	21	59
Storm damage expense rider	7	5	7	5
Act 129 compliance rider	8	—	8	—
Other	3	4	—	—
Total current regulatory liabilities	$ 90	$ 115	$ 73	$ 96
Noncurrent Regulatory Liabilities:				
Accumulated cost of removal of utility plant	$ 648	$ 640	$ —	$ —
Power purchase agreement - OVEC	45	51	—	—
Net deferred taxes	1,705	1,756	565	588
Defined benefit plans	59	51	17	11
Terminated interest rate swaps	66	68	—	—
Other	20	6	—	—
Total noncurrent regulatory liabilities	$ 2,543	$ 2,572	$ 582	$ 599

	LKE		LG&E		KU	
	September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019
Current Regulatory Assets:						
Plant outage costs	$ 44	$ 32	$ 14	$ 16	$ 30	$ 16
Gas supply clause	4	8	4	8	—	—
Other	6	1	5	1	1	—
Total current regulatory assets	$ 54	$ 41	$ 23	$ 25	$ 31	$ 16
Noncurrent Regulatory Assets:						
Defined benefit plans	$ 300	$ 333	$ 179	$ 206	$ 121	$ 127
Storm costs	18	24	11	14	7	10
Unamortized loss on debt	22	23	13	14	9	9
Interest rate swaps	26	22	26	22	—	—
Terminated interest rate swaps	77	81	45	47	32	34
AROs	297	279	85	76	212	203
Other	2	4	1	1	1	3
Total noncurrent regulatory assets	$ 742	$ 766	$ 360	$ 380	$ 382	$ 386

	LKE		LG&E		KU	
	September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019
Current Regulatory Liabilities:						
Environmental cost recovery	$ 6	$ 5	$ 2	$ 1	$ 4	$ 4
Demand side management	2	3	1	1	1	2
Fuel adjustment clause	8	8	2	—	6	8
Other	1	3	—	—	1	3
Total current regulatory liabilities	$ 17	$ 19	$ 5	$ 2	$ 12	$ 17
Noncurrent Regulatory Liabilities:						
Accumulated cost of removal of utility plant	$ 648	$ 640	$ 271	$ 266	$ 377	$ 374
Power purchase agreement - OVEC	45	51	31	35	14	16
Net deferred taxes	1,140	1,168	532	544	608	624
Defined benefit plans	42	40	—	—	42	40
Terminated interest rate swaps	66	68	33	34	33	34
Other	20	6	18	4	2	2
Total noncurrent regulatory liabilities	$ 1,961	$ 1,973	$ 885	$ 883	$ 1,076	$ 1,090

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

Regulatory Matters

Kentucky Activities

Rate Case Proceedings

(PPL, LKE, LG&E and KU)

On October 23, 2020, LG&E and KU filed notices of intent with the KPSC to file applications for proposed adjustments of general electric and gas rates on or after November 25, 2020. The applications will also include requests for a CPCN to deploy Advanced Metering Infrastructure and other matters. LG&E and KU cannot predict the outcome of these potential proceedings.

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

On March 31, 2020, LG&E and KU submitted applications to the KPSC for ECR rate treatment regarding upcoming environmental construction projects relating to the EPA's regulations addressing ELGs. The construction projects are expected to begin in 2021 and continue through 2024 and are estimated to cost approximately $405 million ($153 million at LG&E and $252 million at KU). The applications requested an authorized 9.725% return on equity with respect to these projects consistent with the 2018 Kentucky rate cases approved in April 2019. On September 29, 2020, the KPSC issued orders approving the ECR applications, permitting an authorized return on equity of 9.2% for the applicable projects.

Pennsylvania Activities

Act 129 (PPL and PPL Electric)

The Pennsylvania Public Utility Code requires electric distribution companies, including PPL Electric, to act as a DSP, which provides electricity generation supply service to customers pursuant to a PUC-approved default service procurement plan. A DSP is able to recover the costs associated with its default service procurement plan.

In March 2020, PPL Electric filed a Petition for Approval of a new default service program and procurement plan with the PUC for the period June 1, 2021 through May 31, 2025. Hearings were held in August 2020. In October 2020, the Administrative Law Judge made a recommended decision which remains pending before the PUC. PPL Electric cannot predict the outcome of this proceeding.

Federal Matters

Challenge to PPL Electric Transmission Formula Rate Return on Equity

(PPL and PPL Electric)

On May 21, 2020, PP&L Industrial Customer Alliance (PPLICA) filed a complaint with the FERC alleging that PPL Electric's base return on equity (ROE) of 11.18% used to determine PPL Electric's formula transmission rate is unjust and unreasonable, and proposing an alternative ROE of 8.0% based on its interpretation of FERC Opinion No. 569. However, also on May 21, 2020, the FERC issued Opinion No. 569-A in response to numerous requests for rehearing of Opinion No. 569, which revised the method for analyzing base ROE. On June 10, 2020, PPLICA filed a Motion to Supplement the May 21, 2020 complaint in which PPLICA continued to allege that PPL Electric’s base ROE is unjust and unreasonable, but revised its analysis of PPL Electric's base ROE to reflect the guidance provided in Opinion No. 569-A. The amended complaint proposed an updated alternative ROE of 8.5% and also requested that the FERC preserve the original refund effective date as established by the filing of the original complaint on May 21, 2020. Several parties have filed motions to intervene, including one party who filed Comments in Support of the original complaint.

On July 10, 2020, PPL Electric filed its Answer and supporting Testimony to the PPLICA filings arguing that the FERC should deny the original and amended complaints as they are without merit and fail to demonstrate the existing base ROE is unjust and unreasonable. In addition, PPL Electric contended any refund effective date should be set for no earlier than June 10, 2020 and PPLICA's proposed replacement ROE should be rejected.

On October 15, 2020, the FERC issued an order on the PPLICA complaints which established hearing and settlement procedures, set a refund effective date of May 21, 2020 and granted the motions to intervene. PPL Electric continues to believe its ROE is just and reasonable and that it has meritorious defenses against the original and amended complaints. At this time, PPL Electric cannot predict the outcome of this matter or the range of possible losses, if any, that may be incurred. However, revenue earned from May 21, 2020 through the settlement of this matter may be subject to refund. A change of 50 basis points to the base ROE would impact PPL Electric's net income by approximately $12 million on an annual basis.

FERC Transmission Rate Filing

(PPL, LKE, LG&E and KU)

In 2018, LG&E and KU applied 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 certain Kentucky municipalities mitigation for certain horizontal market power concerns arising out of the 1998 LG&E and KU merger and 2006 MISO withdrawal. The amounts at issue are generally waivers or credits granted to a limited number of Kentucky municipalities for either certain LG&E and KU or MISO transmission charges incurred for transmission service received. 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. In March 2019, the FERC granted LG&E's and KU's request to remove the ongoing credits, conditioned upon the implementation by LG&E and KU of a transition mechanism for certain existing power supply arrangements, subject to FERC review and approval. In July 2019, LG&E and KU proposed their transition mechanism to the FERC and in September 2019, the FERC rejected the proposed transition mechanism and issued a separate order providing clarifications of certain aspects of the March order. In October 2019, LG&E and KU filed requests for rehearing and clarification on the two September orders. In September 2020, FERC issued its orders in the rehearing process that modified the discussion in, and set aside portions of, the September 2019 orders including adjusting factors impacting the proposed transition mechanism. In October 2020, both LG&E and KU and other parties filed separate motions for rehearing and clarification regarding FERC’s September 2020 orders. A FERC decision on these rehearing requests is expected by November 18, 2020. Certain other petitions for review of the FERC's orders have been filed by multiple parties, including LG&E and KU, with the D.C. Circuit Court of Appeals. LG&E and KU cannot predict the outcome of these proceedings. LG&E and KU currently receive recovery of waivers and credits provided through other rate mechanisms.

(PPL and PPL Electric)

In April 2020, PPL Electric filed its annual transmission formula rate update with the FERC, reflecting a revised revenue requirement that took effect in June 2020.

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 credit losses. 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, 2020, PPL Electric purchased $303 million and $854 million of accounts receivable from alternative suppliers. During the three and nine months ended September 30, 2019, PPL Electric purchased $308 million and $927 million of accounts receivable from alternative 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 borrowings under PPL Capital Funding's term loan agreement due March 2022, which are reflected in "Long-term debt" on the Balance Sheets. The following credit facilities were in place at:

	September 30, 2020					December 31, 2019	
	Expiration Date	Capacity	Borrowed	Letters of Credit and Commercial Paper Issued	Unused Capacity	Borrowed	Letters of Credit and Commercial Paper Issued
PPL							
U.K.							
WPD plc							
Syndicated Credit Facility (a)	Jan. 2023	£ 210	£ 150	£ —	£ 58	£ 155	£ —
WPD (South West)							
Syndicated Credit Facility (b)	May 2023	220	118	—	102	40	—
WPD (South Wales)							
Syndicated Credit Facility	May 2023	125	—	—	125	—	—
WPD (East Midlands)							
Syndicated Credit Facility	May 2023	250	—	—	250	—	—
WPD (West Midlands)							
Syndicated Credit Facility (c)	May 2023	250	64	—	186	48	—
Uncommitted Credit Facilities		100	—	4	96	—	4
Total U.K. Credit Facilities (d)		£ 1,155	£ 332	£ 4	£ 817	£ 243	£ 4
U.S.							
PPL Capital Funding							
Syndicated Credit Facility	Jan. 2024	$ 1,450	$ —	$ —	$ 1,450	$ —	$ 450
Term Loan Credit Facility	Mar. 2021	200	200	—	—	—	—
Bilateral Credit Facility	Mar. 2021	50	—	—	50	—	—
Bilateral Credit Facility	Mar. 2021	50	—	15	35	—	15
Term Loan Credit Facility	Mar. 2021	100	100	—	—	—	—
Term Loan Credit Facility	Mar. 2022	100	100	—	—	—	—
Total PPL Capital Funding Credit Facilities		$ 1,950	$ 400	$ 15	$ 1,535	$ —	$ 465

		September 30, 2020				December 31, 2019	
	Expiration Date	Capacity	Borrowed	Letters of Credit and Commercial Paper Issued	Unused Capacity	Borrowed	Letters of Credit and Commercial Paper Issued
PPL Electric							
Syndicated Credit Facility	Jan. 2024	$ 650	$ —	$ 281	$ 369	$ —	$ 1
LG&E							
Syndicated Credit Facility	Jan. 2024	$ 500	$ —	$ 206	$ 294	$ —	$ 238
Total LG&E Credit Facilities		$ 500	$ —	$ 206	$ 294	$ —	$ 238
KU							
Syndicated Credit Facility	Jan. 2024	$ 400	$ —	$ 139	$ 261	$ —	$ 150
Total KU Credit Facilities		$ 400	$ —	$ 139	$ 261	$ —	$ 150

(a) The amounts borrowed at September 30, 2020 and December 31, 2019 were USD-denominated borrowings of $200 million for both periods, which bore interest at 0.98% and 2.52%. The interest rates on the borrowings are equal to one-month USD LIBOR plus a margin. The unused capacity reflects the amounts borrowed in GBP of £152 million as of the date borrowed.
(b) The amounts borrowed at September 30, 2020 and December 31, 2019 were GBP-denominated borrowings which equated to $158 million and $51 million and bore interest at 0.56% and 1.09%. The interest rate on the borrowing are equal to one-month GBP LIBOR plus a margin.
(c) The amounts borrowed at September 30, 2020 and December 31, 2019 were GBP-denominated borrowings which equated to $86 million and $62 million and bore interest at 0.56% and 1.11%. The interest rates on the borrowings are equal to one-month GBP LIBOR plus a margin.
(d) At September 30, 2020, the unused capacity under the U.K. credit facilities was $1.1 billion.

(PPL)

In March 2020, PPL Capital Funding entered into a $200 million term loan credit facility expiring in March 2021 and borrowed the full principal amount under the facility at an initial interest rate of 1.96%. The applicable interest rate on borrowings fluctuates periodically and is based on LIBOR plus a spread. The proceeds were used to repay short-term debt and for general corporate purposes.

In April 2020, PPL Capital Funding entered into a $100 million term loan credit facility expiring in March 2021 and borrowed the full principal amount under the facility at an initial interest rate of 1.73%. The applicable interest rate on borrowings fluctuates periodically and is based on LIBOR plus a spread. The proceeds were used to repay short-term debt and for general corporate purposes.

PPL has guaranteed PPL Capital Funding's obligations under these credit agreements.

(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. 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, 2020				December 31, 2019	
	Weighted - Average Interest Rate	Capacity	Commercial Paper Issuances	Unused Capacity	Weighted - Average Interest Rate	Commercial Paper Issuances
PPL Capital Funding	—%	$ 1,500	$ —	$ 1,500	2.13%	$ 450
PPL Electric	0.16%	650	280	370		—
LG&E	0.20%	350	206	144	2.07%	238
KU	0.19%	350	139	211	2.02%	150
Total		$ 2,850	$ 625	$ 2,225		$ 838

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

See Note 12 for discussion of intercompany borrowings.

Long-term Debt

(PPL)

In April 2020, PPL Capital Funding entered into a $100 million term loan credit facility expiring in March 2022 and borrowed the full principal amount under the facility at an initial interest rate of 1.72%. The applicable interest rate on borrowings fluctuates periodically and is based on LIBOR plus a spread. The proceeds were used to repay short-term debt and for general corporate purposes.

In April 2020, PPL Capital Funding issued $1 billion of 4.125% Senior Notes due 2030. PPL Capital Funding received proceeds of $993 million, net of a discount and underwriting fees, which were used to repay short-term debt and for general corporate purposes.

PPL has guaranteed PPL Capital Funding's obligations under the credit agreement and notes.

In October 2020, WPD (South Wales) issued £250 million of 1.625% Senior Notes due 2035. WPD (South Wales) received proceeds of £247 million which equated to $319 million at the time of issuance, net of fees and a discount. The proceeds will be used to repay the £150 million of 9.25% Notes due in November 2020 and for general corporate purposes.

(PPL and PPL Electric)

In October 2020, PPL Electric issued $250 million of First Mortgage Bonds, Floating Rate Series due 2023. PPL Electric received proceeds of $249 million, net of discounts and underwriting fees, which will be used to repay short-term debt and for general corporate purposes.

In October 2020, the Pennsylvania Economic Development Financing Authority (PEDFA) remarketed $90 million of Pollution Control Revenue Refunding Bonds, Series 2008 (PPL Electric Utilities Corporation Project) due 2023, previously issued on behalf of PPL Electric. The bonds were remarketed at a long-term rate and will bear interest at 0.40% through their maturity date of October 1, 2023.

(PPL and LKE)

In August 2020, LKE redeemed $475 million of 3.75% senior notes due November 2020.

(PPL, LKE and LG&E)

In September 2020, the County of Trimble, Kentucky remarketed $125 million of Pollution Control Revenue Refunding Bonds, 2016 Series A due 2044 previously issued on behalf of LG&E. The bonds were remarketed at a long-term rate and will bear interest at 1.30% through their mandatory purchase date of September 1, 2027.

In September 2020, the Louisville/Jefferson County Metro Government of Kentucky remarketed $23 million of Pollution Control Revenue Bonds, 2001 Series A due 2026 on behalf of LG&E. The bonds were remarketed at a long-term rate and will bear interest at 0.90% through their maturity date of September 1, 2026.

(PPL, LKE and KU)

In June 2020, KU issued $500 million of 3.30% First Mortgage Bonds due 2050. KU received proceeds of $493 million, net of discounts and underwriting fees, which were initially used to repay short-term debt and for other general corporate purposes, pending application to the redemption of KU’s 3.25% First Mortgage Bonds in August 2020.

In August 2020, KU redeemed $500 million of 3.25% First Mortgage Bonds due November 2020.

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, 2020.

Distributions

In August 2020, PPL declared a quarterly common stock dividend, payable October 1, 2020, of 41.5 cents per share (equivalent to $1.66 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. Acquisitions, Development and Divestitures

(PPL)

On August 10, 2020, PPL announced that it has initiated a formal process to sell its U.K. utility business. PPL noted that there can be no assurance of any specific outcome, including whether the sale process will result in the completion of any potential transaction, the timing or terms thereof, the value or benefits that may be realized or the effect that any potential transaction will have on future financial results.

As a result of the potential sale, PPL assessed the recoverability of the assets of its U.K. utility business. PPL prepared a probability-weighted undiscounted cash flow estimate as of September 30, 2020 that considered the likelihood of the possible outcomes of the sale process, including the possibility of not selling the U.K. utility business. The resulting cash flow analysis exceeded the carrying value of the assets of the U.K. utility business. A change in the possible outcomes of the sale process could result in the carrying value of the assets of the U.K. utility business not being recoverable, which could result in an impairment in future periods. The U.K. utility business will continue to be classified as held and used until it meets the criteria to be classified as held for sale, which includes management obtaining a commitment to a plan to sell from its Board of Directors.

Should the U.K. utility business meet the criteria to be classified as held for sale in a future period, PPL will be required at that time to compare the estimated fair value of its investment in the U.K. utility business, less costs to sell, to its carrying value for impairment purposes. The measurement of PPL's carrying value of the U.K. utility business will include the realization of accumulated other comprehensive losses, which could arise from currency translation adjustments and defined benefit plans associated with the U.K. utility business.

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:

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	Pension Benefits							
	Three Months				Nine Months			
	U.S.		U.K.		U.S.		U.K.	
	2020	2019	2020	2019	2020	2019	2020	2019
PPL								
Service cost	$ 14	$ 13	$ 22	$ 17	$ 42	$ 38	$ 66	$ 51
Interest cost	35	41	36	45	109	123	107	140
Expected return on plan assets	(62)	(62)	(155)	(144)	(185)	(184)	(464)	(442)
Amortization of:								
Prior service cost	3	2	1	1	7	6	1	1
Actuarial loss	23	15	52	22	67	42	158	69
Net periodic defined benefit costs (credits) before settlements	13	9	(44)	(59)	40	25	(132)	(181)
Settlements (a)	13	—	—	—	13	1	—	—
Net periodic defined benefit costs (credits)	$ 26	$ 9	$ (44)	$ (59)	$ 53	$ 26	$ (132)	$ (181)

(a) Due to the amount of lump sum payment distributions from the LKE qualified pension plan, an estimated settlement charge of $13 million for the three and nine months ended September 30, 2020 was incurred. In accordance with existing regulatory accounting treatment, LG&E and KU have primarily maintained the settlement charge in regulatory assets to be amortized over fifteen years. The portion of the settlement attributed to LKE's unregulated operations has been charged to expense.

	Pension Benefits			
	Three Months		Nine Months	
	2020	2019	2020	2019
LKE				
Service cost	$ 6	$ 5	$ 18	$ 16
Interest cost	14	16	43	49
Expected return on plan assets	(25)	(25)	(75)	(76)
Amortization of:				
Prior service cost	2	2	6	6
Actuarial loss (a)	11	7	30	17
Net periodic defined benefit costs (credits) before settlements	8	5	22	12
Settlements (b)	13	—	13	—
Net periodic defined benefit costs (credits) (c)	$ 21	$ 5	$ 35	$ 12

(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 $3 million and $9 million for the three and nine months ended September 30, 2020 and $2 million and $3 million for the three and nine months ended September 30, 2019. This difference is recorded as a regulatory asset.
(b) Due to the amount of lump sum payment distributions from the LKE qualified pension plan, an estimated settlement charge of $13 million for the three and nine months ended September 30, 2020 was incurred. In accordance with existing regulatory accounting treatment, LG&E and KU have primarily maintained the settlement charge in regulatory assets to be amortized over fifteen years. The portion of the settlement attributed to LKE's unregulated operations has been charged to expense.
(c) 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 was incurred. In accordance with existing regulatory accounting treatment, LG&E maintained the settlement charge in regulatory assets. The amount is being amortized over fifteen years.

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

(a) The pension plans sponsored by LKE and LG&E were merged effective January 1, 2020 into the LG&E and KU Pension Plan, sponsored by LKE.
(b) 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. This difference is recorded as a regulatory asset.
(c) 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 was incurred. In accordance with existing regulatory accounting treatment, LG&E maintained the settlement charge in regulatory assets. The amount is being amortized over fifteen years.

	Other Postretirement Benefits			
	Three Months		Nine Months	
	2020	2019	2020	2019
PPL				
Service cost	$ 2	$ 2	$ 5	$ 4
Interest cost	4	5	14	16
Expected return on plan assets	(5)	(5)	(16)	(14)
Amortization of:				
Prior service cost	—	—	1	—
Actuarial loss	—	1	—	1
Net periodic defined benefit costs	$ 1	$ 3	$ 4	$ 7
LKE				
Service cost	$ 1	$ 1	$ 3	$ 3
Interest cost	2	2	6	6
Expected return on plan assets	(2)	(2)	(7)	(6)
Amortization of:				
Prior service cost	1	—	1	1
Actuarial gain	(1)	—	(1)	(1)
Net periodic defined benefit costs	$ 1	$ 1	$ 2	$ 3

(PPL Electric, LG&E and KU)

PPL Electric is allocated costs of defined benefit plans sponsored by PPL Services and LG&E and KU are 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	
	2020	2019	2020	2019
PPL Electric	$ 3	$ 3	$ 9	$ 8
LG&E (a)	9	1	14	3
KU	4	—	5	—

(a) Allocations to LG&E increased in 2020 primarily due to the merger of plans sponsored by LKE and LG&E effective January 1, 2020 into the LG&E and KU Pension Plan.

(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.

Cash Flows - U.S. Pension Plans

(PPL, LKE and LG&E)

During the nine months ended September 30, 2020, LKE contributed $22 million to its pension plans. LKE anticipates making $23 million in additional contributions in the fourth quarter of 2020.

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

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 a November 2014 distribution of proceeds from the sale of then-PPL Montana's hydroelectric generating facilities. 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). Plaintiff asserts 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. Plaintiff is 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 plaintiff 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 plaintiff's motion to remand the case back to state court. Although, the PPL defendants petitioned the Ninth Circuit Court of Appeals to grant an appeal of the remand decision, in November 2019, the Ninth Circuit Court of Appeals denied that request and in December 2019, Talen Montana Retirement Plan filed a Second Amended Complaint in the Sixteenth Judicial District of the State of Montana, Rosebud County, which removed Talen Energy Marketing as a plaintiff. In January 2020, PPL defendants filed a motion to dismiss the Second Amended Complaint or, in the alternative, to stay the proceedings pending the resolution of the below mentioned Delaware Action. The Court held a hearing on June 24, 2020 regarding the motion to dismiss. On September 11, 2020, the Court granted PPL defendants' alternative Motion for a Stay of the proceedings.

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 response to and as part of the defense strategy for an action filed by Talen Montana, LLC (the Talen Direct Action, since dismissed) and the Talen Putative Class Action described above (together, the Montana Actions) originally filed in Montana state court in October 2018. 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 time; 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, to include, among other things, claims related to indemnification with respect to 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, and in October 2019, the Delaware Court of Chancery issued an opinion sustaining all of the PPL plaintiffs' claims except for the claim for breach of implied covenant of good faith and fair dealing. As a result of the dismissal of the Talen Direct Action in December 2019, in January 2020, Talen Energy filed a new motion to dismiss five of the remaining eight claims in the amended complaint. The Court heard oral argument on the motion to dismiss on May 28, 2020, and on June 22, 2020, issued an opinion denying the motion in its entirety. Discovery is proceeding, and a trial has been scheduled for June 2021.

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 Talen Putative Class Action and intends to continue to vigorously defend against this action. The Talen Putative Class Action and the Delaware Action are both in 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.

(PPL, LKE and LG&E)

Cane Run Environmental Claims

In December 2013, six residents, on behalf of themselves and others similarly situated, filed a class action complaint against LG&E and PPL in the U.S. District Court for the Western District of Kentucky (U.S. District Court) alleging violations of the Clean Air Act, RCRA, and common law claims of nuisance, trespass and negligence. In July 2014, the U.S. District Court dismissed the RCRA claims and all but one Clean Air Act claim, but declined to dismiss the common law tort claims. In February 2017, the U.S. District Court dismissed PPL as a defendant and dismissed the final federal claim against LG&E, and in April 2017, issued an Order declining to exercise supplemental jurisdiction on the state law claims dismissing 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. On January 8, 2020, the Jefferson Circuit Court issued an order denying the plaintiffs' request for class certification. On January 14, 2020, the plaintiffs filed a notice of appeal in the Kentucky Court of Appeals with oral arguments scheduled for November 17, 2020. PPL, LKE and LG&E cannot predict the outcome of this matter and an estimate or range of possible losses cannot be determined.

(PPL, LKE and KU)

E.W. Brown Environmental Claims

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. In January 2019, KU filed an answer to plaintiffs' complaint in the U.S. District Court. A trial has been scheduled to begin in February 2021. 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 work preparing for 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 are being 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. In June 2019, KU submitted to the KEEC the required aquatic study and risk assessment, conducted by an independent third-party consultant, 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.

Air

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. On July 31, 2020, the U.S. Department of Justice filed a complaint in the U.S. District Court for the Western District of Kentucky alleging violations specified in the EPA notice of violation and seeking civil penalties and injunctive relief. In October 2020, LG&E filed a motion to dismiss the complaint. In October 2020, the U.S. Department of Justice indicated plans to file an amended complaint, as authorized by an agreed order of the court and parties. 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. An estimate or range of possible losses cannot be determined.

Water/Waste

(PPL, LKE, LG&E and KU)

ELGs

In 2015, the EPA finalized ELGs for wastewater discharge permits for new and existing steam electricity generating facilities. These guidelines require deployment of additional control technologies providing physical, chemical and biological treatment and mandate operational changes including "no discharge" requirements for certain wastewaters. The implementation date for individual generating stations was to be determined by the states on a case-by-case basis according to criteria provided by the

EPA. Legal challenges to the final rule were 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 issued a rule to postpone the compliance date for certain requirements. On October 13, 2020, the EPA published final revisions to its best available technology standards for certain wastewaters and potential extensions to compliance dates. The rule will be implemented by the states or applicable permitting authorities in the course of their normal permitting activities. LG&E and KU have developed responsive compliance strategies and schedules. 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. Certain costs are included in the Registrants' capital plans and expected to be recovered from customers through rate recovery mechanisms, but additional costs and recovery will depend on further regulatory developments at the state level. See Note 7 for additional information regarding LG&E's and KU's applications for ECR rate treatment of construction costs relating to regulations addressing ELGs.

CCRs

In 2015, the EPA issued a final rule governing management of CCRs which include fly ash, bottom ash and sulfur dioxide scrubber wastes. The CCR Rule imposes extensive new requirements for certain CCR impoundments and landfills, including public notifications, location restrictions, design and operating standards, groundwater monitoring and corrective action requirements, and closure and post-closure care requirements, and specifies restrictions relating to the beneficial use of CCRs. In July 2018, the EPA issued a final rule extending the deadline for closure of certain impoundments and adopting other substantive changes. In August 2018, the D.C. Circuit Court of Appeals vacated and remanded portions of the CCR Rule. In December 2019, the EPA addressed the deficiencies identified by the court and proposed amendments to change the closure deadline. In August 2020, the EPA published a final rule extending the deadline to initiate closure to April 11, 2021, while providing for certain extensions. EPA has announced that additional amendments to the rule are planned. PPL, LKE, LG&E and KU are unable to predict the outcome of the ongoing litigation and rulemaking or potential impacts on current LG&E and KU compliance plans. The Registrants are currently finalizing closure plans and schedules.

In January 2017, Kentucky issued a new state rule relating to CCR management, effective May 2017, 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 Circuit 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 intends to propose new state rules aimed at addressing procedural deficiencies identified by the court and providing the regulatory framework necessary for operation of the state program in lieu of the federal CCR Rule. 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 their smaller impoundments. LG&E and KU expect to commence closure of the remaining impoundments no later than April 2021. 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 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.

(All Registrants)

Superfund and Other Remediation

PPL Electric, LG&E and KU are potentially responsible for investigating and remediating contamination under the federal Superfund program and similar state programs. Actions are under way at certain sites including former coal gas manufacturing plants in Pennsylvania and Kentucky previously owned or operated by, or currently owned by predecessors or affiliates of, PPL Electric, LG&E and KU. PPL Electric is potentially responsible for a share of clean-up costs at certain sites 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.

As of September 30, 2020 and December 31, 2019, PPL Electric had a recorded liability of $10 million representing its best estimate of the probable loss to be incurred to remediate the sites identified above. Depending on the outcome of investigations at identified 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. PPL Electric, LG&E and KU lack sufficient information about such additional sites to estimate any potential liability or range of reasonably possible losses, if any, related to these sites. Such costs, however, are not currently expected to be significant.

The EPA is evaluating the risks associated with polycyclic aromatic hydrocarbons and naphthalene, chemical by-products of coal gas manufacturing. As a result, individual states may establish stricter standards for water quality and soil cleanup, that 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 possible losses, if any, related to these matters.

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 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.

Other

Labor Union Agreements

(LKE and KU)

In August 2020, KU and the United Steelworkers of America ratified a three-year labor agreement through August 2023. The agreement covers approximately 48 employees. The terms of the new labor agreement are not expected to have a significant impact on the financial results of LKE or KU.

(LKE and LG&E)

On November 4, 2020, LG&E and the IBEW reached an agreement in principle regarding a new three-year collective bargaining agreement. The proposed agreement is to be submitted to a vote of IBEW union members during early November 2020. The agreement covers approximately 640 employees. The terms of the proposed labor agreement are not expected to have a significant impact on the financial results of LKE or LG&E. The Registrants cannot predict the ultimate outcome of this matter.

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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, 2020. "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, 2020 and December 31, 2019. 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, 2020		Expiration Date
PPL			
WPD indemnifications for entities in liquidation and sales of assets	$ 10	(a)	2022
WPD guarantee of pension and other obligations of unconsolidated entities	90	(b)	
LKE			
Indemnification of lease termination and other divestitures	200	(c)	2021
LG&E and KU			
LG&E and KU obligation of shortfall related to OVEC		(d)	

(a) 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.

(b) 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, 2020, 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.

(c) 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.

(d) 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 $105 million at September 30, 2020, consisting of LG&E's share of $73 million and KU's share of $32 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 2019 Form 10-K for additional information on the OVEC power purchase contract.

In March 2018, a sponsor with a 4.85% pro-rata share of OVEC obligations filed for bankruptcy under Chapter 11 and, in August 2018, received a rejection order for the OVEC power purchase contract in the bankruptcy proceeding. OVEC and other entities challenged the contract rejection, the bankruptcy plan confirmation and regulatory aspects of the plan in various forums. In May 2020, OVEC and the relevant sponsor announced a settlement resolving all disputed matters in the bankruptcy and other proceedings, including providing that the sponsor will withdraw its request to reject the power purchase agreement. The settlement was implemented in July 2020. Periodically, OVEC and certain of its sponsors, including LG&E and KU, may consider certain potential additional credit support actions to preserve OVEC's access to credit markets, including establishing or continuing debt reserve accounts or other changes involving OVEC's existing short and long-term debt.

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

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

Risks and Uncertainties *(All Registrants)*

The COVID-19 pandemic has disrupted the U.S. and global economies and continues to present extraordinary challenges to businesses, communities, workforces and markets. In the U.S. and throughout the world, governmental authorities have taken urgent and extensive actions to contain the spread of the virus and mitigate known or foreseeable impacts. In the Registrants’ service territories, mitigation measures have included quarantines, stay-at-home orders, travel restrictions, reduced operations or closures of businesses, schools and governmental agencies, and legislative or regulatory actions to address health or other pandemic-related concerns, all of which have the potential to adversely impact the Registrants' business and operations, especially if these measures remain in effect for a prolonged period of time.

To date, the Registrants have not experienced a significant impact on their business, results of operations, financial condition, liquidity, operations or on their supply chain as a result of COVID-19; however, the duration and severity of the outbreak and its ultimate effects on the global economy, the financial markets, or the Registrants’ workforce, customers and suppliers are uncertain. A protracted slowdown of broad sectors of the economy, prolonged or pervasive restrictions on businesses and their workforces, or significant changes in legislation or regulatory policy to address the COVID-19 pandemic all present significant risks to the Registrants. These or other unpredictable events resulting from the pandemic could further reduce customer demand for electricity and gas, impact the Registrants’ employees and supply chains, result in an increase in certain costs, delay payments or increase bad debts, or result in changes in the fair value of their assets and liabilities, which could materially and adversely affect the Registrants’ business, results of operations, financial condition or liquidity.

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	
	2020	2019	2020	2019
PPL Electric from PPL Services	$ 11	$ 14	$ 37	$ 43
LKE from PPL Services	6	6	19	20
PPL Electric from PPL EU Services	44	38	126	112
LG&E from LKS	43	37	125	112
KU from LKS	45	42	132	126

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

Intercompany Borrowings

(PPL Electric)

PPL Energy Funding maintains a $650 million revolving line of credit with a PPL Electric subsidiary. No balance was outstanding at September 30, 2020 and December 31, 2019. The interest rates on borrowings are equal to one-month LIBOR plus a spread. Interest income is reflected in "Interest Income from Affiliate" on the Income Statements.

(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, 2020 and December 31, 2019, $153 million and $150 million were outstanding and reflected in "Notes payable with affiliates" on the Balance Sheets. The interest rates on the outstanding borrowings at September 30, 2020 and December 31, 2019 were 1.66% and 3.20%. Interest expense on the revolving line of credit was $1 million and $4 million for the three and nine months ended September 30, 2020 and $2 million and $5 million for the three and nine months ended September 30, 2019.

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, 2020 and December 31, 2019. 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, 2020 and December 31, 2019, 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, 2020 and 2019. Interest expense on the $250 million note was $3 million and $8 million for the three and nine months ended September 30, 2020 and 2019.

In May 2020, LKE entered into a $450 million term loan credit agreement with a PPL affiliate whereby LKE could borrow funds on a short-term basis at market-based rates. Interest on borrowings is determined as the lower of the daily rate for 30-day non-financial commercial paper programs plus a spread or one-month LIBOR plus a spread. The agreement expired on August 31, 2020. No balances were outstanding at September 30, 2020. Interest expense on borrowings was not significant for the three and nine months ended September 30, 2020.

In August 2020, LKE entered into a ten-year note of $550 million with a PPL affiliate with an interest rate of 4.125%. At September 30, 2020, this note was reflected in "Long-term debt to affiliate" on the Balance Sheets. Interest expense on the note was $3 million for the three and nine months ended September 30, 2020.

(LG&E and KU)

LG&E participates in an intercompany money pool agreement whereby LKE and/or KU make available to LG&E funds up to $750 million at an interest rate based on a market index of commercial paper issues. No balances were outstanding at September 30, 2020 and December 31, 2019.

KU participates in an intercompany money pool agreement whereby LKE and/or LG&E make available to KU funds up to $650 million at an interest rate based on a market index of commercial paper issues. No balances were outstanding at September 30, 2020 and December 31, 2019.

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 $27 million as of September 30, 2020, of which $10 million was reflected in "Accounts receivable from affiliates" and $17 million was reflected in "Other noncurrent assets" on the PPL Electric Balance Sheet. The intercompany receivable balance associated with these funds was $32 million as of December 31, 2019, of which $10 million was reflected in "Accounts receivable from affiliates" and $22 million was reflected in "Other noncurrent assets" on the PPL Electric Balance Sheet.

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	
	2020	2019	2020	2019
Other Income				
Economic foreign currency exchange contracts (Note 15)	$ (19)	$ 44	$ 44	$ 56
Defined benefit plans - non-service credits (Note 10)	67	77	202	237
Interest income	1	3	3	12
AFUDC - equity component	6	6	14	17
Miscellaneous	—	1	2	6
Total Other Income	55	131	265	328
Other Expense				
Charitable contributions	—	1	2	3
Miscellaneous	3	4	10	16
Total Other Expense	3	5	12	19
Other Income (Expense) - net	$ 52	$ 126	$ 253	$ 309

(PPL Electric)

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

	Three Months		Nine Months	
	2020	2019	2020	2019
Other Income				
AFUDC - equity component	$ 6	$ 6	$ 14	$ 17
Defined benefit plans - non-service credits (Note 10)	1	1	3	3
Interest income	1	—	1	1
Total Other Income	8	7	18	21
Other Expense				
Charitable contributions	—	—	1	2
Miscellaneous	1	—	2	1
Total Other Expense	1	—	3	3
Other Income (Expense) - net	$ 7	$ 7	$ 15	$ 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 2019 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, 2020				December 31, 2019			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
PPL								
Assets								
Cash and cash equivalents	$ 746	$ 746	$ —	$ —	$ 815	$ 815	$ —	$ —
Restricted cash and cash equivalents (a)	22	22	—	—	21	21	—	—
Special use funds (a):								
Commingled debt fund measured at NAV (b)	27	—	—	—	29	—	—	—
Commingled equity fund measured at NAV (b)	27	—	—	—	27	—	—	—
Total special use funds	54	—	—	—	56	—	—	—
Price risk management assets (c):								
Foreign currency contracts	42	—	42	—	142	—	142	—
Cross-currency swaps	147	—	147	—	154	—	154	—
Total price risk management assets	189	—	189	—	296	—	296	—
Total assets	$ 1,011	$ 768	$ 189	$ —	$ 1,188	$ 836	$ 296	$ —
Liabilities								
Price risk management liabilities (c):								
Interest rate swaps	$ 34	$ —	$ 34	$ —	$ 21	$ —	$ 21	$ —
Foreign currency contracts	1	—	1	—	5	—	5	—
Total price risk management liabilities	$ 35	$ —	$ 35	$ —	$ 26	$ —	$ 26	$ —
PPL Electric								
Assets								
Cash and cash equivalents	$ 26	$ 26	$ —	$ —	$ 262	$ 262	$ —	$ —
Restricted cash and cash equivalents (a)	2	2	—	—	2	2	—	—
Total assets	$ 28	$ 28	$ —	$ —	$ 264	$ 264	$ —	$ —
LKE								
Assets								
Cash and cash equivalents	$ 25	$ 25	$ —	$ —	$ 27	$ 27	$ —	$ —
Cash collateral posted to counterparties (d)	1	1	—	—	—	—	—	—
Total assets	$ 26	$ 26	$ —	$ —	$ 27	$ 27	$ —	$ —

	September 30, 2020				December 31, 2019			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Liabilities								
Price risk management liabilities:								
Interest rate swaps	$ 26	$ —	$ 26	$ —	$ 21	$ —	$ 21	$ —
Total price risk management liabilities	$ 26	$ —	$ 26	$ —	$ 21	$ —	$ 21	$ —
LG&E								
Assets								
Cash and cash equivalents	$ 10	$ 10	$ —	$ —	$ 15	$ 15	$ —	$ —
Cash collateral posted to counterparties (d)	1	1	—	—	—	—	—	—
Total assets	$ 11	$ 11	$ —	$ —	$ 15	$ 15	$ —	$ —
Liabilities								
Price risk management liabilities:								
Interest rate swaps	$ 26	$ —	$ 26	$ —	$ 21	$ —	$ 21	$ —
Total price risk management liabilities	$ 26	$ —	$ 26	$ —	$ 21	$ —	$ 21	$ —
KU								
Assets								
Cash and cash equivalents	$ 15	$ 15	$ —	$ —	$ 12	$ 12	$ —	$ —
Total assets	$ 15	$ 15	$ —	$ —	$ 12	$ 12	$ —	$ —

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

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. The funds are invested primarily in commingled debt and equity funds measured at NAV and are classified as investments in equity securities. Changes in fair value of the funds are recorded to the Statements of Income.

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, 2020		December 31, 2019	
	Carrying Amount (a)	Fair Value	Carrying Amount (a)	Fair Value
PPL	$ 22,768	$ 28,085	$ 21,893	$ 25,481
PPL Electric	3,587	5,030	3,985	4,589
LKE	6,073	7,588	6,002	6,766
LG&E	2,006	2,490	2,005	2,278
KU	2,617	3,310	2,623	3,003

(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

Volumetric risk is the risk related to the changes in volume of retail sales due to weather, economic conditions or other factors. 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 2019 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 $9 million and $14 million obligation to return cash collateral under master netting arrangements at September 30, 2020 and December 31, 2019.

LKE, LG&E and KU had no obligation to return cash collateral under master netting arrangements at September 30, 2020 and December 31, 2019.

PPL, LKE and LG&E posted $1 million of cash collateral under master netting arrangements at September 30, 2020. KU had no obligation to post cash collateral under master netting arrangements at September 30, 2020. PPL, LKE, LG&E and KU had no obligation to post cash collateral under master netting arrangements at December 31, 2019.

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. At September 30, 2020, PPL held an aggregate notional value in interest rate swap contracts of £126 million (approximately $168 million based on spot rates) that mature in 2035 to hedge interest payments on WPD's £250 million debt issuance which occurred in October 2020.

At September 30, 2020, 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, 2020 and 2019, PPL had no cash flow hedges reclassified into earnings associated with discontinued cash flow hedges.

At September 30, 2020, 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. 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, 2020, 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, including the previously announced potential sale of its U.K. utility business, 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, 2020.

At September 30, 2020 and December 31, 2019, PPL had $33 million and $32 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, 2020, the total exposure hedged by PPL was approximately £340 million (approximately $482 million based on contracted rates). These contracts have termination dates ranging from October 2020 through July 2021.

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, 2020 and December 31, 2019.

See Note 1 in each Registrant's 2019 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, 2020				December 31, 2019			
	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)	$ —	$ 8	$ —	$ 2	$ —	$ —	$ —	$ 4
Cross-currency swaps (b)	94	—	—	—	5	—	—	—
Foreign currency contracts	—	—	42	1	—	—	142	5
Total current	94	8	42	3	5	—	142	9
Noncurrent:								
Price Risk Management								
Assets/Liabilities (a):								
Interest rate swaps (b)	—	—	—	24	—	—	—	17
Cross-currency swaps (b)	53	—	—	—	149	—	—	—
Foreign currency contracts	—	—	—	—	—	—	—	—
Total noncurrent	53	—	—	24	149	—	—	17
Total derivatives	$ 147	$ 8	$ 42	$ 27	$ 154	$ —	$ 142	$ 26

(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 period ended September 30, 2020.

	Three Months	Nine Months		Three Months	Nine Months
Derivative Relationships	Derivative Gain (Loss) Recognized in OCI	Derivative Gain (Loss) Recognized in OCI	Location of Gain (Loss) Recognized in Income on Derivative	Gain (Loss) Reclassified from AOCI into Income	Gain (Loss) Reclassified from AOCI into Income
Cash Flow Hedges:					
Interest rate swaps	$ 3	$ (7)	Interest expense	$ (4)	$ (9)
Cross-currency swaps	(67)	(13)	Other income (expense) - net	(56)	(24)
Total	$ (64)	$ (20)		$ (60)	$ (33)
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	$ (19)	$ 44
Interest rate swaps	Interest expense	(1)	(4)
	Total	$ (20)	$ 40

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 period 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 table presents the effect of cash flow hedge activity on the Statement of Income for the period ended September 30, 2020.

	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	$ 249	$ 52	$ 750	$ 253
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	(4)	—	(9)	—
Cross-currency swaps:				
Hedged items	—	56	—	24
Amount of gain (loss) reclassified from AOCI to income	—	(56)	—	(24)

The following table presents the effect of cash flow hedge activity on the Statement of Income for the period ended 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, 2020		December 31, 2019	
	Assets	Liabilities	Assets	Liabilities
Current:				
Price Risk Management				
Assets/Liabilities:				
Interest rate swaps	$ —	$ 2	$ —	$ 4
Total current	—	2	—	4
Noncurrent:				
Price Risk Management				
Assets/Liabilities:				
Interest rate swaps	—	24	—	17
Total noncurrent	—	24	—	17
Total derivatives	$ —	$ 26	$ —	$ 21

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 period ended September 30, 2020.

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	$ (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 period 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)

(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, 2020								
Treasury Derivatives								
PPL	$ 189	$ 1	$ 9	$ 179	$ 35	$ 1	$ 1	$ 33
LKE	—	—	—	—	26	—	1	25
LG&E	—	—	—	—	26	—	1	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, 2019								
Treasury Derivatives								
PPL	$ 296	$ 5	$ 14	$ 277	$ 26	$ 5	$ —	$ 21
LKE	—	—	—	—	21	—	—	21
LG&E	—	—	—	—	21	—	—	21

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, 2020, 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	$ 6	$ 1	$ 1
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)	6	1	1

(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, 2019	$ 282	$ 215	$ 73	$ 142
Accretion	13	12	4	8
Changes in estimated timing or cost	35	44	16	28
Effect of foreign currency exchange rates	1	—	—	—
Obligations settled	(64)	(64)	(16)	(48)
Balance at September 30, 2020	$ 267	$ 207	$ 77	$ 130

17. Accumulated Other Comprehensive Income (Loss)

(PPL and LKE)

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

	Foreign currency translation adjustments	Unrealized gains (losses) on qualifying derivatives	Defined benefit plans: Prior service costs	Defined benefit plans: Actuarial gain (loss)	Total
PPL					
June 30, 2020	$ (1,777)	$ 8	$ (16)	$ (2,817)	$ (4,602)
Amounts arising during the period	643	(52)	—	(16)	575
Reclassifications from AOCI	—	48	—	52	100
Net OCI during the period	643	(4)	—	36	675
September 30, 2020	$ (1,134)	$ 4	$ (16)	$ (2,781)	$ (3,927)
December 31, 2019	$ (1,425)	$ (5)	$ (18)	$ (2,910)	$ (4,358)
Amounts arising during the period	291	(16)	—	(17)	258
Reclassifications from AOCI	—	25	2	146	173
Net OCI during the period	291	9	2	129	431
September 30, 2020	$ (1,134)	$ 4	$ (16)	$ (2,781)	$ (3,927)
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)
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)

	Foreign currency translation adjustments	Unrealized gains (losses) on qualifying derivatives	Defined benefit plans: Prior service costs	Defined benefit plans: Actuarial gain (loss)	Total
LKE					
June 30, 2020			$ (8)	$ (83)	$ (91)
Amounts arising during the period			—	(8)	(8)
Reclassifications from AOCI			—	5	5
Net OCI during the period			—	(3)	(3)
September 30, 2020			$ (8)	$ (86)	$ (94)
December 31, 2019			$ (9)	$ (84)	$ (93)
Amounts arising during the period			—	(9)	(9)
Reclassifications from AOCI			1	7	8
Net OCI during the period			1	(2)	(1)
September 30, 2020			$ (8)	$ (86)	$ (94)
June 30, 2019			$ (8)	$ (83)	$ (91)
Amounts arising during the period			—	—	—
Reclassifications from AOCI			—	—	—
Net OCI during the period			—	—	—
September 30, 2019			$ (8)	$ (83)	$ (91)
December 31, 2018			$ (9)	$ (80)	$ (89)
Amounts arising during the period			—	(2)	(2)
Reclassifications from AOCI			1	(1)	—
Net OCI during the period			1	(3)	(2)
September 30, 2019			$ (8)	$ (83)	$ (91)

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 2020	Three Months 2019	Nine Months 2020	Nine Months 2019	Affected Line Item on the Statements of Income
Qualifying derivatives					
Interest rate swaps	$ (4)	$ (2)	$ (9)	$ (6)	Interest Expense
Cross-currency swaps	(56)	27	(24)	34	Other Income (Expense) - net
Total Pre-tax	(60)	25	(33)	28	
Income Taxes	12	(3)	8	(3)	
Total After-tax	(48)	22	(25)	25	
Defined benefit plans					
Prior service costs (a)	(1)	(1)	(3)	(2)	
Net actuarial loss (a)	(64)	(25)	(181)	(78)	
Total Pre-tax	(65)	(26)	(184)	(80)	
Income Taxes	13	6	36	17	
Total After-tax	(52)	(20)	(148)	(63)	
Total reclassifications during the period	$ (100)	$ 2	$ (173)	$ (38)	

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

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' 2019 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, 2020 with the same periods in 2019. 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.

- "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.

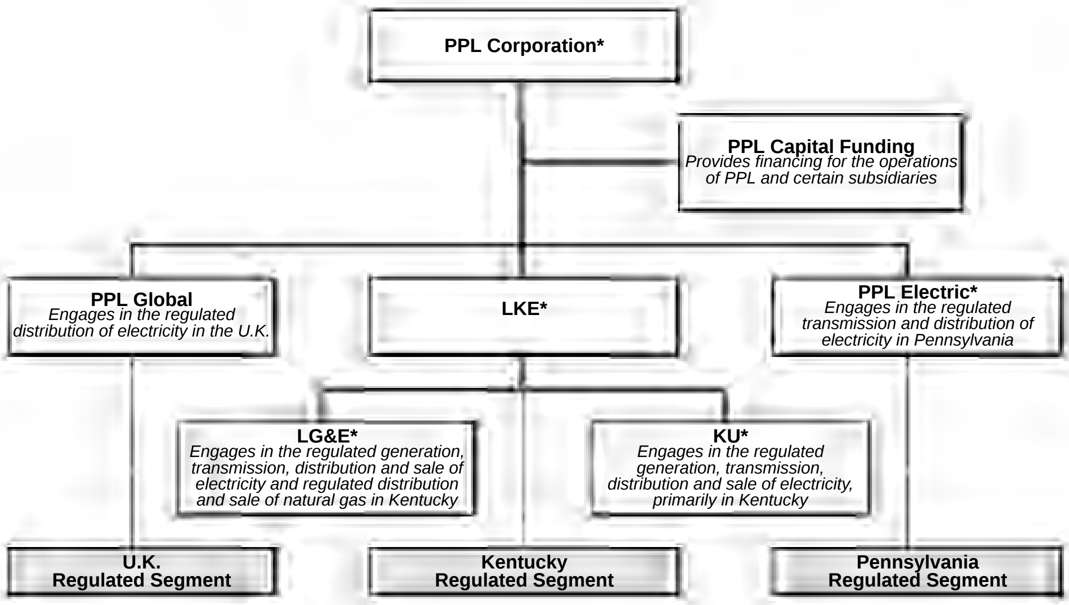
Overview

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 by PPL 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, acquired in 2010 and 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 and 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, provide superior customer service, 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. Withdrawal from 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

Initiation of Formal Process to Sell U.K. Utility Business (PPL)

On August 10, 2020, PPL announced that it has initiated a formal process to sell its U.K. utility business. PPL noted that there can be no assurance of any specific outcome, including whether the sale process will result in the completion of any potential transaction, the timing or terms thereof, the value or benefits that may be realized or the effect that any potential transaction will have on future financial results.

As a result of the potential sale, PPL assessed the recoverability of the assets of its U.K. utility business. PPL prepared a probability-weighted undiscounted cash flow estimate as of September 30, 2020 that considered the likelihood of the possible outcomes of the sale process, including the possibility of not selling the U.K. utility business. The resulting cash flow analysis exceeded the carrying value of the assets of the U.K. utility business. A change in the possible outcomes of the sale process could result in the carrying value of the assets of the U.K. utility business not being recoverable, which could result in an impairment in future periods. The U.K. utility business will continue to be classified as held and used until it meets the criteria to be classified as held for sale, which includes management obtaining a commitment to a plan to sell from its Board of Directors.

Should the U.K. utility business meet the criteria to be classified as held for sale in a future period, PPL will be required at that time to compare the estimated fair value of its investment in the U.K. utility business, less costs to sell, to its carrying value for impairment purposes. The measurement of PPL's carrying value of the U.K. utility business will include the realization of accumulated other comprehensive losses, which could arise from currency translation adjustments and defined benefit plans associated with the U.K. utility business.

Outbreak of COVID-19 (All Registrants)

The continued spread of COVID-19 has led to global economic disruption and volatility in financial markets. The Registrants have taken significant steps to mitigate the potential spread of COVID-19 to our customers, suppliers and employees. PPL has successfully implemented its company-wide pandemic plan, which guides the emergency response. Business continuity and other precautionary measures have been taken to ensure we can continue to safely provide reliable electricity and gas service to our customers. The Registrants have implemented social distancing measures for all employees including work from home arrangements where possible and continue to implement strong physical and cyber security measures to ensure that systems function effectively to serve operational and remote workforce needs. The Registrants continue to monitor developments affecting their workforces and customers and will take additional actions as appropriate to respond to changing conditions and mitigate the impacts.

This is a rapidly evolving situation that could lead to extended disruption of economic activity in the Registrants' markets for an undetermined period of time. Lock-down or closure of non-essential businesses has occurred in each of the Registrants' service territories, which has resulted in reductions in commercial and industrial demand and an increase in residential demand for electricity service. The impact of this net reduction in load has not been material to the Registrants' year to date 2020 financial condition. The impact on future periods will depend upon various factors, including the pace and extent to which the Registrants' jurisdictions reopen their economies and community response to the reopening of businesses as well as the extent that businesses continue work from home protocols. We cannot predict these factors and therefore cannot quantify the overall impact COVID-19 will have on our 2020 results of operations.

The Registrants are committed to supporting their customers and communities and have followed federal and state mandates to suspend disconnections for non-payment and new late fees, reconnect service for customers who had previously been disconnected and develop late payment plans with customers, where appropriate. The Registrants have experienced an increase in aged accounts receivable, resulting in an increase in credit losses. See "Current Expected Credit Losses" in Note 2 to the Financial Statements for additional information. The Registrants will continue to monitor cash receipts and accounts receivable aging to determine if further increases in their allowance for uncollectible accounts are required.

At September 30, 2020, the Registrants had approximately $3.6 billion of combined unused credit facility capacity. In addition, PPL Capital Funding, PPL Electric, LG&E and KU may, subject to certain conditions, increase their syndicated credit facilities in an aggregate amount of up to $1 billion. In April 2020, PPL Capital Funding issued $1 billion in senior notes. In June 2020, KU issued $500 million of First Mortgage Bonds due 2050. In October 2020, PPL Electric issued $250 million of First Mortgage Bonds, Floating Rate Series due 2023. In October 2020, WPD (South Wales) issued £250 million of 1.625% Senior

Notes due 2035. Based on available liquidity and access to capital markets, the Registrants do not anticipate a significant impact on their financial condition or liquidity, and do not foresee difficulties in accessing the capital markets in the near-term. See Note 8 to the Financial Statements for additional information.

The Registrants have assessed the fair value of their assets and liabilities and no impairment charges were required. See “Goodwill Assessment” below for additional information on the interim goodwill impairment test performed for the U.K. Regulated segment reporting unit in the first quarter of 2020.

PPL’s pension plans continue to be well-funded as its liability-driven investment strategy and active management function to mitigate investment losses resulting from market volatility.

In response to COVID-19, on March 27, 2020, President Donald Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). PPL evaluated the provisions of the CARES Act and believes there is no significant effect on its financial statements. Certain tax provisions may result in immaterial cash benefits in 2020.

To date, there has been no material impact on the Registrants’ business, financial condition, liquidity or on their supply chain as a result of COVID-19. For the three and nine months ended September 30, 2020, the following estimated changes in revenue and incremental costs incurred resulted from the impact of COVID-19:

	Increase (Reduction) in Revenue		Incremental Costs	
	Three Months	Nine Months	Three Months	Nine Months
PPL	$ (33)	$ (94)	$ 6	$ 26
WPD	(30)	(70)	4	19
LKE	(3)	(24)	—	5
LG&E	(5)	(14)	—	2
KU	2	(10)	—	3

WPD tariffs are set to recover allowed revenues. Any under-recoveries, including the estimated amounts shown above, will be added to revenue, with interest, in future years through K-factor. See discussion of K-factor in “Item 1. Business” of PPL’s 2019 Form 10-K. The impact on revenue and incremental COVID-19 related costs were not significant at PPL Electric.

The ultimate severity or duration of the outbreak or its effects on the global economy, the capital markets, or the Registrants’ workforce, contractors, customers and suppliers is uncertain. The Registrants cannot predict the ultimate impact COVID-19 will have on their financial position, results of operations, cash flows or liquidity.

Goodwill Assessment (PPL, LKE, LG&E and KU)

The COVID-19 pandemic has disrupted the U.S. and global economies and continues to present extraordinary challenges to businesses, communities, workforces and markets. In the U.S. and throughout the world, governmental authorities have taken urgent and extensive actions to contain the spread of the virus and mitigate known or foreseeable impacts. In the Registrants’ service territories, mitigation measures have included quarantines, stay-at-home orders, travel restrictions, reduced operations or closures of businesses, schools and governmental agencies, and legislative or regulatory actions to address health or other pandemic-related concerns, all of which have the potential to adversely impact the Registrants' business and operations, especially if these measures remain in effect for a prolonged period of time. PPL’s shares have experienced volatility and a decrease in market value since the outbreak of COVID-19.

During the three month period ended March 31, 2020, PPL, LKE, LG&E and KU considered whether these events would more likely than not reduce the fair value of the Registrants’ reporting units below their carrying amounts. Based on our assessment, a quantitative impairment test was not required for the LKE, LG&E and KU reporting units, but was required for the U.K. Regulated segment reporting unit, the allocated goodwill of which was $2.5 billion at March 31, 2020. The test did not indicate impairment of the reporting unit.

Management used both discounted cash flows and market multiples, including implied RAV premiums, which required significant assumptions, to estimate the fair value of the reporting units. Significant assumptions used in the discounted cash flows include discount and growth rates, the finalization of RIIO-ED2, and projected operating and capital cash flows. Projected operating and capital cash flows are based on the internal business plans, which assume the occurrence of certain future events. Significant assumptions used in the market multiples include sector market performance and comparable transactions.

A high degree of judgment is required to develop estimates related to fair value conclusions. A decrease in the forecasted cash flows of 10%, an increase in the discount rate of 10%, or a 10% decrease in the market multiples would not have resulted in an impairment of goodwill for the U.K. Regulated segment reporting unit.

During the three month periods ended June 30, 2020 and September 30, 2020, no goodwill impairment triggers were identified. However, an impairment charge could occur in future periods if PPL's share price or any of the assumptions used in determining fair value of the reporting units are negatively impacted.

U.K. Corporation Tax Rate Change (PPL)

The U.K. corporation tax rate was scheduled to be reduced from 19% to 17%, effective April 1, 2020. On March 11, 2020, the U.K. Finance Act 2020 included a cancellation of the tax rate reduction to 17%, thereby maintaining the corporation tax rate at 19%. The Finance Act 2020 was formally enacted on July 22, 2020. The primary impact of the cancellation of the corporation tax rate reduction was an increase in deferred tax liabilities and a corresponding deferred tax expense of $106 million.

U.S. Tax Reform (All Registrants)

In July 2020, the IRS issued final and new proposed regulations relating to limitations on interest deductibility for tax purposes. The Registrants will apply the final regulations beginning in the 2021 tax year. The proposed regulations will apply in the year in which the regulations are issued in final form, which is expected to be in 2021 or later. The Registrants are evaluating the final and proposed regulations, but do not expect the regulations to have a material impact on the Registrants' financial condition or results of operations.

U.K. Withdrawal from European Union (PPL)

In March 2017, the U.K. Government invoked Article 50 (Article 50) of the Lisbon Treaty, formally beginning the two-year period for the U.K. to negotiate an agreement specifying the terms of its withdrawal from the European Union (EU), popularly referred to as Brexit. After repeated extensions, in October 2019, the EU agreed to extend the Article 50 process until January 31, 2020. Following an early general election in December 2019, which resulted in a substantial Conservative Party Parliamentary majority, the U.K. and EU Parliaments voted to approve the EU withdrawal agreement negotiated by Prime Minister Boris Johnson.

The U.K. formally left the EU on January 31, 2020, entering a transition period that is scheduled to end on December 31, 2020. During the transition period, the U.K. will seek to negotiate a free trade arrangement with the EU and also negotiate new trade terms with countries outside of the EU. The deadline for the U.K. requesting an extension to the transition period passed on June 30, 2020. Significant uncertainty continues to surround the outcome of the transition period. PPL believes that its greatest risks relate to any 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. 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, 2020, PPL's foreign exchange exposure related to budgeted earnings is 100% hedged for 2020 at an average rate of $1.45 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 2019 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 expenses 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 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 1,200 MW of coal-fired generating plants in Kentucky since 2010.

RIIO-2 Framework (PPL)

In 2018, Ofgem issued its consultation document on the RIIO-2 framework, covering all U.K. gas and electricity transmission and distribution price controls. The current electricity distribution price control, RIIO-ED1, continues through March 31, 2023 and will not be impacted by the RIIO-2 consultation process. Later in 2018, Ofgem published its decision following its RIIO-2 framework consultation after consideration of comments received including those from WPD and PPL.

In August 2019, Ofgem published an open letter seeking views on its proposed sector specific approach on the RIIO-ED2 framework. WPD and PPL provided responses to this open letter. In December 2019, Ofgem published its decision on the RIIO-ED2 framework, thus confirming the following points in its RIIO-2 and RIIO-ED2 framework decision documents:

- RIIO-ED2 will be a five-year price control period, compared to eight years in the current RIIO-ED1 price control.
- CPI or CPIH will be used for inflation measurement in calculating both RAV and allowed returns rather than RPI.
- The baseline allowed return on equity will be set using the same methodology in all RIIO-2 sectors. The new methodology includes; (a) an equity indexation, whereby the allowed return on equity is updated to reflect changes in the risk-free rate, and (b) potentially setting the allowed return 0.5% below the expected return.
- Full debt indexation will be retained.
- The early settlement process (fast tracking) will be removed and replaced with an alternative mechanism to incentivize high-quality, rigorous and ambitious business plans.
- The Totex incentive rate will be based on a confidence level for setting baseline cost allowances.
- A new enhanced engagement model will be introduced requiring distribution companies to set up a customer engagement group to provide Ofgem with a public report of local stakeholders’ views on the companies’ business plans. Ofgem will also establish an independent RIIO-2 challenge group comprised of consumer experts to provide Ofgem with a public report on companies’ business plans.
- There will be no change to the existing depreciation policy of using economic asset lives as the basis for depreciating RAV as part of base revenue calculations. WPD is currently transitioning to 45-year asset lives for new additions in RIIO-ED1 based on Ofgem’s extensive review of asset lives in RIIO-ED1.
- A focus of RIIO-2 will be on whole-system outcomes. Ofgem intends for network companies and system operators to work together to ensure the energy system as a whole is efficient and delivers the best value to consumers. Ofgem is undertaking further work to clarify the definition of whole-system and the appropriate roles of the network companies in supporting this objective. Ofgem is still undecided on how DSO functions are to be treated. Ofgem will include a DSO reopener to reassess progress made in the establishment of DSO activities.

On July 30, 2020 Ofgem published its consultation on the RIIO-ED2 price control methodology which Ofgem will use to apply its framework decisions listed above. Some of the key aspects in Ofgem's consultation include:

- Proposing a suite of Net-Zero related investment and innovation mechanisms, including a Net Zero re-opener, to ensure that RIIO-ED2 is adaptable and can keep pace with changes in the wider policy and technological environment.
- Consulting on four different models for managing strategic investment to enable more flexibility within the price control and allow DNOs to adapt their investment plans to keep pace with Net Zero.
- Consulting on debt allowance proposals including the debt allowance calibration, the index used, and a possible additional cost of borrowing allowance.
- Consulting on whether the three-stage equity indexation methodology for baseline allowance returns proposed in the Gas Distribution and Transmission Draft Determination should equally apply to the ED sector and if the estimation approach for systematic risk should differ for ED2.
- Proposing to introduce a suite of reforms to define and regulate the distribution system operation. In the first instance, those reforms will apply to DNOs.

WPD and PPL continue to be fully engaged in the RIIO-ED2 process. The comment period on the July 30, 2020 consultation closed on October 1, 2020, which WPD provided a response to, and a decision on the RIIO-ED2 Sector Specific Methodology will be made in December 2020. Final Determinations for RIIO-ED2 will be made in December 2022. The RIIO-ED2 price control will come into effect on April 1, 2023. PPL cannot predict the outcome of this process or the long-term impact the final RIIO-ED2 price control will have on its financial condition or results of operations.

Challenge to PPL Electric Transmission Formula Rate Return on Equity

(PPL and PPL Electric)

On May 21, 2020, PP&L Industrial Customer Alliance (PPLICA) filed a complaint with the FERC alleging that PPL Electric's base return on equity (ROE) of 11.18% used to determine PPL Electric's formula transmission rate is unjust and unreasonable, and proposing an alternative ROE of 8.0% based on its interpretation of FERC Opinion No. 569. However, also on May 21, 2020, the FERC issued Opinion No. 569-A in response to numerous requests for rehearing of Opinion No. 569, which revised the method for analyzing base ROE. On June 10, 2020, PPLICA filed a Motion to Supplement the May 21, 2020 complaint in which PPLICA continued to allege that PPL Electric's base ROE is unjust and unreasonable, but revised its analysis of PPL Electric's base ROE to reflect the guidance provided in Opinion No. 569-A. The amended complaint proposed an updated alternative ROE of 8.5% and also requested that the FERC preserve the original refund effective date as established by the filing of the original complaint on May 21, 2020. Several parties have filed motions to intervene, including one party who filed Comments in Support of the original complaint.

On July 10, 2020, PPL Electric filed its Answer and supporting Testimony to the PPLICA filings arguing that the FERC should deny the original and amended complaints as they are without merit and fail to demonstrate the existing base ROE is unjust and unreasonable. In addition, PPL Electric contended any refund effective date should be set for no earlier than June 10, 2020 and PPLICA's proposed replacement ROE should be rejected.

On October 15, 2020, the FERC issued an order on the PPLICA complaints which established hearing and settlement procedures, set a refund effective date of May 21, 2020 and granted the motions to intervene. PPL Electric continues to believe its ROE is just and reasonable and that it has meritorious defenses against the original and amended complaints. At this time, PPL Electric cannot predict the outcome of this matter or the range of possible losses, if any, that may be incurred. However, revenue earned from May 21, 2020 through the settlement of this matter may be subject to refund. A change of 50 basis points to the base ROE would impact PPL Electric's net income by approximately $12 million on an annual basis.

FERC Transmission Rate Filing

(PPL, LKE, LG&E and KU)

In 2018, LG&E and KU applied 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 certain Kentucky municipalities mitigation for certain horizontal market power concerns arising out of the 1998 LG&E and KU merger and 2006 MISO withdrawal. The amounts at issue are generally waivers or credits granted to a limited number of Kentucky municipalities for either certain LG&E and KU or MISO transmission charges incurred for transmission service received. 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. In March 2019, the FERC granted LG&E's and KU's request to remove the ongoing credits, conditioned upon the implementation by LG&E and KU of a transition mechanism for certain existing power supply arrangements, subject to FERC review and approval. In July 2019, LG&E and KU proposed their transition mechanism to the FERC and in September 2019, the FERC rejected the proposed transition mechanism and issued a separate order providing clarifications of certain aspects of the March order. In October 2019, LG&E and KU filed requests for rehearing and clarification on the two September orders. In September 2020, FERC issued its orders in the rehearing process that modified the discussion in, and set aside portions of, the September 2019 orders including adjusting factors impacting the proposed transition mechanism. In October 2020, both LG&E and KU and other parties filed separate motions for rehearing and clarification regarding FERC’s September 2020 orders. A FERC decision on these rehearing requests is expected by November 18, 2020. Certain other petitions for review of the FERC's orders have been filed by multiple parties, including LG&E and KU, with the D.C. Circuit Court of Appeals. LG&E and KU cannot predict the outcome of these proceedings. LG&E and KU currently receive recovery of waivers and credits provided through other rate mechanisms.

(PPL and PPL Electric)

In April 2020, PPL Electric filed its annual transmission formula rate update with the FERC, reflecting a revised revenue requirement that took effect in June 2020.

Rate Case Proceedings

(PPL, LKE, LG&E and KU)

On October 23, 2020, LG&E and KU filed notices of intent with the KPSC to file applications for proposed adjustments of general electric and gas rates on or after November 25, 2020. The applications will also include requests for a CPCN to deploy Advanced Metering Infrastructure and other matters. LG&E and KU cannot predict the outcome of these potential proceedings.

(LKE and KU)

In July 2019, KU filed a request with the VSCC for an increase in annual Virginia base electricity revenues of approximately $13 million, representing an increase of 18.2%. In January 2020, KU reached a partial settlement agreement including an increase in annual Virginia base electricity revenues of $9 million effective May 1, 2020, representing an increase of 12.9%. A hearing on the settlement and certain tariff provisions was held in January 2020. On April 6, 2020, the VSCC issued an order approving the settlement and Hearing Examiner tariff provision recommendations. KU implemented the new rates on May 1, 2020.

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, 2020 with the same periods in 2019. 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" 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, 2020 with the same periods in 2019.

(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			Nine Months		
	2020	2019	$ Change	2020	2019	$ Change
Operating Revenues	$ 1,885	$ 1,933	$ (48)	$ 5,678	$ 5,815	$ (137)
Operating Expenses						
Operation						
Fuel	177	194	(17)	478	556	(78)
Energy purchases	136	150	(14)	470	538	(68)
Other operation and maintenance	483	480	3	1,446	1,452	(6)
Depreciation	323	306	17	959	890	69
Taxes, other than income	79	77	2	226	232	(6)
Total Operating Expenses	1,198	1,207	(9)	3,579	3,668	(89)
Other Income (Expense) - net	52	126	(74)	253	309	(56)
Interest Expense	249	259	(10)	750	746	4
Income Taxes	209	118	91	423	328	95
Net Income	$ 281	$ 475	$ (194)	$ 1,179	$ 1,382	$ (203)

Operating Revenues

The increase (decrease) in operating revenues was due to:

	Three Months	Nine Months
Domestic:		
PPL Electric Distribution price (a)	$ (16)	$ (16)
PPL Electric Distribution volumes (b)	6	(11)
PPL Electric PLR (c)	(13)	(38)
PPL Electric Transmission Formula Rate (d)	24	63
LKE Retail Rates (e)	—	64
LKE ECR (f)	—	28
LKE Fuel and other energy prices (g)	(3)	(42)
LKE Municipal supply (h)	—	(28)
LKE Volumes (i)	(33)	(84)
LKE Demand (j)	(8)	(32)
Other	1	(1)
Total Domestic	(42)	(97)
U.K.:		
Price	(4)	19
Volumes (j)	(22)	(62)
Foreign currency exchange rates	14	(3)
Engineering recharge income	8	7
Other	(2)	(1)
Total U.K.	(6)	(40)
Total	$ (48)	$ (137)

(a) The distribution price variances are primarily due to reconcilable cost recovery mechanisms approved by the PUC.
(b) The decrease for the nine months ended September 30, 2020 was primarily due to warmer weather in the first quarter of 2020, partially offset by warmer weather in the third quarter of 2020.
(c) The decrease for the three months ended September 30, 2020 was primarily the result of lower energy prices, partially offset by higher volumes of non-shopping customers and favorable weather. The decrease for the nine months ended September 30, 2020 was primarily the result of lower energy prices and unfavorable weather, partially offset by higher volumes of non-shopping customers in 2020.
(d) The increases were primarily due to returns on additional capital investments.
(e) The increase was primarily due to higher base rates, inclusive of the termination of the TCJA bill credit mechanism, effective May 1, 2019.
(f) The increase was primarily due to higher recoverable depreciation expense as a result of higher depreciation rates effective May 1, 2019.
(g) The decreases were primarily due to lower recoveries of fuel and energy purchases due to lower commodity costs.
(h) The decrease was primarily due to the termination of eight supply contracts with Kentucky municipalities on April 30, 2019.
(i) The decreases were primarily due to weather.
(j) The decreases were primarily due to COVID-19.

Fuel

Fuel decreased $17 million for the three months ended September 30, 2020 compared with 2019, primarily due to an $13 million decrease in volumes driven by weather and a $2 million decrease in commodity costs.

Fuel decreased $78 million for the nine months ended September 30, 2020 compared with 2019, primarily due to a $43 million decrease in volumes driven by weather, a $27 million decrease in commodity costs and a $9 million decrease in volumes driven by the termination of eight supply contracts with Kentucky municipalities on April 30, 2019.

Energy Purchases

Energy purchases decreased $14 million for the three months ended September 30, 2020 compared with 2019, primarily due to lower PLR prices of $21 million, partially offset by higher PLR volumes of $7 million at PPL Electric.

Energy purchases decreased $68 million for the nine months ended September 30, 2020 compared with 2019, primarily due to lower PLR prices of $54 million, partially offset by higher transmission enhancement expenses of $12 million at PPL Electric as well as a $22 million decrease due to lower commodity costs at LKE.

Other Operation and Maintenance

The increase (decrease) in other operation and maintenance was due to:

	Three Months	Nine Months
Domestic:		
PPL Electric Act 129	$ (5)	$ (12)
PPL Electric bad debts	(7)	(3)
PPL Electric universal service rider	(4)	(8)
PPL Electric canceled projects	—	9
LKE plant operations and maintenance	(1)	(9)
LKE COVID-19 impact	—	5
Storm costs	8	(15)
Other	(6)	(10)
U.K.:		
Pension	2	5
Foreign currency exchange rates	4	(2)
Third-party engineering	8	8
Engineering management	(1)	4
COVID-19 impact	4	19
Other	1	3
Total	$ 3	$ (6)

Depreciation

The increase in depreciation was due to:

	Three Months	Nine Months
Additions to PP&E, net	$ 12	$ 38
Foreign currency exchange rates	2	(1)
Depreciation rates (a)	—	26
Other	3	6
Total	$ 17	$ 69

(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 was due to:

	Three Months	Nine Months
Economic foreign currency exchange contracts (Note 15)	$ (63)	$ (12)
Defined benefit plans - non-service credits (Note 10)	(10)	(35)
Other	(1)	(9)
Total	$ (74)	$ (56)

Interest Expense

The increase (decrease) in interest expense was due to:

	Three Months	Nine Months
Long-term debt interest expense	$ (6)	$ 20
Short-term debt interest expense	(8)	(15)
Foreign currency exchange rates	3	—
Other	1	(1)
Total	$ (10)	$ 4

Income Taxes

The increase (decrease) in income taxes was due to:

	Three Months	Nine Months
Change in pre-tax income	$ (12)	$ (16)
Federal and state income tax return adjustments	(9)	(10)
Impact of the U.K. Finance Acts on deferred tax balances (a)	109	109
Amortization of excess deferred income taxes	(2)	(4)
Kentucky recycling credit, net of federal income tax expense (b)	—	20
Other	5	(4)
Total	$ 91	$ 95

(a) The U.K. corporation tax rate was scheduled to be reduced from 19% to 17%, effective April 1, 2020. On March 11, 2020, the U.K. Finance Act 2020 included a cancellation of the tax rate reduction to 17%, thereby maintaining the corporation tax rate at 19%. The Finance Act 2020 was formally enacted on July 22, 2020. The primary impact of the cancellation of the corporation tax rate reduction was an increase in deferred tax liabilities and a corresponding deferred tax expense of $106 million.

(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. A portion of this amount has been reserved due to insufficient Kentucky taxable income projected at LKE.

Segment Earnings

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

	Three Months			Nine Months		
	2020	2019	$ Change	2020	2019	$ Change
U.K. Regulated	$ 55	$ 236	$ (181)	$ 574	$ 784	$ (210)
Kentucky Regulated	129	150	(21)	330	364	(34)
Pennsylvania Regulated	135	118	17	371	333	38
Corporate and Other (a)	(38)	(29)	(9)	(96)	(99)	3
Net Income	$ 281	$ 475	$ (194)	$ 1,179	$ 1,382	$ (203)

(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 statutory 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		
	2020	2019	$ Change	2020	2019	$ Change
U.K. Regulated	$ 213	$ 205	$ 8	$ 767	$ 773	$ (6)
Kentucky Regulated	129	150	(21)	334	364	(30)
Pennsylvania Regulated	136	118	18	372	333	39
Corporate and Other	(28)	(28)	—	$ (82)	(95)	13
Earnings from Ongoing Operations	$ 450	$ 445	$ 5	$ 1,391	$ 1,375	$ 16

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 49% of PPL's Net Income for the nine months ended September 30, 2020 and 40% of PPL's assets at September 30, 2020.

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

	Three Months			Nine Months		
	2020	2019	$ Change	2020	2019	$ Change
Operating revenues	$ 485	$ 491	$ (6)	$ 1,575	$ 1,615	$ (40)
Other operation and maintenance	141	125	16	412	376	36
Depreciation	66	60	6	197	186	11
Taxes, other than income	32	32	—	95	96	(1)
Total operating expenses	239	217	22	704	658	46
Other Income (Expense) - net	46	120	(74)	241	289	(48)
Interest Expense	97	110	(13)	296	305	(9)
Income Taxes	140	48	92	242	157	85
Net Income	55	236	(181)	574	784	(210)
Less: Special Items	(158)	31	(189)	(193)	11	(204)
Earnings from Ongoing Operations	$ 213	$ 205	$ 8	$ 767	$ 773	$ (6)

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	2020	2019	2020	2019
Foreign currency economic hedges, net of tax of $14, ($8), $20, ($4) (a)	Other Income (Expense) - net	$ (53)	$ 31	$ (76)	$ 15
COVID-19 impact, net of tax of $1, $0, $4, $0 (b)	Other operation and maintenance	(3)	—	(15)	—
U.K. tax rate change (c)	Income Taxes	(102)	—	(102)	—
Other, net of tax of $0, $0, $0, $1 (d)	Other operation and maintenance	—	—	—	(4)
Total Special Items		$ (158)	$ 31	$ (193)	$ 11

(a) Unrealized gains (losses) on contracts that economically hedge anticipated GBP-denominated earnings.
(b) Incremental costs for labor not chargeable to capital projects due to U.K. government lockdown restrictions, purchases of personal protective equipment and other safety related actions associated with the COVID-19 pandemic.
(c) The U.K. Finance Act 2020, formally enacted on July 22, 2020, canceled the reduction of the corporation tax rate from 19% to 17%. See Note 6 to the Financial Statements for additional information.
(d) Settlement of a contractual dispute.

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	$ (27)	$ (44)
Other operation and maintenance	—	(16)
Depreciation	(5)	(12)
Other Income (Expense) - net	(12)	(35)
Interest expense	15	9
Income taxes	(2)	15
U.S.		
Income taxes	(1)	(3)
Other	—	(1)
Foreign currency exchange, after-tax	40	81
Earnings from Ongoing Operations	8	(6)
Special items, after-tax	(189)	(204)
Net Income	$ (181)	$ (210)

U.K.

- See "Adjusted Gross Margins - Changes in Adjusted Gross Margins" for an explanation of U.K. Adjusted Gross Margins.
- Higher other operation and maintenance expense for the nine month period primarily due to increases in various costs that were not individually significant in comparison to the prior year.
- Lower other income (expense) - net for the three and nine month periods primarily due to lower pension income.
- Lower interest expense for the three month period primarily due to interest on the index-linked bonds.
- Higher income taxes for the three month period primarily due to a $7 million impact from the tax rate change, partially offset by $6 million lower income taxes due to lower pre-tax 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 28% of PPL's Net Income for the nine months ended September 30, 2020 and 33% of PPL's assets at September 30, 2020.

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

	Three Months			Nine Months		
	2020	2019	$ Change	2020	2019	$ Change
Operating revenues	$ 806	$ 844	$ (38)	$ 2,331	$ 2,421	$ (90)
Fuel	177	194	(17)	478	556	(78)
Energy purchases	18	19	(1)	97	125	(28)
Other operation and maintenance	205	205	—	616	627	(11)
Depreciation	152	144	8	452	402	50
Taxes, other than income	21	19	2	57	55	2
Total operating expenses	573	581	(8)	1,700	1,765	(65)
Other Income (Expense) - net	1	2	(1)	3	2	1
Interest Expense	76	74	2	228	222	6
Income Taxes	29	41	(12)	76	72	4
Net Income	129	150	(21)	330	364	(34)
Less: Special Items	—	—	—	(4)	—	(4)
Earnings from Ongoing Operations	$ 129	$ 150	$ (21)	$ 334	$ 364	$ (30)

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	2020	2019	2020	2019
COVID-19 impact, net of tax of $0, $0, $1, $0 (a)	Other operation and maintenance	$ —	$ —	$ (4)	$ —
Total Special Items		$ —	$ —	$ (4)	$ —

(a) Incremental costs for outside services, customer payment processing, personal protective equipment and other safety related actions associated with the COVID-19 pandemic.

The changes in the components of the Kentucky Regulated segment's results between these periods were due to the factors set forth below, which reflect amounts classified as Kentucky 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	$ (26)	$ (14)
Other operation and maintenance	—	12
Depreciation	(2)	(17)
Taxes, other than income	(2)	(1)
Other Income (Expense) - net	(1)	1
Interest Expense	(2)	(6)
Income Taxes	12	(5)
Earnings from Ongoing Operations	(21)	(30)
Special items, after-tax	—	(4)
Net Income	$ (21)	$ (34)

- See "Adjusted Gross Margins - Changes in Adjusted Gross Margins" for an explanation of Kentucky Adjusted Gross Margins.
- Lower income taxes for the three month period primarily due to lower pre-tax income.
- Higher income taxes for the nine month period primarily due to a deferred income tax benefit recorded in 2019 related to a Kentucky recycling credit of $17 million, partially offset by lower income tax expense of $6 million due to lower pre-tax income.

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 31% of PPL's Net Income for the nine months ended September 30, 2020 and 26% of PPL's assets at September 30, 2020.

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

	Three Months			Nine Months		
	2020	2019	$ Change	2020	2019	$ Change
Operating revenues	$ 586	$ 590	$ (4)	$ 1,748	$ 1,756	$ (8)
Energy purchases	118	132	(14)	373	413	(40)
Other operation and maintenance	122	137	(15)	388	417	(29)
Depreciation	102	99	3	301	290	11
Taxes, other than income	30	29	1	78	84	(6)
Total operating expenses	372	397	(25)	1,140	1,204	(64)
Other Income (Expense) - net	8	8	—	17	21	(4)
Interest Expense	44	43	1	130	126	4
Income Taxes	43	40	3	124	114	10
Net Income	135	118	17	371	333	38
Less: Special Item	(1)	—	(1)	(1)	—	(1)
Earnings from Ongoing Operations	$ 136	$ 118	$ 18	$ 372	$ 333	$ 39

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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	2020	2019	2020	2019
COVID-19 impact, net of tax of $0, $0, $0, $0 (a)	Other operation and maintenance	$ (1)	$ —	$ (1)	$ —
Total Special Items		$ (1)	$ —	$ (1)	$ —

(a) Incremental costs for outside services, personal protective equipment and other safety related actions associated with the COVID-19 pandemic.

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	$ 17	$ 52
Other operation and maintenance	9	7
Depreciation	(4)	(9)
Taxes, other than income	—	7
Other Income (Expense) - net	—	(4)
Interest Expense	(1)	(4)
Income Taxes	(3)	(10)
Earnings from Ongoing Operations	18	39
Special Item, after tax	(1)	(1)
Net Income	$ 17	$ 38

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

- Lower other operation and maintenance expense for the three month period primarily due to lower bad debt expense.

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.

	2020 Three Months				
	U.K. Regulated	KY Regulated	PA Regulated	Corporate and Other	Total
Net Income	$ 55	$ 129	$ 135	$ (38)	$ 281
Less: Special Item (expense) benefit:					
Foreign currency economic hedges, net of tax of $14	(53)	—	—	—	(53)
Talen litigation costs, net of tax of $1 (a)	—	—	—	(2)	(2)
COVID-19 impact, net of tax of $1, $0, $0, $0	(3)	—	(1)	(1)	(5)
U.K. tax rate change	(102)	—	—	—	(102)
Strategic corporate initiatives, net of tax of $2 (b)	—	—	—	(7)	(7)
Total Special Items	(158)	—	(1)	(10)	(169)
Earnings from Ongoing Operations	$ 213	$ 129	$ 136	$ (28)	$ 450

	2019 Three Months				
	U.K. Regulated	KY Regulated	PA Regulated	Corporate and Other	Total
Net Income	$ 236	$ 150	$ 118	$ (29)	$ 475
Less: Special Item (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

	2020 Nine Months				
	U.K. Regulated	KY Regulated	PA Regulated	Corporate and Other	Total
Net Income	$ 574	$ 330	$ 371	$ (96)	$ 1,179
Less: Special Items (expense) benefit:					
Foreign currency economic hedges, net of tax of $20	(76)	—	—	—	(76)
Talen litigation costs, net of tax of $2 (a)	—	—	—	(6)	(6)
COVID-19 impact, net of tax of $4, $1, $0, $0	(15)	(4)	(1)	(1)	(21)
U.K. tax rate change	(102)	—	—	—	(102)
Strategic corporate initiatives, net of tax of $2 (b)	—	—	—	(7)	(7)
Total Special Items	(193)	(4)	(1)	(14)	(212)
Earnings from Ongoing Operations	$ 767	$ 334	$ 372	$ (82)	$ 1,391

	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

(a) PPL incurred legal expenses related to litigation with its former affiliate, Talen Montana. See Note 11 to the Financial Statements for additional information.
(b) Costs related to the process to sell WPD, announced on August 10, 2020. Similar costs of $4 million, after-tax, were incurred in 2019, but not treated as a special item. See Note 9 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, as well as the Kentucky Regulated segment'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. 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 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		
	2020	2019	$ Change	2020	2019	$ Change
U.K. Regulated						
U.K. Adjusted Gross Margins	$ 431	$ 446	$ (15)	$ 1,445	$ 1,492	$ (47)
Impact of changes in foreign currency exchange rates			12			(3)
U.K. Adjusted Gross Margins excluding impact of foreign currency exchange rates			$ (27)			$ (44)
Kentucky Regulated						
Kentucky Adjusted Gross Margins	$ 546	$ 572	$ (26)	$ 1,572	$ 1,586	$ (14)
Pennsylvania Regulated						
Pennsylvania Adjusted Gross Margins						
Distribution	$ 225	$ 232	$ (7)	$ 685	$ 696	$ (11)
Transmission	179	155	24	503	440	63
Total Pennsylvania Adjusted Gross Margins	$ 404	$ 387	$ 17	$ 1,188	$ 1,136	$ 52

U.K. Adjusted Gross Margins

U.K. Adjusted Gross Margins, excluding the impact of changes in foreign currency exchange rates, decreased for the three months ended September 30, 2020, compared with 2019, primarily due to $22 million of lower volumes, of which $30 million was due to the COVID-19 lockdown restrictions that were effective beginning the latter half of March 2020 and $4 million from the April 1, 2020 price decrease.

U.K. Adjusted Gross Margins, excluding the impact of changes in foreign currency exchange rates, decreased for the nine months ended September 30, 2020, compared with 2019, primarily due to $62 million of lower volumes, of which $70 million was due to the COVID-19 lockdown restrictions that were effective beginning the latter half of March 2020, partially offset by $19 million from the April 1, 2019 and 2020 price changes.

Kentucky Adjusted Gross Margins

Kentucky Adjusted Gross Margins decreased for the three months ended September 30, 2020 compared with 2019, due to $18 million of decreased sales volumes primarily due to weather and $8 million of lower commercial and industrial demand revenue primarily due to impacts of COVID-19.

Kentucky Adjusted Gross Margins decreased for the nine months ended September 30, 2020 compared with 2019, due to $36 million of decreased sales volumes primarily due to weather, $32 million of lower commercial and industrial demand revenue primarily due to impacts of COVID-19 and a $17 million decrease due to the termination of eight supply contracts with Kentucky municipalities on April 30, 2019, partially offset by higher retail rates approved by the KPSC effective May 1, 2019 of $64 million, inclusive of the termination of the TCJA bill credit mechanism.

Pennsylvania Adjusted Gross Margins

Distribution

Distribution Adjusted Gross Margins decreased for the three and nine months ended September 30, 2020, compared with 2019. No items were individually significant in comparison to the prior year.

Transmission

Transmission Adjusted Gross Margins increased for the three and nine months ended September 30, 2020, compared with 2019, primarily due to returns on additional transmission capital investments focused on replacing aging infrastructure and improving reliability.

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.

	2020 Three Months				
	U.K. Adjusted Gross Margins	Kentucky Adjusted Gross Margins	Pennsylvania Adjusted Gross Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 476 (c)	$ 806	$ 586	$ 17	$ 1,885
Operating Expenses					
Fuel	—	177	—	—	177
Energy purchases	—	18	118	—	136
Energy purchases from affiliate	—	—		—	—
Other operation and maintenance	45	25	23	390	483
Depreciation	—	39	13	271	323
Taxes, other than income	—	1	28	50	79
Total Operating Expenses	45	260	182	711	1,198
Total	$ 431	$ 546	$ 404	$ (694)	$ 687

	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

	2020 Nine Months				
	U.K. Adjusted Gross Margins	Kentucky Adjusted Gross Margins	Pennsylvania Adjusted Gross Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 1,547 (c)	$ 2,331	$ 1,748	$ 52	$ 5,678
Operating Expenses					
Fuel	—	478	—	—	478
Energy purchases	—	97	373	—	470
Energy purchases from affiliate	—	—	—	—	—
Other operation and maintenance	102	66	69	1,209	1,446
Depreciation	—	114	38	807	959
Taxes, other than income	—	4	80	142	226
Total Operating Expenses	102	759	560	2,158	3,579
Total	$ 1,445	$ 1,572	$ 1,188	$ (2,106)	$ 2,099

	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

(a) Represents amounts excluded from Adjusted Gross Margins.
(b) As reported on the Statements of Income.
(c) Excludes ancillary revenues of $9 million and $28 million for the three and nine months ended September 30, 2020 and $10 million and $29 million for the three and nine months ended September 30, 2019.

PPL Electric: Statement of Income Analysis

Statement of Income Analysis

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

	Three Months			Nine Months		
	2020	2019	$ Change	2020	2019	$ Change
Operating Revenues	$ 586	$ 590	$ (4)	$ 1,748	$ 1,756	$ (8)
Operating Expenses						
Operation						
Energy purchases	118	132	(14)	373	413	(40)
Other operation and maintenance	122	137	(15)	388	417	(29)
Depreciation	102	99	3	301	290	11
Taxes, other than income	30	29	1	78	84	(6)
Total Operating Expenses	372	397	(25)	1,140	1,204	(64)
Other Income (Expense) - net	7	7	—	15	18	(3)
Interest Income from Affiliate	1	1	—	2	3	(1)
Interest Expense	44	43	1	130	126	4
Income Taxes	44	40	4	125	114	11
Net Income	$ 134	$ 118	$ 16	$ 370	$ 333	$ 37

Operating Revenues

The increase (decrease) in operating revenues was due to:

	Three Months	Nine Months
Distribution price (a)	$ (16)	$ (16)
Distribution volumes (b)	6	(11)
PLR (c)	(13)	(38)
Transmission Formula Rate (d)	24	63
Other	(5)	(6)
Total	$ (4)	$ (8)

(a) The distribution price variances are primarily due to reconcilable cost recovery mechanisms approved by the PUC.
(b) The decrease for the nine months ended September 30, 2020 was primarily due to warmer weather in the first quarter of 2020, partially offset by warmer weather in the third quarter of 2020.
(c) The decrease for the three months ended September 30, 2020 was primarily the result of lower energy prices, partially offset by higher volumes of non-shopping customers and favorable weather. The decrease for the nine months ended September 30, 2020 was primarily the result of lower energy prices and unfavorable weather, partially offset by higher volumes of non-shopping customers in 2020.
(d) The increases were primarily due to returns on additional capital investments.

Energy Purchases

Energy purchases decreased $14 million for the three months ended September 30, 2020 compared with 2019, primarily due to lower PLR prices of $21 million, partially offset by higher PLR volumes of $7 million.

Energy purchases decreased $40 million for the nine months ended September 30, 2020 compared with 2019, primarily due to lower PLR prices of $54 million, partially offset by higher transmission enhancement expenses of $12 million.

Other Operation and Maintenance

The increase (decrease) in other operation and maintenance was due to:

	Three Months	Nine Months
Act 129	$ (5)	$ (12)
Storm costs	8	(9)
Universal service rider	(4)	(8)
Bad debts	(7)	(3)
Canceled projects	—	9
Other	(7)	(6)
Total	$ (15)	$ (29)

Income Taxes

The increase (decrease) in income taxes was due to:

	Three Months	Nine Months
Change in pre-tax income at current period tax rates	$ 5	$ 13
Federal and state tax return adjustments	(4)	(5)
Other	3	3
Total	$ 4	$ 11

LKE: Statement of Income Analysis

Statement of Income Analysis

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

	Three Months			Nine Months		
	2020	2019	$ Change	2020	2019	$ Change
Operating Revenues	$ 806	$ 844	$ (38)	$ 2,331	$ 2,421	$ (90)
Operating Expenses						
Operation						
Fuel	177	194	(17)	478	556	(78)
Energy purchases	18	19	(1)	97	125	(28)
Other operation and maintenance	205	205	—	616	627	(11)
Depreciation	152	144	8	452	402	50
Taxes, other than income	21	19	2	57	55	2
Total Operating Expenses	573	581	(8)	1,700	1,765	(65)
Other Income (Expense) - net	1	2	(1)	3	2	1
Interest Expense	56	57	(1)	172	169	3
Interest Expense with Affiliate	10	7	3	25	23	2
Income Taxes	31	43	(12)	82	78	4
Net Income	$ 137	$ 158	$ (21)	$ 355	$ 388	$ (33)

Operating Revenues

The increase (decrease) in operating revenues was due to:

	Three Months	Nine Months
Volumes (a)	$ (33)	$ (84)
Fuel and other energy prices (b)	(3)	(42)
Demand (c)	(8)	(32)
Municipal supply (d)	—	(28)
Retail rates (e)	—	64
ECR (f)	—	28
Other	6	4
Total	$ (38)	$ (90)

(a) The decreases were primarily due to weather.
(b) The decreases were primarily due to lower recoveries of fuel and energy purchases due to lower commodity costs.
(c) The decreases were primarily due to COVID-19.
(d) The decrease was primarily due to the termination of eight supply contracts with Kentucky municipalities on April 30, 2019.
(e) The increase was primarily due to higher base rates, inclusive of the termination of the TCJA bill credit mechanism, effective May 1, 2019.
(f) The increase was primarily due to higher recoverable depreciation expense as a result of higher depreciation rates effective May 1, 2019.

Fuel

Fuel decreased $17 million for the three months ended September 30, 2020 compared with 2019, primarily due to a $13 million decrease in volumes driven by weather and a $2 million decrease in commodity costs.

Fuel decreased $78 million for the nine months ended September 30, 2020 compared with 2019, primarily due to a $43 million decrease in volumes driven by weather, a $27 million decrease in commodity costs and a $9 million decrease in volumes driven by the termination of eight supply contracts with Kentucky municipalities on April 30, 2019.

Energy Purchases

Energy purchases decreased $28 million for the nine months ended September 30, 2020 compared with 2019, primarily due to a decrease in commodity costs.

Depreciation

Depreciation increased $8 million for the three months ended September 30, 2020 compared with 2019, primarily due to additional assets placed into service, net of retirements.

Depreciation increased $50 million for the nine months ended September 30, 2020 compared with 2019, primarily due to a $26 million increase related to higher depreciation rates effective May 1, 2019 and a $21 million increase related to additional assets placed into service, net of retirements.

Income taxes

Income taxes decreased $12 million for the three months ended September 30, 2020 compared with 2019, primarily due to lower pre-tax income.

Income taxes increased $4 million for the nine months ended September 30, 2020 compared with 2019, primarily due to a deferred income tax benefit recorded in 2019 related to a Kentucky recycling credit of $17 million, partially offset by lower income tax expense of $7 million due to lower pre-tax income.

LG&E: Statement of Income Analysis

Statement of Income Analysis

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

	Three Months			Nine Months		
	2020	2019	$ Change	2020	2019	$ Change
Operating Revenues						
Retail and wholesale	$ 362	$ 380	$ (18)	$ 1,075	$ 1,105	$ (30)
Electric revenue from affiliate	1	2	(1)	17	21	(4)
Total Operating Revenues	363	382	(19)	1,092	1,126	(34)
Operating Expenses						
Operation						
Fuel	64	79	(15)	188	226	(38)
Energy purchases	13	14	(1)	83	110	(27)
Energy purchases from affiliate	8	2	6	16	6	10
Other operation and maintenance	93	92	1	277	282	(5)
Depreciation	64	61	3	193	168	25
Taxes, other than income	11	10	1	30	29	1
Total Operating Expenses	253	258	(5)	787	821	(34)
Other Income (Expense) - net	(1)	—	(1)	(1)	(1)	—
Interest Expense	22	22	—	66	65	1
Income Taxes	16	22	(6)	47	51	(4)
Net Income	$ 71	$ 80	$ (9)	$ 191	$ 188	$ 3

Operating Revenues

The increase (decrease) in operating revenues was due to:

	Three Months	Nine Months
Volumes (a)	$ (20)	$ (44)
Fuel and other energy prices (b)	(1)	(22)
Demand (c)	(4)	(13)
Retail rates (d)	—	27
ECR (e)	1	13
Other	5	5
Total	$ (19)	$ (34)

(a) The decreases were primarily due to weather.
(b) The decreases were primarily due to lower recoveries of fuel and energy purchases due to lower commodity costs.
(c) The decreases were primarily due to COVID-19.
(d) The increase was primarily due to higher base rates, inclusive of the termination of the TCJA bill credit mechanism, effective May 1, 2019.
(e) The increase for the nine month period was primarily due to higher recoverable depreciation expense as a result of higher depreciation rates effective May 1, 2019.

Fuel

Fuel decreased $15 million for the three months ended September 30, 2020 compared with 2019, primarily due a decrease in volumes driven by weather.

Fuel decreased $38 million for the nine months ended September 30, 2020 compared with 2019, due to a $32 million decrease in volumes driven by weather and a $6 million decrease in commodity costs.

Energy Purchases

Energy purchases decreased $27 million for the nine months ended September 30, 2020 compared with 2019, primarily due to a decrease in commodity costs.

Energy Purchases from affiliate

Energy purchases from affiliate increased $6 million and $10 million for the three and nine months ended September 30, 2020 compared with 2019, primarily due to the timing of generation maintenance outages.

Depreciation

Depreciation increased $25 million for the nine months ended September 30, 2020 compared with 2019, primarily due to a $13 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

Income taxes decreased $6 million for the three months ended September 30, 2020 compared with 2019, primarily due to lower pre-tax income.

KU: Statement of Income Analysis

Statement of Income Analysis

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

	Three Months			Nine Months		
	2020	2019	$ Change	2020	2019	$ Change
Operating Revenues						
Retail and wholesale	$ 444	$ 464	$ (20)	$ 1,256	$ 1,316	$ (60)
Electric revenue from affiliate	8	2	6	16	6	10
Total Operating Revenues	452	466	(14)	1,272	1,322	(50)
Operating Expenses						
Operation						
Fuel	113	115	(2)	290	330	(40)
Energy purchases	5	5	—	14	15	(1)
Energy purchases from affiliate	1	2	(1)	17	21	(4)
Other operation and maintenance	105	107	(2)	316	320	(4)
Depreciation	88	83	5	258	233	25
Taxes, other than income	10	9	1	27	26	1
Total Operating Expenses	322	321	1	922	945	(23)
Other Income (Expense) - net	1	4	(3)	2	4	(2)
Interest Expense	28	28	—	85	82	3
Income Taxes	19	26	(7)	50	62	(12)
Net Income	$ 84	$ 95	$ (11)	$ 217	$ 237	$ (20)

Operating Revenues

The increase (decrease) in operating revenues was due to:

	Three Months	Nine Months
Volumes (a)	$ (9)	$ (33)
Municipal supply (b)	—	(28)
Fuel and other energy prices (c)	(2)	(20)
Demand (d)	(4)	(19)
Retail rates (e)	—	37
ECR (f)	(1)	15
Other	2	(2)
Total	$ (14)	$ (50)

(a) The decreases were primarily due to weather.
(b) The decrease was primarily due to the termination of eight supply contracts with Kentucky municipalities on April 30, 2019.
(c) The decreases were primarily due to lower recoveries of fuel and energy purchases due to lower commodity costs.
(d) The decreases were primarily due to COVID-19.

(e) The increase was primarily due to higher base rates, inclusive of the termination of the TCJA bill credit mechanism, effective May 1, 2019.
(f) The increase for the nine month period was primarily due to higher recoverable depreciation expense as a result of higher depreciation rates effective May 1, 2019.

Fuel

Fuel decreased $40 million for the nine months ended September 30, 2020 compared with 2019, primarily due to a $21 million decrease in commodity costs, an $11 million decrease in volumes driven by weather and a $9 million decrease in volumes driven by the termination of eight supply contracts with Kentucky municipalities on April 30, 2019.

Depreciation

Depreciation increased $5 million for the three months ended September 30, 2020 compared with 2019, primarily due to additional assets placed into service, net of retirements.

Depreciation increased $25 million for the nine months ended September 30, 2020 compared with 2019, primarily due to a $13 million increase related to higher depreciation rates effective May 1, 2019 and a $10 million increase related to additional assets placed into service, net of retirements.

Income taxes

Income taxes decreased $7 million and $12 million for the three and nine months ended September 30, 2020 compared with 2019, primarily due to lower pre-tax 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, 2020					
Cash and cash equivalents	$ 746	$ 26	$ 25	$ 10	$ 15
Short-term debt	1,368	280	345	206	139
Long-term debt due within one year	1,525	400	424	292	132
Notes payable with affiliates		—	153	—	—
December 31, 2019					
Cash and cash equivalents	$ 815	$ 262	$ 27	$ 15	$ 12
Short-term debt	1,151	—	388	238	150
Long-term debt due within one year	1,172	—	975	—	500
Notes payable with affiliates		—	150	—	—

(a) At September 30, 2020, $237 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 2019 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
2020					
Operating activities	$ 2,247	$ 656	$ 872	$ 419	$ 446
Investing activities	(2,358)	(844)	(707)	(329)	(378)
Financing activities	33	(48)	(167)	(95)	(65)
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)
Change - Cash Provided (Used)					
Operating activities	$ 359	$ 47	$ 59	$ 2	$ (25)
Investing activities	(164)	517	54	(6)	58
Financing activities	(330)	(560)	(121)	(3)	(34)

Operating Activities

The components of the change in cash provided by (used in) operating activities for the nine months ended September 30, 2020 compared with 2019 were as follows.

	PPL	PPL Electric	LKE	LG&E	KU
Change - Cash Provided (Used)					
Net income	$ (203)	$ 37	$ (33)	$ 3	$ (20)
Non-cash components	315	25	27	(26)	2
Working capital	156	15	26	2	(10)
Defined benefit plan funding	17	—	6	—	2
Other operating activities	74	(30)	33	23	1
Total	$ 359	$ 47	$ 59	$ 2	$ (25)

(PPL)

PPL's cash provided by operating activities in 2020 increased $359 million compared with 2019.

- Net income decreased $203 million between the periods and included an increase in non-cash charges of $315 million. The increase in non-cash charges was primarily due to an increase in depreciation expense (primarily due to higher depreciation rates and additional assets placed into service, net of retirements), an increase in deferred income taxes (due to the cancellation of the U.K. corporation tax rate reduction, book versus tax plant timing differences and Federal net operating losses) and an increase in unrealized gains on derivatives, and other hedging activities, partially offset by a decrease in amortization expense.

- The $156 million increase in cash from changes in working capital was primarily due to an increase in accounts payable (primarily due to timing of disbursement of payments), a decrease in unbilled revenues (primarily due to weather), and an increase in other current liabilities, partially offset by an increase in accounts receivable (primarily due to timing of receipts) and an increase in materials and supplies (primarily due to a contract termination and subsequent guaranteed purchase of inventory from a third-party logistics firm).

- The $74 million increase in cash provided by other operating activities was driven primarily by an increase in other liabilities (primarily related to regulatory liabilities and deferral of payroll taxes).

(PPL Electric)

PPL Electric's cash provided by operating activities in 2020 increased $47 million compared with 2019.

- Net income increased $37 million between the periods and included an increase in non-cash components of $25 million. The increase in non-cash components was primarily due to an increase in depreciation expense and an increase in other expenses (primarily due to an increase in canceled projects).

- The $15 million increase in cash from changes in working capital was primarily due to a decrease in unbilled revenues (primarily due to weather), an increase in accounts payable (primarily due to timing of payments), and a decrease in other net current assets and current liabilities, partially offset by an increase in accounts receivable (primarily due to the timing of receipts).

- The $30 million decrease in cash provided by other operating activities was driven primarily by an increase in non-current assets (primarily related to prepayments).

(LKE)

LKE's cash provided by operating activities in 2020 increased $59 million compared with 2019.

- Net income decreased $33 million between the periods and included an increase in non-cash components of $27 million. The increase in non-cash components was primarily driven by an increase in depreciation expense (primarily due to higher depreciation rates and additional assets placed into service, net of retirements), partially offset by a decrease in deferred income tax expense (primarily due to book versus tax plant timing differences).

- The increase in cash from changes in working capital was primarily driven by a decrease in unbilled revenue (primarily due to weather) and an increase in accounts payable (primarily due to timing of payments), partially offset by an increase in accounts receivable (primarily due to increase in aged receivables due to COVID-19 related disconnection moratoriums) and a decrease in interest payable (primarily due to timing of payments).

- The increase in cash provided by other operating activities was driven primarily by an increase in other liabilities (primarily related to regulatory liabilities and deferral of payroll taxes).

(LG&E)

LG&E's cash provided by operating activities in 2020 increased $2 million compared with 2019.

- Net income increased $3 million between the periods and included a decrease in non-cash components of $26 million. The decrease in non-cash components was primarily driven by a decrease in deferred income tax expense (primarily due to book versus tax plant timing differences), partially offset by an increase in depreciation expense (primarily due to higher depreciation rates and additional assets placed into service, net of retirements).

- The increase in cash from changes in working capital was primarily driven by a decrease in unbilled revenues (primarily due to weather) and net regulatory assets (primarily due to the timing of rate recovery mechanisms), partially offset by a decrease in accounts payable (primarily due to timing of payments) and an increase in accounts receivables (primarily due to increase in aged receivables due to COVID-19 related disconnection moratoriums).

- The increase in cash provided by other operating activities was driven primarily by an increase in other liabilities (primarily related to regulatory liabilities) and a decrease in ARO expenditures.

(KU)

KU's cash provided by operating activities in 2020 decreased $25 million compared with 2019.

- Net income decreased $20 million between the periods and included an increase in non-cash charges of $2 million. The increase in non-cash components was driven by an increase in depreciation expense (primarily due to higher depreciation rates and additional assets placed into service, net of retirements), partially offset by a decrease in deferred income tax expense (primarily due to book versus tax plant timing differences).

- The decrease in cash from changes in working capital was primarily driven by an increase in accounts receivable (primarily due to increase in aged receivables due to COVID-19 related disconnection moratoriums) and a decrease in other current liabilities (primarily due to timing of payments), partially offset by an increase in accounts payable (primarily due to timing of payments) and a decrease in unbilled revenues (primarily due to weather).

Investing Activities

(All Registrants)

The components of the change in cash provided by (used in) investing activities for the nine months ended September 30, 2020 compared with 2019 were as follows.

	PPL	PPL Electric	LKE	LG&E	KU
Change - Cash Provided (Used)					
Expenditures for PP&E	$ (151)	$ (25)	$ 51	$ (6)	$ 55
Purchase of investments	55	—	—	—	—
Proceeds from the sale of investments	(61)	—	—	—	—
Notes receivable from affiliate	—	546	—	—	—
Other investing activities	(7)	(4)	3	—	3
Total	$ (164)	$ 517	$ 54	$ (6)	$ 58

For PPL, the increase in expenditures for PP&E was due to higher project expenditures at WPD and PPL Electric, partially offset by a decrease in project expenditures at LKE, LG&E and KU. The increase in expenditures at WPD was primarily due to an increase in expenditures to enhance system reliability. The increase 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 and KU's Trimble County plant, LG&E's Mill Creek plant and KU's Ghent plant, partially offset by spending on gas transmission projects at LG&E and spending on various other projects at LG&E and KU that are not individually significant.

(PPL Electric)

For PPL Electric, the change in "Notes receivable from affiliate" resulted from funding in 2019 of $546 million to an affiliate 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, 2020 compared with 2019 were as follows.

	PPL	PPL Electric	LKE	LG&E	KU
Change - Cash Provided (Used)					
Debt issuance/retirement, net	$ (642)	$ (393)	$ (982)	$ (199)	$ (308)
Debt issuance/retirement with affiliate, net		—	550	—	—
Proceeds from project financing	152	—	—	—	—
Stock issuances/redemptions, net	(17)	—	—	—	—
Dividends	(63)	(47)	—	15	22
Capital contributions/distributions, net	—	(405)	(51)	28	30
Issuance of term loan	300	—	—	—	—
Change in short-term debt, net	(60)	280	370	148	222
Notes payable with affiliate		—	(13)	—	—
Other financing activities	—	5	5	5	—
Total	$ (330)	$ (560)	$ (121)	$ (3)	$ (34)

See Note 8 to the Financial Statements in this Form 10-Q for information on 2020 short-term and long-term debt activity, equity transactions and PPL dividends. See Note 8 to the Financial Statements in the Registrants' 2019 Form 10-K for information on 2019 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 except for borrowings of $100 million under PPL Capital Funding's term loan agreement due in March 2022, which are reflected in "Long-term Debt" on the Balance Sheets. At September 30, 2020, 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	$ 1,900	$ 400	$ —	$ 1,500
PPL Electric Credit Facility	650	—	281	369
LG&E Credit Facilities	500	—	206	294
KU Credit Facilities	400	—	139	261
Total LKE	900	—	345	555
Total U.S. Credit Facilities (a)	$ 3,450	$ 400	$ 626	$ 2,424
Total U.K. Credit Facilities (b)	£ 1,055	£ 332	£ —	£ 721

(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 - 12%, PPL Electric - 6%, LKE - 7%, LG&E - 7% and KU - 7%.

(b) The amounts borrowed at September 30, 2020 were a USD-denominated borrowing of $200 million and GBP-denominated borrowings of £182 million which equated to $243 million. The unused capacity reflects the amounts borrowed in GBP of £152 million as of the date borrowed. At September 30, 2020, 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 14% of the total committed capacity.

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	$ 153	$ —	$ 222
LG&E Money Pool (a)	750	—	206	544
KU Money Pool (a)	650	—	139	511

(a) LG&E and KU participate in an intercompany money pool agreement whereby LKE and/or KU make available to LG&E funds up to $750 million and LKE and/or LG&E make available to KU funds up to $650 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 at $750 million for LG&E and $650 million for KU 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, 2020:

	Capacity	Commercial Paper Issuances	Unused Capacity
PPL Capital Funding	$ 1,500	$ —	$ 1,500
PPL Electric	650	280	370
LG&E	350	206	144
KU	350	139	211
Total LKE	700	345	355
Total PPL	$ 2,850	$ 625	$ 2,225

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 nine months ended September 30, 2020.

Common Stock Dividends

In August 2020, PPL declared a quarterly common stock dividend, payable October 1, 2020, of 41.5 cents per share (equivalent to $1.66 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 2020:

(PPL)

In April 2020, Moody’s and S&P assigned ratings of Baa2 and BBB+ to PPL Capital Funding’s $1 billion 4.125% Senior Notes due 2030. The notes were issued April 1, 2020.

(PPL, LKE and LG&E)

In August 2020, Moody's and S&P assigned ratings of A1 and A to the Louisville/Jefferson County Metro Government, Kentucky's $23 million 0.90% Pollution Control Revenue Bonds, 2001 Series A, due 2026, previously issued on behalf of LG&E. The bonds were remarketed September 3, 2020.

In August 2020, Moody's and S&P assigned ratings of A1 and A/A-2 to the County of Trimble, Kentucky's $125 million 1.30% Pollution Control Revenue Refunding Bonds, 2016 Series A, due 2044, previously issued on behalf of LG&E. The bonds were remarketed September 3, 2020.

(PPL, LKE and KU)

In May 2020, Moody's and S&P assigned ratings of A1 and A to KU's $500 million 3.30% First Mortgage Bonds due 2050. The bonds were issued June 3, 2020.

(PPL and PPL Electric)

In September 2020, Moody's and S&P assigned ratings of A1 and A to PPL Electric's $250 million First Mortgage Bonds, Floating Rate Series, due 2023. The bonds were issued October 1, 2020.

In September 2020, Moody's and S&P assigned ratings of A1 and A to PEDFA's $90 million Pollution Control Revenue Refunding Bonds, Series 2008, due 2023, previously issued on behalf of PPL Electric. The bonds were remarketed October 1, 2020.

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, 2020.

(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' 2019 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, 2020.

	Exposure Hedged	Fair Value, Net - Asset (Liability) (a)	Effect of a 10% Adverse Movement in Rates (b)	Maturities Ranging Through
PPL				
Cash flow hedges				
Interest rate swaps (c)	$ 168	$ (7)	$ (1)	2035
Cross-currency swaps (c)	702	149	(70)	2028
Economic hedges				
Interest rate swaps (d)	147	(26)	—	2033
LKE				
Economic hedges				
Interest rate swaps (d)	147	(26)	—	2033
LG&E				
Economic hedges				
Interest rate swaps (d)	147	(26)	—	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, 2020 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, 2020 is shown below.

	10% Adverse Movement in Rates
PPL	$ 611
PPL Electric	180
LKE	205
LG&E	77
KU	122

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 is permitted to enter into financial instruments to hedge certain foreign currency exposures, including translation risk of expected earnings, firm commitments, recognized assets or liabilities, anticipated transactions, including the previously announced potential sale of its U.K. utility business, and net investments.

The following foreign currency hedges were outstanding at September 30, 2020.

	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)	£ 340	$ 41	$ (30)	2021

(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

Volumetric risk is the risk related to the changes in volume of retail sales due to weather, economic conditions or other factors. 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 2019 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' 2019 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 gain of $292 million for the nine months ended September 30, 2020, which primarily reflected a $477 million increase to PP&E, an $85 million increase to goodwill, a $46 million increase to other net assets, partially offset by a $229 million increase to long-term debt, a $48 million increase to long term debt due within one year, and a $39 million increase to deferred income taxes. 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. 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. See Note 9 to the Financial Statements for information on significant activities.

Environmental Matters *(All Registrants)*

Extensive federal, state and local environmental laws and regulations are applicable to PPL's, PPL Electric's, LKE's, LG&E's and KU's air emissions, water discharges and the management of hazardous and solid waste, as well as other aspects of the Registrants' businesses. The costs 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 costs 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 "Environmental Matters" in Item 1. "Business" in the Registrants' 2019 Form 10-K for information about environmental laws and regulations affecting the Registrants' business. See "Legal Matters" in Note 11 to the Financial Statements for a discussion of significant environmental claims. See "Financial Condition - Liquidity and Capital Resources - Forecasted Uses of Cash - Capital Expenditures" in "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Registrants' 2019 Form 10-K for information on projected environmental capital expenditures for 2020 through 2024. See Note 16 to the Financial Statements for information related to the impacts of CCRs on AROs.

(PPL, LKE, LG&E and KU)

The information below represents an update to “Item 1. Business – Environmental Matters – Air – NAAQS” and "Item 1. Business - Environmental Matters - Water/Waste - Clean Water Act Jurisdiction" in the Registrants' 2019 Form 10-K.

NAAQS

In October 2020, the EPA released proposed revisions to the Cross-State Air Pollution Rule (CSAPR) providing for reductions in ozone season nitrogen oxide emissions for 2021 and subsequent years from sources in 12 states, including Kentucky. PPL, LKE, LG&E and KU are unable to determine the impact of the rule on operations until the rule is finalized, and certain implementation determinations are made by the EPA and Kentucky. Compliance with the NAAQS, CSAPR and related requirements may require installation of additional pollution controls or other compliance actions, the costs of which PPL, LKE, LG&E and KU believe would be subject to rate recovery.

Clean Water Act Jurisdiction

Environmental groups and others have claimed that discharges to groundwater from leaking CCR impoundments at power plants are subject to Clean Water Act permitting. A citizen suit raising such claims has been filed against KU with respect to the E.W. Brown plant, as discussed under “Legal Matters” - “E.W. Brown Environmental Claims” in Note 10 to the Financial Statements. On April 12, 2019, the EPA released regulatory clarification finding that Clean Water Act jurisdiction does not cover such discharges to groundwater. On January 23, 2020, the EPA announced a final rule modifying the jurisdictional scope of the Clean Water Act. The announced rule revises the definition of the "Waters of the United States," including a revision to exclude groundwater from the definition. In April 2020, the U.S. Supreme Court issued a ruling that Clean Water Act jurisdiction may apply to certain discharges to groundwater that result in the functional equivalent of a direct discharge to navigable waters. PPL, LKE, LG&E, and KU are unaware of any unpermitted releases from their facilities that are subject to Clean Water Act jurisdiction, but future guidance from the EPA and judicial rulings could potentially subject certain releases from CCR impoundments and landfills to additional permitting and remediation requirements, which could impose substantial costs. If any, associated costs are expected to be subject to rate recovery. PPL, LKE, LG&E and KU are unable to predict the outcome or financial impact of future regulatory proceedings and litigation.

New Accounting Guidance *(All Registrants)*

See Note 2 to the Financial Statements for a discussion of new accounting guidance adopted.

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' 2019 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

Although the COVID-19 pandemic prompted the Registrants to make certain procedural adjustments to accommodate an increased remote workforce, PPL’s accounting and reporting systems and functions were well prepared to perform necessary accounting and reporting activities as of September 30, 2020 and to maintain the effectiveness of its disclosure controls and procedures and internal control over financial reporting.

(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, 2020, 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 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 2020 see:

- "Item 3. Legal Proceedings" in each Registrant's 2019 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' 2019 Form 10-K, except for the following:

The COVID-19 pandemic and resultant impact on business and economic conditions could negatively affect our business.

The COVID-19 pandemic has disrupted the U.S. and global economies and continues to present extraordinary challenges to businesses, communities, workforces and markets. In the U.S. and throughout the world, governmental authorities have taken urgent and extensive actions to contain the spread of the virus and mitigate known or foreseeable impacts. In the Registrants’ service territories, mitigation measures have included quarantines, stay-at-home orders, travel restrictions, reduced operations or closures of businesses, schools and governmental agencies, and executive, legislative or regulatory actions to address health or other pandemic-related concerns.

Until COVID-19 is contained or an effective vaccine is identified and widely-available, the COVID-19 virus poses significant risks to the health and welfare of the Registrants' customers, employees, contractors and suppliers, and to the conduct of their business. Mandates to stay at home, shelter in place, or quarantine and resulting lock-down or closures of non-essential businesses could reduce demand for electricity and gas, or cause shifts in demand between residential, commercial and industrial customers that could negatively impact the Registrants' financial condition. Customers experiencing financial strain from unemployment, furloughs, or reduced work hours may not be able to pay their bills on a timely basis, which could negatively impact our liquidity. Continued economic disruption may further depress the GBP to U.S. dollar exchange rate and increase PPL's foreign exchange exposure. New or changing legislation or regulatory orders may unfavorably impact the Registrants or the utility industry generally.

All of these factors have the potential to materially and adversely affect the Registrants' business and operations, especially if they remain in effect for a prolonged period of time. At this time, the Registrants' cannot predict the extent to which these or other pandemic-related factors may affect their business, earnings or other financial results, as it depends on the duration and scope of the outbreak, the measures undertaken in response and other future developments, all of which are highly uncertain. In addition to the factors discussed above, investors should be aware that other COVID-19-related risks may emerge in the future and may prove to be significant. Investors should carefully consider the discussion of COVID-19 related items presented in this Quarterly Report and the risks presented in the Registrants' Annual Report on Form 10-K for 2019, especially to the extent that the COVID-19 pandemic may exacerbate or increase those risks.

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 October 5, 2020, of Western Power Distribution (South Wales) plc £250,000,000 1.625 per cent Fixed Rate Notes due 2035 under the £4,000,000,000 Euro Medium Term Note Programme (Exhibit 1.1. to PPL Corporation Form 8-K Report (File No. 1-11459) dated October 8, 2020)
4(a)	- Supplemental Indenture No. 22, dated as of September 15, 2020, to Indenture, dated as of August 1, 2000, among PPL Electric Utilities Corporation and the Bank of New York Mellon, as Trustee (Exhibit 4(a) to PPL Corporation Form 8-K Report (File No. 1-11459) dated October 1, 2020)
4(b)	- Subscription Agreement, dated October 5, 2020, by and among Western Power Distribution (South Wales) plc as Issuer, Barclays Bank plc, Lloyds Bank Corporate Markets plc, MUFG Securities EMEA plc, Natwest Markets plc as Joint Lead Managers (Exhibit 4.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated October 8, 2020)
4(c)	- Amended and Restated Trust Deed, dated August 21, 2020, by and among Western Power Distribution (East Midlands) plc, Western Power Distribution (South Wales) plc, Western Power Distribution (South West) plc and Western Power Distribution (West Midlands) plc as Issuers, and HSBC Corporate Trustee Company (UK) Limited as Note Trustee (Exhibit 4.2 to PPL Corporation Form 8-K Report (File No. 1-11459) dated October 8, 2020)
4(d)	- £4,000,000,000 Euro Medium Term Note Programme entered into by Western Power Distribution (East Midlands) plc, Western Power Distribution (South Wales) plc, Western Power Distribution (South West) plc and Western Power Distribution (West Midlands) plc dated as of August 21, 2020 (Exhibit 4.3 to PPL Corporation Form 8-K Report (File No. 1-11459) dated October 8, 2020

Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, for the quarterly period ended September 30, 2020, 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, 2020, 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, 2020

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

PPL Electric Utilities Corporation
(Registrant)

Date: November 5, 2020

/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, 2020

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

Exhibit 31(a)

CERTIFICATION

I, VINCENT SORGI, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: November 5, 2020

/s/ Vincent Sorgi

Vincent Sorgi
President 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, 2020

/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, 2020

/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, 2020

/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, 2020

/s/ Paul W. Thompson

Paul W. Thompson
President and Chief Executive Officer
(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, 2020

/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, 2020

/s/ Paul W. Thompson

Paul W. Thompson
President and Chief Executive Officer
(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, 2020

/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, 2020

/s/ Paul W. Thompson

Paul W. Thompson
President and Chief Executive Officer
(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, 2020

/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, 2020

In connection with the quarterly report on Form 10-Q of PPL Corporation (the "Company") for the quarter ended September 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Vincent Sorgi, 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, 2020

/s/ Vincent Sorgi
Vincent Sorgi
President 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, 2020

In connection with the quarterly report on Form 10-Q of PPL Electric Utilities Corporation (the "Company") for the quarter ended September 30, 2020, 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, 2020

/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, 2020

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, 2020, 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, 2020

/s/ Paul W. Thompson
Paul W. Thompson
President and Chief Executive Officer
(Principal Executive Officer)
LG&E and KU Energy LLC

/s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer
(Principal Financial Officer)
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, 2020

In connection with the quarterly report on Form 10-Q of Louisville Gas and Electric Company (the "Company") for the quarter ended September 30, 2020, 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, 2020

/s/ Paul W. Thompson
Paul W. Thompson
President and Chief Executive Officer
(Principal Executive Officer)
Louisville Gas and Electric Company

/s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer
(Principal Financial Officer)
Louisville Gas and Electric Company

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32(e)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR KENTUCKY UTILITIES COMPANY'S FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2020

In connection with the quarterly report on Form 10-Q of Kentucky Utilities Company (the "Company") for the quarter ended September 30, 2020, 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, 2020

/s/ Paul W. Thompson
Paul W. Thompson
President and Chief Executive Officer
(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.