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COMMISSION

LG&E and KU Energy LLC
State Regulation and Rates
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Rick E. Lovekamp
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Linda C. Bridwell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601-8294

June 30, 2021

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

Dear Ms. Bridwell:

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 Companies' Annual Accounting Information Filing in compliance with the reporting requirements specified in Appendix C, Commitment No. 1. 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.

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 March 31, 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, 768,763,491 shares outstanding at April 30, 2020.
PPL Electric Utilities Corporation	Common stock, no par value, 66,368,056 shares outstanding and all held by PPL Corporation at April 30, 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 April 30, 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 April 30, 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.

Table of Contents

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 MARCH 31, 2020

Table of Contents

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

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

GLOSSARY OF TERMS AND ABBREVIATIONS

PPL Corporation and its subsidiaries

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

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

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

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

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

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

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

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

PPL EU Services - PPL EU Services Corporation, a subsidiary of PPL that provides administrative, management and support services primarily to PPL Electric.

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

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

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

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

WPD - refers to PPL WPD Limited and its subsidiaries.

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

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

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

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

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

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

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

Other terms and abbreviations

£ - British pound sterling.

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).

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.

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.

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.

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.

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

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

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

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

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

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

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

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

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

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

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

Talen Energy - Talen Energy Corporation, the Delaware corporation formed to be the publicly traded company and owner of the competitive generation assets of PPL Energy Supply and certain affiliates of Riverstone, which as of December 6, 2016, became wholly owned by Riverstone.

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

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

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

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

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

Forward-looking Information

Statements contained in this Form 10-Q concerning expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are other than statements of historical fact are "forward-looking statements" within the meaning of the federal securities laws. Although the Registrants believe that the expectations and assumptions reflected in these statements are reasonable, there can be no assurance that these expectations will prove to be correct. Forward-looking statements are subject to many risks and uncertainties, and actual results may differ materially from the results discussed in forward-looking statements. In addition to the specific factors discussed in each Registrant's 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;
- 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 its impact on the value of assets in defined benefit plans, and the potential cash funding requirements if fair value declines;
- interest rates and their effect on pension and retiree medical liabilities, ARO liabilities and interest payable on certain debt securities;
- volatility in or the impact of other changes in financial markets and economic conditions;
- the potential impact of any unrecorded commitments and liabilities of the Registrants and their subsidiaries;
- new accounting requirements or new interpretations or applications of existing requirements;
- changes in the corporate credit ratings or securities analyst rankings of the Registrants and their securities;
- any requirement to record impairment charges pursuant to GAAP with respect to any of our significant investments;
- laws or regulations to reduce emissions of GHGs or the physical effects of climate change;
- continuing ability to access fuel supply for LG&E and KU, as well as the ability to recover fuel costs and environmental expenditures in a timely manner at LG&E and KU and natural gas supply costs at LG&E;
- weather and other conditions affecting generation, transmission and distribution operations, operating costs and customer energy use;
- war, armed conflicts, terrorist attacks, or similar disruptive events;
- changes in political, regulatory or economic conditions in states, regions or countries where the Registrants or their subsidiaries conduct business;
- receipt of necessary governmental permits and approvals;
- new state, federal or foreign legislation or regulatory developments;
- the impact of any state, federal or foreign investigations applicable to the Registrants and their subsidiaries and the energy industry;
- our ability to attract and retain qualified employees;
- the effect of any business or industry restructuring;
- development of new projects, markets and technologies;
- performance of new ventures;

- business dispositions or acquisitions and our ability to realize expected benefits from such business transactions;
- collective labor bargaining negotiations; and
- the outcome of litigation against the Registrants and their subsidiaries.

Any forward-looking statements should be considered in light of 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.

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 March 31, 2020	2019
Operating Revenues	**$ 2,054**	$ 2,079
Operating Expenses		
Operation		
Fuel	**163**	194
Energy purchases	**201**	250
Other operation and maintenance	**476**	490
Depreciation	**317**	284
Taxes, other than income	**80**	80
Total Operating Expenses	**1,237**	1,298
Operating Income	**817**	781
Other Income (Expense) - net	**125**	52
Interest Expense	**248**	241
Income Before Income Taxes	**694**	592
Income Taxes	**140**	126
Net Income	**$ 554**	$ 466
Earnings Per Share of Common Stock:		
Net Income Available to PPL Common Shareowners:		
Basic	**$ 0.72**	$ 0.65
Diluted	**$ 0.72**	$ 0.64
Weighted-Average Shares of Common Stock Outstanding (in thousands)		
Basic	**767,948**	721,023
Diluted	**768,738**	729,953

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 March 31,	
	2020	**2019**
Net income	**$ 554**	$ 466
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	**(61)**	294
Qualifying derivatives, net of tax of ($2), $4	**8**	(19)
Defined benefit plans:		
Net actuarial gain (loss), net of tax of $0, $1	**—**	(3)
Reclassifications from AOCI - (gains) losses, net of tax expense (benefit):		
Qualifying derivatives, net of tax of $0, ($6)	**(3)**	24
Defined benefit plans:		
Prior service costs, net of tax of $0, $0	**1**	—
Net actuarial (gain) loss, net of tax of ($12), ($5)	**47**	21
Total other comprehensive income (loss)	**(8)**	317
Comprehensive income	**$ 546**	$ 783

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)

	Three Months Ended March 31, 2020	2019
Cash Flows from Operating Activities		
Net income	**$ 554**	$ 466
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**317**	284
Amortization	**12**	22
Defined benefit plans - (income) expense	**(52)**	(66)
Deferred income taxes and investment tax credits	**106**	89
Unrealized (gains) losses on derivatives, and other hedging activities	**(57)**	53
Stock-based compensation expense	**6**	14
Other	**17**	(3)
Change in current assets and current liabilities		
Accounts receivable	**(35)**	(57)
Accounts payable	**(63)**	(94)
Unbilled revenues	**68**	48
Fuel, materials and supplies	**13**	31
Prepayments	**(76)**	(86)
Regulatory assets and liabilities, net	**(25)**	(25)
Accrued interest	**59**	48
Other current liabilities	**(95)**	(72)
Other	**24**	(21)
Other operating activities		
Defined benefit plans - funding	**(125)**	(127)
Other assets	**42**	(20)
Other liabilities	**2**	(10)
Net cash provided by operating activities	**692**	474
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	**(826)**	(729)
Purchase of investments	**—**	(55)
Proceeds from the sale of investments	**—**	57
Other investing activities	**(7)**	5
Net cash used in investing activities	**(833)**	(722)
Cash Flows from Financing Activities		
Issuance of common stock	**20**	22
Payment of common stock dividends	**(317)**	(296)
Issuance of term loan	**200**	—
Net increase (decrease) in short-term debt	**345**	424
Other financing activities	**(8)**	(8)
Net cash provided by financing activities	**240**	142
Effect of Exchange Rates on Cash, Cash Equivalents and Restricted Cash	**1**	3
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	**100**	(103)
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	**836**	643
Cash, Cash Equivalents and Restricted Cash at End of Period	**$ 936**	$ 540
Supplemental Disclosures of Cash Flow Information		
Significant non-cash transactions:		
Accrued expenditures for property, plant and equipment at March 31,	**$ 282**	$ 322
Accrued expenditures for intangible assets at March 31,	**$ 87**	$ 64

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)

	March 31, 2020	December 31, 2019
Assets		
Current Assets		
Cash and cash equivalents	**$ 915**	$ 815
Accounts receivable (less reserve: 2020, $62; 2019, $58)		
Customer	**730**	687
Other	**107**	105
Unbilled revenues (less reserve: 2020, $3; 2019, $0)	**434**	504
Fuel, materials and supplies	**320**	332
Prepayments	**155**	79
Price risk management assets	**193**	147
Other current assets	**102**	98
Total Current Assets	**2,956**	2,767
Property, Plant and Equipment		
Regulated utility plant	**43,109**	42,709
Less: accumulated depreciation - regulated utility plant	**8,212**	8,055
Regulated utility plant, net	**34,897**	34,654
Non-regulated property, plant and equipment	**380**	357
Less: accumulated depreciation - non-regulated property, plant and equipment	**87**	109
Non-regulated property, plant and equipment, net	**293**	248
Construction work in progress	**1,645**	1,580
Property, Plant and Equipment, net	**36,835**	36,482
Other Noncurrent Assets		
Regulatory assets	**1,477**	1,492
Goodwill	**3,178**	3,198
Other intangibles	**748**	742
Pension benefit asset	**603**	464
Price risk management assets	**166**	149
Other noncurrent assets	**365**	386
Total Other Noncurrent Assets	**6,537**	6,431
Total Assets	**$ 46,328**	$ 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)

		March 31, 2020		December 31, 2019
Liabilities and Equity				
Current Liabilities				
Short-term debt	$	**1,696**	$	1,151
Long-term debt due within one year		**1,170**		1,172
Accounts payable		**833**		956
Taxes		**100**		99
Interest		**352**		294
Dividends		**319**		317
Customer deposits		**265**		261
Regulatory liabilities		**99**		115
Other current liabilities		**488**		535
Total Current Liabilities		**5,322**		4,900
Long-term Debt		**20,670**		20,721
Deferred Credits and Other Noncurrent Liabilities				
Deferred income taxes		**3,217**		3,088
Investment tax credits		**123**		124
Accrued pension obligations		**500**		587
Asset retirement obligations		**217**		212
Regulatory liabilities		**2,557**		2,572
Other deferred credits and noncurrent liabilities		**481**		485
Total Deferred Credits and Other Noncurrent Liabilities		**7,095**		7,068
Commitments and Contingent Liabilities (Notes 7 and 10)				
Equity				
Common stock - $0.01 par value (a)		**8**		8
Additional paid-in capital		**12,239**		12,214
Earnings reinvested		**5,360**		5,127
Accumulated other comprehensive loss		**(4,366)**		(4,358)
Total Equity		**13,241**		12,991
Total Liabilities and Equity	$	**46,328**	$	45,680

(a) 1,560,000 shares authorized; 768,266 and 767,233 shares issued and outstanding at March 31, 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
December 31, 2019	767,233	$ 8	$ 12,214	$ 5,127	$ (4,358)	$ 12,991
Common stock issued	1,033		34			34
Stock-based compensation			(9)			(9)
Net income				554		554
Dividends and dividend equivalents (b)				(319)		(319)
Other comprehensive income (loss)					(8)	(8)
Adoption of financial instrument credit losses guidance cumulative effect adjustment (Note 2), net of tax of $0				(2)		(2)
March 31, 2020	768,266	$ 8	$ 12,239	$ 5,360	$ (4,366)	$ 13,241
December 31, 2018	720,323	$ 7	$ 11,021	$ 4,593	$ (3,964)	$ 11,657
Common stock issued	1,048		32			32
Stock-based compensation			(2)			(2)
Net income				466		466
Dividends and dividend equivalents (b)				(298)		(298)
Other comprehensive income (loss)					317	317
March 31, 2019	721,371	$ 7	$ 11,051	$ 4,761	$ (3,647)	$ 12,172

(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 $0.4125 at March 31, 2020 and March 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 INCOME
PPL Electric Utilities Corporation and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Three Months Ended March 31,	
	2020	**2019**
Operating Revenues	**$ 608**	$ 645
Operating Expenses		
Operation		
Energy purchases	**144**	171
Other operation and maintenance	**137**	150
Depreciation	**98**	95
Taxes, other than income	**30**	31
Total Operating Expenses	**409**	447
Operating Income	**199**	198
Other Income (Expense) - net	**3**	5
Interest Income from Affiliate	**1**	2
Interest Expense	**44**	42
Income Before Income Taxes	**159**	163
Income Taxes	**41**	42
Net Income (a)	**$ 118**	$ 121

(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)

	Three Months Ended March 31, 2020	2019
Cash Flows from Operating Activities		
Net income	**$ 118**	$ 121
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**98**	95
Amortization	**5**	5
Deferred income taxes and investment tax credits	**32**	16
Other	**8**	(2)
Change in current assets and current liabilities		
Accounts receivable	**(26)**	(25)
Accounts payable	**(20)**	(5)
Unbilled revenues	**34**	13
Prepayments	**(76)**	(88)
Regulatory assets and liabilities, net	**(11)**	(15)
Taxes payable	**(2)**	(2)
Other	**(19)**	(12)
Other operating activities		
Defined benefit plans - funding	**(21)**	(21)
Other assets	**4**	2
Other liabilities	**8**	(1)
Net cash provided by operating activities	**132**	81
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	**(280)**	(264)
Expenditures for intangible assets	**(1)**	—
Net cash used in investing activities	**(281)**	(264)
Cash Flows from Financing Activities		
Payment of common stock dividends to parent	**(165)**	(120)
Net increase in short-term debt	**85**	60
Other financing activities	**—**	(1)
Net cash used in financing activities	**(80)**	**(61)**
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	**(229)**	(244)
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	**264**	269
Cash, Cash Equivalents and Restricted Cash at End of Period	**$ 35**	$ 25
Supplemental Disclosure of Cash Flow Information		
Significant non-cash transactions:		
Accrued expenditures for property, plant and equipment at March 31,	**$ 158**	$ 142

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)

	March 31, 2020	December 31, 2019
Assets		
Current Assets		
Cash and cash equivalents	**$ 33**	$ 262
Accounts receivable (less reserve: 2020, $31; 2019, $28)		
Customer	**289**	258
Other	**18**	22
Accounts receivable from affiliates	**10**	11
Unbilled revenues (less reserve: 2020, $2; 2019, $0)	**100**	134
Materials and supplies	**48**	33
Prepayments	**82**	6
Regulatory assets	**23**	26
Other current assets	**10**	9
Total Current Assets	**613**	761
Property, Plant and Equipment		
Regulated utility plant	**12,750**	12,589
Less: accumulated depreciation - regulated utility plant	**3,137**	3,078
Regulated utility plant, net	**9,613**	9,511
Construction work in progress	**633**	597
Property, Plant and Equipment, net	**10,246**	10,108
Other Noncurrent Assets		
Regulatory assets	**710**	726
Intangibles	**264**	263
Other noncurrent assets	**49**	43
Total Other Noncurrent Assets	**1,023**	1,032
Total Assets	**$ 11,882**	$ 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)

	March 31, 2020	December 31, 2019
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 85**	$ —
Accounts payable	**394**	438
Accounts payable to affiliates	**34**	32
Taxes	**11**	13
Interest	**48**	41
Regulatory liabilities	**83**	96
Other current liabilities	**75**	93
Total Current Liabilities	**730**	713
Long-term Debt	**3,986**	3,985
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**1,487**	1,447
Accrued pension obligations	**153**	179
Regulatory liabilities	**595**	599
Other deferred credits and noncurrent liabilities	**146**	146
Total Deferred Credits and Other Noncurrent Liabilities	**2,381**	2,371
Commitments and Contingent Liabilities (Note 10)		
Equity		
Common stock - no par value (a)	**364**	364
Additional paid-in capital	**3,558**	3,558
Earnings reinvested	**863**	910
Total Equity	**4,785**	4,832
Total Liabilities and Equity	**$ 11,882**	$ 11,901

(a) 170,000 shares authorized; 66,368 shares issued and outstanding at March 31, 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 Electric Utilities Corporation and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Total
December 31, 2019	66,368	$ 364	$ 3,558	$ 910	$ 4,832
Net income				118	118
Dividends declared on common stock				(165)	(165)
March 31, 2020	66,368	$ 364	$ 3,558	$ 863	$ 4,785
December 31, 2018	66,368	$ 364	$ 3,158	$ 939	$ 4,461
Net income				121	121
Dividends declared on common stock				(120)	(120)
March 31, 2019	66,368	$ 364	$ 3,158	$ 940	$ 4,462

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

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

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

(Unaudited)
(Millions of Dollars)

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Operating Revenues	**$ 825**	$ 845
Operating Expenses		
Operation		
Fuel	**163**	194
Energy purchases	**57**	79
Other operation and maintenance	**204**	214
Depreciation	**149**	123
Taxes, other than income	**18**	18
Total Operating Expenses	**591**	628
Operating Income	**234**	217
Interest Expense	**58**	54
Interest Expense with Affiliate	**7**	7
Income Before Income Taxes	**169**	156
Income Taxes	**34**	32
Net Income (a)	**$ 135**	$ 124

(a) Net income approximates comprehensive income.

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

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

(Unaudited)
(Millions of Dollars)

	Three Months Ended March 31, 2020	2019
Cash Flows from Operating Activities		
Net income	**$ 135**	$ 124
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**149**	123
Amortization	**4**	10
Defined benefit plans - expense	**5**	3
Deferred income taxes and investment tax credits	**31**	36
Other	**—**	(1)
Change in current assets and current liabilities		
Accounts receivable	**20**	8
Accounts payable	**(18)**	(33)
Accounts payable to affiliates	**1**	7
Unbilled revenues	**27**	21
Fuel, materials and supplies	**24**	29
Regulatory assets and liabilities, net	**(14)**	(10)
Taxes payable	**(27)**	(29)
Accrued interest	**51**	42
Other	**(37)**	(15)
Other operating activities		
Defined benefit plans - funding	**(23)**	(21)
Expenditures for asset retirement obligations	**(15)**	(21)
Other assets	**1**	(2)
Other liabilities	**6**	(1)
Net cash provided by operating activities	**320**	270
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	**(255)**	(278)
Net cash used in investing activities	**(255)**	(278)
Cash Flows from Financing Activities		
Net increase (decrease) in notes payable with affiliate	**92**	74
Net decrease in short-term debt	**(85)**	(12)
Distributions to member	**(52)**	(56)
Net cash provided by (used in) financing activities	**(45)**	6
Net Increase (Decrease) in Cash and Cash Equivalents	**20**	(2)
Cash and Cash Equivalents at Beginning of Period	**27**	24
Cash and Cash Equivalents at End of Period	**$ 47**	$ 22
Supplemental Disclosure of Cash Flow Information		
Significant non-cash transactions:		
Accrued expenditures for property, plant and equipment at March 31,	**$ 78**	$ 88

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)

	March 31, 2020	December 31, 2019
Assets		
Current Assets		
Cash and cash equivalents	**$ 47**	$ 27
Accounts receivable (less reserve: 2020, $27; 2019, $28)		
Customer	**246**	260
Other	**65**	71
Unbilled revenues (less reserve: 2020, $0; 2019, $0)	**137**	164
Fuel, materials and supplies	**226**	250
Prepayments	**23**	30
Regulatory assets	**52**	41
Other current assets	**—**	2
Total Current Assets	**796**	845
Property, Plant and Equipment		
Regulated utility plant	**14,798**	14,646
Less: accumulated depreciation - regulated utility plant	**2,401**	2,356
Regulated utility plant, net	**12,397**	12,290
Construction work in progress	**793**	794
Property, Plant and Equipment, net	**13,190**	13,084
Other Noncurrent Assets		
Regulatory assets	**767**	766
Goodwill	**996**	996
Other intangibles	**67**	69
Other noncurrent assets	**126**	171
Total Other Noncurrent Assets	**1,956**	2,002
Total Assets	**$ 15,942**	$ 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)

	March 31, 2020	December 31, 2019
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 303**	$ 388
Long-term debt due within one year	**975**	975
Notes payable with affiliates	**242**	150
Accounts payable	**257**	316
Accounts payable to affiliates	**12**	11
Customer deposits	**64**	62
Taxes	**31**	58
Price risk management liabilities	**4**	4
Regulatory liabilities	**16**	19
Interest	**91**	40
Asset retirement obligations	**66**	70
Other current liabilities	**116**	153
Total Current Liabilities	**2,177**	2,246
Long-term Debt		
Long-term debt	**4,378**	4,377
Long-term debt to affiliate	**650**	650
Total Long-term Debt	**5,028**	5,027
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**1,111**	1,069
Investment tax credits	**123**	124
Price risk management liabilities	**25**	17
Accrued pension obligations	**184**	233
Asset retirement obligations	**151**	145
Regulatory liabilities	**1,962**	1,973
Other deferred credits and noncurrent liabilities	**155**	155
Total Deferred Credits and Other Noncurrent Liabilities	**3,711**	3,716
Commitments and Contingent Liabilities (Notes 7 and 10)		
Member's Equity	**5,026**	4,942
Total Liabilities and Equity	**$ 15,942**	$ 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
December 31, 2019	$	4,942
Net income		135
Distributions to member		(52)
Other comprehensive income (loss)		1
March 31, 2020	$	5,026
December 31, 2018	$	4,723
Net income		124
Distributions to member		(56)
March 31, 2019	$	4,791

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 March 31, 2020	2019
Operating Revenues		
Retail and wholesale	**$ 393**	$ 397
Electric revenue from affiliate	**14**	13
Total Operating Revenues	**407**	410
Operating Expenses		
Operation		
Fuel	**74**	78
Energy purchases	**52**	74
Energy purchases from affiliate	**—**	2
Other operation and maintenance	**92**	94
Depreciation	**64**	51
Taxes, other than income	**10**	9
Total Operating Expenses	**292**	308
Operating Income	**115**	102
Other Income (Expense) - net	**(1)**	—
Interest Expense	**22**	21
Income Before Income Taxes	**92**	81
Income Taxes	**19**	17
Net Income (a)	**$ 73**	$ 64

(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)

	Three Months Ended March 31,	
	2020	2019
Cash Flows from Operating Activities		
Net income	$ 73	$ 64
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	64	51
Amortization	2	7
Defined benefit plans - expense	1	—
Deferred income taxes and investment tax credits	1	13
Change in current assets and current liabilities		
Accounts receivable	14	3
Accounts receivable from affiliates	(6)	(4)
Accounts payable	(12)	(7)
Accounts payable to affiliates	(4)	(3)
Unbilled revenues	11	13
Fuel, materials and supplies	27	32
Regulatory assets and liabilities, net	(2)	(8)
Taxes payable	2	(12)
Accrued interest	18	13
Other	(10)	(1)
Other operating activities		
Defined benefit plans - funding	(4)	—
Expenditures for asset retirement obligations	(4)	(4)
Other assets	(1)	—
Other liabilities	1	—
Net cash provided by operating activities	171	157
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	(117)	(117)
Net cash used in investing activities	(117)	(117)
Cash Flows from Financing Activities		
Net increase in notes payable with affiliates	21	—
Net decrease in short-term debt	(79)	(10)
Payment of common stock dividends to parent	(29)	(30)
Contributions from parent	25	—
Other financing activities	—	(1)
Net cash used in financing activities	(62)	(41)
Net Decrease in Cash and Cash Equivalents	(8)	(1)
Cash and Cash Equivalents at Beginning of Period	15	10
Cash and Cash Equivalents at End of Period	$ 7	$ 9
Supplemental Disclosure of Cash Flow Information		
Significant non-cash transactions:		
Accrued expenditures for property, plant and equipment at March 31,	$ 39	$ 37

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)

	March 31, 2020	December 31, 2019
Assets		
Current Assets		
Cash and cash equivalents	$ 7	$ 15
Accounts receivable (less reserve: 2020, $1; 2019, $1)		
Customer	115	121
Other	40	41
Unbilled revenues (less reserve: 2020, $0; 2019, $0)	65	76
Accounts receivable from affiliates	24	18
Fuel, materials and supplies	95	122
Prepayments	12	14
Regulatory assets	26	25
Other current assets	—	1
Total Current Assets	384	433
Property, Plant and Equipment		
Regulated utility plant	6,469	6,372
Less: accumulated depreciation - regulated utility plant	881	846
Regulated utility plant, net	5,588	5,526
Construction work in progress	271	297
Property, Plant and Equipment, net	5,859	5,823
Other Noncurrent Assets		
Regulatory assets	383	380
Goodwill	389	389
Other intangibles	40	41
Other noncurrent assets	70	67
Total Other Noncurrent Assets	882	877
Total Assets	$ 7,125	$ 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)

	March 31, 2020	December 31, 2019
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 159**	$ 238
Notes payable with affiliate	**21**	—
Accounts payable	**141**	172
Accounts payable to affiliates	**27**	31
Customer deposits	**32**	31
Taxes	**35**	33
Price risk management liabilities	**4**	4
Regulatory liabilities	**1**	2
Interest	**33**	15
Asset retirement obligations	**24**	24
Other current liabilities	**40**	47
Total Current Liabilities	**517**	597
Long-term Debt	**2,005**	2,005
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**702**	697
Investment tax credits	**33**	34
Price risk management liabilities	**25**	17
Asset retirement obligations	**43**	49
Regulatory liabilities	**879**	883
Other deferred credits and noncurrent liabilities	**90**	89
Total Deferred Credits and Other Noncurrent Liabilities	**1,772**	1,769
Commitments and Contingent Liabilities (Notes 7 and 10)		
Stockholder's Equity		
Common stock - no par value (a)	**424**	424
Additional paid-in capital	**1,845**	1,820
Earnings reinvested	**562**	518
Total Equity	**2,831**	2,762
Total Liabilities and Equity	**$ 7,125**	$ 7,133

(a) 75,000 shares authorized; 21,294 shares issued and outstanding at March 31, 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
December 31, 2019	21,294	$	424	$	1,820	$	518	$	2,762
Net income							73		73
Capital contributions from parent					25				25
Cash dividends declared on common stock							(29)		(29)
March 31, 2020	21,294	$	424	$	1,845	$	562	$	2,831
December 31, 2018	21,294	$	424	$	1,795	$	468	$	2,687
Net income							64		64
Cash dividends declared on common stock							(30)		(30)
March 31, 2019	21,294	$	424	$	1,795	$	502	$	2,721

(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 March 31, 2020	Three Months Ended March 31, 2019
Operating Revenues		
Retail and wholesale	**$ 432**	$ 448
Electric revenue from affiliate	**—**	2
Total Operating Revenues	**432**	450
Operating Expenses		
Operation		
Fuel	**89**	116
Energy purchases	**5**	5
Energy purchases from affiliate	**14**	13
Other operation and maintenance	**104**	108
Depreciation	**84**	72
Taxes, other than income	**9**	9
Total Operating Expenses	**305**	323
Operating Income	**127**	127
Other Income (Expense) - net	**1**	2
Interest Expense	**28**	26
Income Before Income Taxes	**100**	103
Income Taxes	**20**	22
Net Income (a)	**$ 80**	$ 81

(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)

	Three Months Ended March 31, 2020	2019
Cash Flows from Operating Activities		
Net income	$ 80	$ 81
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	84	72
Amortization	3	3
Deferred income taxes and investment tax credits	4	15
Other	—	(1)
Change in current assets and current liabilities		
Accounts receivable	6	7
Accounts payable	(2)	(16)
Accounts payable to affiliates	(3)	(1)
Unbilled revenues	16	8
Fuel, materials and supplies	(3)	(3)
Regulatory assets and liabilities, net	(12)	(2)
Taxes payable	6	(3)
Accrued interest	25	22
Other	(4)	9
Other operating activities		
Defined benefit plans - funding	(1)	—
Expenditures for asset retirement obligations	(11)	(17)
Other assets	3	(2)
Other liabilities	2	2
Net cash provided by operating activities	193	174
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	(138)	(161)
Net increase in notes receivable with affiliates	(21)	—
Net cash used in investing activities	(159)	(161)
Cash Flows from Financing Activities		
Net decrease in short-term debt	(6)	(2)
Payment of common stock dividends to parent	(37)	(39)
Contributions from parent	37	28
Other financing activities	—	(1)
Net cash used in financing activities	(6)	(14)
Net Increase (Decrease) in Cash and Cash Equivalents	28	(1)
Cash and Cash Equivalents at Beginning of Period	12	14
Cash and Cash Equivalents at End of Period	$ 40	$ 13
Supplemental Disclosure of Cash Flow Information		
Significant non-cash transactions:		
Accrued expenditures for property, plant and equipment at March 31,	$ 39	$ 51

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

Table of Contents

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

	March 31, 2020	December 31, 2019
Assets		
Current Assets		
Cash and cash equivalents	**$ 40**	$ 12
Accounts receivable (less reserve: 2020, $1; 2019, $1)		
Customer	**131**	139
Other	**22**	27
Unbilled revenues (less reserve: 2020, $0; 2019, $0)	**72**	88
Notes receivable from affiliate	**21**	—
Fuel, materials and supplies	**131**	128
Prepayments	**10**	14
Regulatory assets	**26**	16
Other current assets	**—**	1
Total Current Assets	**453**	425
Property, Plant and Equipment		
Regulated utility plant	**8,315**	8,262
Less: accumulated depreciation - regulated utility plant	**1,516**	1,507
Regulated utility plant, net	**6,799**	6,755
Construction work in progress	**522**	496
Property, Plant and Equipment, net	**7,321**	7,251
Other Noncurrent Assets		
Regulatory assets	**384**	386
Goodwill	**607**	607
Other intangibles	**28**	28
Other noncurrent assets	**114**	128
Total Other Noncurrent Assets	**1,133**	1,149
Total Assets	**$ 8,907**	$ 8,825

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)

	March 31, 2020	December 31, 2019
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 144**	$ 150
Long-term debt due within one year	**500**	500
Accounts payable	**96**	121
Accounts payable to affiliates	**50**	52
Customer deposits	**32**	31
Taxes	**32**	26
Regulatory liabilities	**15**	17
Interest	**45**	20
Asset retirement obligations	**42**	46
Other current liabilities	**44**	51
Total Current Liabilities	**1,000**	1,014
Long-term Debt	**2,124**	2,123
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**801**	792
Investment tax credits	**90**	90
Asset retirement obligations	**108**	96
Regulatory liabilities	**1,083**	1,090
Other deferred credits and noncurrent liabilities	**47**	46
Total Deferred Credits and Other Noncurrent Liabilities	**2,129**	2,114
Commitments and Contingent Liabilities (Notes 7 and 10)		
Stockholder's Equity		
Common stock - no par value (a)	**308**	308
Additional paid-in capital	**2,766**	2,729
Earnings reinvested	**580**	537
Total Equity	**3,654**	3,574
Total Liabilities and Equity	**$ 8,907**	$ 8,825

(a) 80,000 shares authorized; 37,818 shares issued and outstanding at March 31, 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
December 31, 2019	37,818	$ 308	$ 2,729	$ 537	$ 3,574
Net income				80	80
Capital contributions from parent			37		37
Cash dividends declared on common stock				(37)	(37)
March 31, 2020	37,818	$ 308	$ 2,766	$ 580	$ 3,654
December 31, 2018	37,818	$ 308	$ 2,661	$ 473	$ 3,442
Net income				81	81
Capital contributions from parent			28		28
Cash dividends declared on common stock				(39)	(39)
March 31, 2019	37,818	$ 308	$ 2,689	$ 515	$ 3,512

(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. Defined Benefits	x	x	x	x	x
10. Commitments and Contingencies	x	x	x	x	x
11. Related Party Transactions		x	x	x	x
12. Other Income (Expense) - net	x				
13. Fair Value Measurements	x	x	x	x	x
14. Derivative Instruments and Hedging Activities	x	x	x	x	x
15. Asset Retirement Obligations	x		x	x	x
16. Accumulated Other Comprehensive Income (Loss)	x				

1. Interim Financial Statements

(All Registrants)

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

The accompanying unaudited condensed financial statements have been prepared in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X and, therefore, do not include all of the information and footnote disclosures required by GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation in accordance with GAAP are reflected in the condensed financial statements. All adjustments are of a normal recurring nature, except as otherwise disclosed. Each Registrant's Balance Sheet at December 31, 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 months ended March 31, 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	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Cash and cash equivalents	$ 915	$ 815	$ 33	$ 262
Restricted cash - current (a)	3	3	2	2
Restricted cash - noncurrent (a)	18	18	—	—
Total Cash, Cash Equivalents and Restricted Cash	$ 936	$ 836	$ 35	$ 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 collectibility 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 collectibility 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 period ended March 31, 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	$ 9	$ 5	$ 34
Other (c)	27	—	1	26
PPL Electric				
Accounts Receivable - Customer and Unbilled Revenue	$ 25	$ 5	$ 2	$ 28
Other	1	—	—	1

	Balance at Beginning of Period (a)	Charged to Income	Deductions (b)	Balance at End of Period
LKE				
Accounts Receivable - Customer and Unbilled Revenue	$ 2	$ 2	$ 2	$ 2
Other (c)	26	—	1	25
LG&E				
Accounts Receivable - Customer and Unbilled Revenue	$ 1	$ 1	$ 1	$ 1
KU				
Accounts Receivable - Customer and Unbilled Revenue	$ 1	$ 1	$ 1	$ 1

(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.

(PPL, LKE, LGE and KU)

Asset Impairment (Excluding Investments)

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.

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 10 for additional infomation 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.

Although goodwill was not determined to be impaired at March 31, 2020, it is possible that 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.

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 infomation 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 period ended March 31 are as follows:

	Three Months	
	2020	2019
Operating Revenues from external customers		
U.K. Regulated	$ 614	$ 583
Kentucky Regulated	825	845
Pennsylvania Regulated	608	645
Corporate and Other	7	6
Total	$ 2,054	$ 2,079
Net Income		
U.K. Regulated (a)	$ 340	$ 264
Kentucky Regulated	127	117
Pennsylvania Regulated	118	121
Corporate and Other	(31)	(36)
Total	$ 554	$ 466

(a) Includes unrealized gains and losses from hedging foreign currency economic activity. See Note 14 for additional information.

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

	March 31, 2020	December 31, 2019
Assets		
U.K. Regulated (a) (b)	$ 17,918	$ 17,622
Kentucky Regulated	15,608	15,597
Pennsylvania Regulated	11,898	11,918
Corporate and Other (c)	904	543
Total	$ 46,328	$ 45,680

(a) Includes $13.3 billion and $13.2 billion of net PP&E as of March 31, 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 $2.5 billion of goodwill as of March 31, 2020 and December 31, 2019.
(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 period ended March 31.

	2020 Three Months				
	PPL	**PPL Electric**	**LKE**	**LG&E**	**KU**
Operating Revenues (a)	$ 2,054	$ 608	$ 825	$ 407	$ 432
Revenues derived from:					
Alternative revenue programs (b)	(3)	—	(3)	(3)	—
Other (c)	(10)	(2)	(6)	(3)	(3)
Revenues from Contracts with Customers	$ 2,041	$ 606	$ 816	$ 401	$ 429

	2019 Three Months				
	PPL	**PPL Electric**	**LKE**	**LG&E**	**KU**
Operating Revenues (a)	$ 2,079	$ 645	$ 845	$ 410	$ 450
Revenues derived from:					
Alternative revenue programs (b)	(6)	(4)	(2)	(2)	—
Other (c)	(10)	(3)	(4)	(1)	(3)
Revenues from Contracts with Customers	$ 2,063	$ 638	$ 839	$ 407	$ 447

(a) PPL includes $614 million and $583 million of revenues from external customers reported by the U.K. Regulated segment for the three months ended March 31, 2020 and 2019. PPL Electric and LKE represent revenues from external customers reported by the Pennsylvania Regulated and Kentucky Regulated segments. See Note 3 for additional information.

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

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

The following tables show revenues from contracts with customers disaggregated by customer class for the periods ended March 31.

	2020 Three Months				
	PPL (d)	**PPL Electric (d)**	**LKE**	**LG&E**	**KU**
Licensed energy suppliers (a)	$ 583	$ —	$ —	$ —	$ —
Residential	714	344	370	187	183
Commercial	312	81	231	124	107
Industrial	144	8	136	45	91
Other (b)	116	14	66	28	38
Wholesale - municipality	5	—	5	—	5
Wholesale - other (c)	8	—	8	17	5
Transmission	159	159	—	—	—
Revenues from Contracts with Customers	$ 2,041	$ 606	$ 816	$ 401	$ 429

	2019 Three Months				
	PPL	PPL Electric	LKE	LG&E	KU
Licensed energy suppliers (a)	$ 556	$ —	$ —	$ —	$ —
Residential	778	407	371	189	182
Commercial	319	95	224	121	103
Industrial	150	17	133	44	89
Other (b)	114	14	70	33	37
Wholesale - municipality	28	—	28	—	28
Wholesale - other (c)	13	—	13	20	8
Transmission	105	105	—	—	—
Revenues from Contracts with Customers	$ 2,063	$ 638	$ 839	$ 407	$ 447

(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 $447 million and $159 million for the three months ended March 31, 2020 and $533 million and $105 million for the three months ended March 31, 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 period ended March 31.

	Three Months	
	2020	2019
PPL	$ 8	$ 9
PPL Electric	4	6
LKE	2	2
LG&E	1	1
KU	1	1

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 March 31, 2020	42	15	14	10	4
Revenue recognized during the three months ended March 31, 2020 that was included in the contract liability balance at December 31, 2019	23	8	9	5	4
Contract liabilities at December 31, 2018	$ 42	$ 23	$ 9	$ 5	$ 4
Contract liabilities at March 31, 2019	37	14	7	4	3
Revenue recognized during the three months ended March 31, 2019 that was included in the contract liability balance at December 31, 2018	25	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 March 31, 2020, PPL had $32 million of performance obligations attributable to Corporate and Other that have not been satisfied. Of this amount, PPL expects to recognize approximately $28 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 period ended March 31 used in the EPS calculation are:

	Three Months	
	2020	2019
Income (Numerator)		
Net income	$ 554	$ 466
Less amounts allocated to participating securities	1	—
Net income available to PPL common shareowners - Basic and Diluted	$ 553	$ 466
Shares of Common Stock (Denominator)		
Weighted-average shares - Basic EPS	767,948	721,023
Add incremental non-participating securities:		
Share-based payment awards	790	1,023
Forward sale agreements	—	7,907
Weighted-average shares - Diluted EPS	768,738	729,953
Basic EPS		
Net Income available to PPL common shareowners	$ 0.72	$ 0.65
Diluted EPS		
Net Income available to PPL common shareowners	$ 0.72	$ 0.64

For the period ended March 31, PPL issued common stock related to stock-based compensation plans and the DRIP as follows (in thousands):

	Three Months	
	2020	2019
Stock-based compensation plans	598	590
DRIP	434	458

For the period ended March 31, the following shares (in thousands) were excluded from the computations of diluted EPS because the effect would have been antidilutive.

	Three Months	
	2020	2019
Stock-based compensation awards	250	—

Table of Contents

6. Income Taxes

Reconciliations of income tax expense (benefit) for the period ended March 31 are as follows.

(PPL)

	Three Months	
	2020	2019
Federal income tax on Income Before Income Taxes at statutory tax rate - 21%	$ 146	$ 124
Increase (decrease) due to:		
State income taxes, net of federal income tax benefit	13	13
Valuation allowance adjustments	6	7
Impact of lower U.K. income tax rates	(11)	(8)
Amortization of excess deferred federal and state income taxes	(11)	(11)
Other	(3)	1
Total increase (decrease)	(6)	2
Total income tax expense (benefit)	$ 140	$ 126

(PPL Electric)

	Three Months	
	2020	2019
Federal income tax on Income Before Income Taxes at statutory tax rate - 21%	$ 33	$ 34
Increase (decrease) due to:		
State income taxes, net of federal income tax benefit	13	13
Amortization of excess deferred income taxes	(3)	(4)
Other	(2)	(1)
Total increase (decrease)	8	8
Total income tax expense (benefit)	$ 41	$ 42

(LKE)

	Three Months	
	2020	2019
Federal income tax on Income Before Income Taxes at statutory tax rate - 21%	$ 35	$ 33
Increase (decrease) due to:		
State income taxes, net of federal income tax benefit	7	6
Amortization of excess deferred federal and state income taxes	(7)	(6)
Other	(1)	(1)
Total increase (decrease)	(1)	(1)
Total income tax expense (benefit)	$ 34	$ 32

(LG&E)

	Three Months	
	2020	2019
Federal income tax on Income Before Income Taxes at statutory tax rate - 21%	$ 19	$ 17
Increase (decrease) due to:		
State income taxes, net of federal income tax benefit	4	3
Amortization of excess deferred federal and state income taxes	(3)	(3)
Other	(1)	—
Total increase (decrease)	—	—
Total income tax expense (benefit)	~~$ 19~~	~~$ 17~~

(KU)

	Three Months	
	2020	2019
Federal income tax on Income Before Income Taxes at statutory tax rate - 21%	$ 21	$ 22
Increase (decrease) due to:		
State income taxes, net of federal income tax benefit	4	4
Amortization of excess deferred federal and state income taxes	(4)	(3)
Other	(1)	(1)
Total increase (decrease)	(1)	—
Total income tax expense (benefit)	$ 20	$ 22

Other

2020 TCJA Regulatory Update (All Registrants)

The IRS issued proposed regulations for certain provisions of the TCJA in 2018, including rules relating to limitations on interest deductibility. These proposed regulations were issued in November 2018 and should not apply to the Registrants until the year in which the regulations are issued in final form, which is expected to be in 2020. It is uncertain what form the final regulations will take and, therefore, the Registrants cannot predict what impact the final regulations will have on the tax deductibility of interest expense. However, if the proposed regulations were issued as final in their current form, the Registrants could have a limitation on a portion of their interest expense deduction for tax purposes and such limitation could be significant. PPL expressed its views on these proposed regulations in a comment letter addressed to the IRS on February 26, 2019.

7. Utility Rate Regulation

(All Registrants)

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

	PPL		PPL Electric	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Current Regulatory Assets:				
Plant outage costs	$ 44	$ 32	$ —	$ —
Gas supply clause	5	8	—	—
Smart meter rider	15	13	15	13
Transmission formula rate	—	—	3	3
Transmission service charge	5	10	5	10
Other	6	4	—	—
Total current regulatory assets (a)	$ 75	$ 67	$ 23	$ 26
Noncurrent Regulatory Assets:				
Defined benefit plans	$ 788	$ 800	$ 460	$ 467
Storm costs	34	39	12	15
Unamortized loss on debt	37	41	15	18
Interest rate swaps	29	22	—	—
Terminated interest rate swaps	80	81	—	—
Accumulated cost of removal of utility plant	222	220	222	220
AROs	282	279	—	—
Act 129 compliance rider	—	6	—	6
Other	5	4	1	—
Total noncurrent regulatory assets	$ 1,477	$ 1,492	$ 710	$ 726

	PPL		PPL Electric	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Current Regulatory Liabilities:				
Generation supply charge	$ 24	$ 23	$ 24	$ 23
Environmental cost recovery	4	5	—	—
Universal service rider	5	9	5	9
Fuel adjustment clause	6	8	—	—
TCJA customer refund	46	61	46	59
Storm damage expense rider	8	5	8	5
Other	6	4	—	—
Total current regulatory liabilities	$ 99	$ 115	$ 83	$ 96
Noncurrent Regulatory Liabilities:				
Accumulated cost of removal of utility plant	$ 640	$ 640	$ —	$ —
Power purchase agreement - OVEC	49	51	—	—
Net deferred taxes	1,739	1,756	580	588
Defined benefit plans	53	51	13	11
Terminated interest rate swaps	68	68	—	—
Act 129 compliance rider	—	—	2	—
Other	8	6	—	—
Total noncurrent regulatory liabilities	$ 2,557	$ 2,572	$ 595	$ 599

	LKE		LG&E		KU	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Current Regulatory Assets:						
Plant outage costs	$ 44	$ 32	$ 18	$ 16	$ 26	$ 16
Gas supply clause	5	8	5	8	—	—
Other	3	1	3	1	—	—
Total current regulatory assets	$ 52	$ 41	$ 26	$ 25	$ 26	$ 16
Noncurrent Regulatory Assets:						
Defined benefit plans	$ 328	$ 333	$ 202	$ 206	$ 126	$ 127
Storm costs	22	24	14	14	8	10
Unamortized loss on debt	22	23	13	14	9	9
Interest rate swaps	29	22	29	22	—	—
Terminated interest rate swaps	80	81	47	47	33	34
AROs	282	279	77	76	205	203
Other	4	4	1	1	3	3
Total noncurrent regulatory assets	$ 767	$ 766	$ 383	$ 380	$ 384	$ 386

	LKE		LG&E		KU	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Current Regulatory Liabilities:						
Environmental cost recovery	$ 4	$ 5	$ —	$ 1	$ 4	$ 4
Demand side management	2	3	1	1	1	2
Fuel adjustment clause	6	8	—	—	6	8
Other	4	3	—	—	4	3
Total current regulatory liabilities	$ 16	$ 19	$ 1	$ 2	$ 15	$ 17
Noncurrent Regulatory Liabilities:						
Accumulated cost of removal of utility plant	$ 640	$ 640	$ 267	$ 266	$ 373	$ 374
Power purchase agreement - OVEC	49	51	34	35	15	16
Net deferred taxes	1,159	1,168	540	544	619	624
Defined benefit plans	40	40	—	—	40	40
Terminated interest rate swaps	68	68	34	34	34	34
Other	6	6	4	4	2	2
Total noncurrent regulatory liabilities	$ 1,962	$ 1,973	$ 879	$ 883	$ 1,083	$ 1,090

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

Regulatory Matters

Kentucky Activities

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 2020 and continue through 2024 and are estimated to cost approximately $405 million ($153 million at LG&E and $252 million at KU). The applications request an authorized 9.725% return on equity with respect to LG&E's and KU's ECR mechanisms consistent with the 2018 Kentucky rate cases approved in April 2019. Decisions on the applications are currently expected in September 2020.

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. The 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. This proceeding remains pending before the PUC. PPL Electric cannot predict the outcome of this proceeding.

Federal Matters

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 seeks 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 November 2019, the FERC granted LG&E and KU's and other parties' rehearing requests. Additionally, certain petitions for review of FERC's orders have been filed by multiple parties, including LG&E and KU, at the D.C. Circuit Court of Appeals. LG&E and KU cannot predict the outcome of the proceedings. In February 2020, the D.C. Circuit Court of Appeals issued an order holding the various appeals in abeyance pending the FERC's rehearing process. 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 will take 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 months ended March 31, 2020 and 2019, PPL Electric purchased $311 million and $348 million of accounts receivable from alternate suppliers.

8. Financing Activities

Credit Arrangements and Short-term Debt

(All Registrants)

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

		March 31, 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	£ 156	£ —	£ 56	£ 155	£ —
WPD (South West)							
Syndicated Credit Facility (b)	July 2021	245	—	—	245	40	—
WPD (East Midlands)							
Syndicated Credit Facility	July 2021	300	—	—	300	—	—
WPD (West Midlands)							
Syndicated Credit Facility (c)	July 2021	300	54	—	246	48	—
Uncommitted Credit Facilities		100	—	4	96	—	4
Total U.K. Credit Facilities (d)		£ 1,155	£ 210	£ 4	£ 943	£ 243	£ 4
U.S.							
PPL Capital Funding (e)							
Syndicated Credit Facility	Jan. 2024	$ 1,450	$ 575	$ 180	$ 695	$ —	$ 450
Term Loan Credit Facility	Mar. 2021	200	200	—	—	—	—
Bilateral Credit Facility	Mar. 2021	50	50	—	—	—	—
Bilateral Credit Facility	Mar. 2021	50	34	15	1	—	15
Total PPL Capital Funding Credit Facilities		$ 1,750	$ 859	$ 195	$ 696	$ —	$ 465
PPL Electric							
Syndicated Credit Facility (f)	Jan. 2024	$ 650	$ 85	$ 1	$ 564	$ —	$ 1
LG&E							
Syndicated Credit Facility (g)	Jan. 2024	$ 500	$ 100	$ 59	$ 341	$ —	$ 238
Total LG&E Credit Facilities		$ 500	$ 100	$ 59	$ 341	$ —	$ 238
KU							
Syndicated Credit Facility (g)	Jan. 2024	$ 400	$ 100	$ 44	$ 256	$ —	$ 150
Total KU Credit Facilities		$ 400	$ 100	$ 44	$ 256	$ —	$ 150

(a) The amounts borrowed at March 31, 2020 and December 31, 2019 were USD-denominated borrowings of $200 million for both periods, which bore interest at 2.43% and 2.52%. The interest rates on the borrowings are equal to one-month USD LIBOR plus a spread. The unused capacity reflects the amounts borrowed in GBP of £ 154 million as of the date borrowed.
(b) The amount borrowed at December 31, 2019 was GBP-denominated borrowings which equated to $51 million and bore interest at 1.09%.
(c) The amount borrowed at March 31, 2020 and December 31, 2019 were GBP-denominated borrowings which equated to $69 million and $62 million and bore interest at 1.11%. The interest rates on the borrowings are equal to one-month GBP LIBOR plus a margin.
(d) At March 31, 2020, the unused capacity under the U.K. credit facilities was $1.2 billion.
(e) The interest rates on the borrowings are based on one-month LIBOR plus a spread, which resulted in a weighted-average rate of 1.97% at March 31, 2020.
(f) The interest rate on the borrowing is equal to one-month LIBOR plus a spread, which was 1.96% at March 31, 2020.
(g) The interest rates on the borrowings are equal to one-month LIBOR plus a spread, which were 1.81% at March 31, 2020.

(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.

On April 1, 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 will be 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:

	March 31, 2020				December 31, 2019	
	Weighted - Average Interest Rate	Capacity	Commercial Paper Issuances	Unused Capacity	Weighted - Average Interest Rate	Commercial Paper Issuances
PPL Capital Funding	1.91%	$ 1,500	$ 180	$ 1,320	2.13%	$ 450
PPL Electric		650	—	650		—
LG&E	1.71%	350	59	291	2.07%	238
KU	1.65%	350	44	306	2.02%	150
Total		$ 2,850	$ 283	$ 2,567		$ 838

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

See Note 11 for discussion of intercompany borrowings.

Long-term Debt

(PPL)

On April 1, 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 will be used to repay short-term debt and for general corporate purposes.

On April 1, 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 will be 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.

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 three months ended March 31, 2020.

Distributions

In February 2020, PPL declared a quarterly common stock dividend, payable April 1, 2020, of 41.50 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. 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 March 31:

	Pension Benefits			
	Three Months			
	U.S.		U.K.	
	2020	2019	2020	2019
PPL				
Service cost	$ 13	$ 13	$ 23	$ 17
Interest cost	38	41	36	47
Expected return on plan assets	(60)	(61)	(158)	(148)
Amortization of:				
Prior service cost	2	2	—	—
Actuarial loss	20	13	54	24
Net periodic defined benefit costs (credits) before settlements	13	8	(45)	(60)
Settlements	—	1	—	—
Net periodic defined benefit costs (credits)	$ 13	$ 9	$ (45)	$ (60)

	Pension Benefits	
	Three Months	
	2020	2019
LKE		
Service cost	$ 5	$ 6
Interest cost	16	16
Expected return on plan assets	(24)	(25)
Amortization of:		
Prior service cost	2	2
Actuarial loss (a)	9	4
Net periodic defined benefit costs	$ 8	$ 3

(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 for the three months ended March 31, 2020 and not significant for the three months ended March 31, 2019. This difference is recorded as a regulatory asset.

	Pension Benefits
	Three Months
	2019 (a)
LG&E	
Interest cost	$ 3
Expected return on plan assets	(6)
Amortization of:	
Prior service cost	1
Actuarial loss	2
Net periodic defined benefit costs	$ —

(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

	Other Postretirement Benefits			
	Three Months			
	2020		2019	
PPL				
Service cost	$	2	$	1
Interest cost		5		6
Expected return on plan assets		(5)		(5)
Net periodic defined benefit costs	$	2	$	2
LKE				
Service cost	$	1	$	1
Interest cost		2		2
Expected return on plan assets		(2)		(2)
Net periodic defined benefit costs	$	1	$	1

(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 11 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 March 31, 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			
	2020		2019	
PPL Electric	$	3	$	3
LG&E (a)		3		1
KU		1		—

(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 12 for additional information.

10. Commitments and Contingencies

Legal Matters

(All Registrants)

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

Talen Litigation *(PPL)*

Background

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

Talen Montana, LLC v. PPL Corporation et al.

On October 29, 2018, Talen Montana filed a complaint against PPL and certain of its affiliates and current and former officers and directors in the First Judicial District of the State of Montana, Lewis & Clark County (Talen Direct Action). Talen Montana alleges that in November 2014, PPL and certain officers and directors improperly distributed to PPL's subsidiaries $733 million of the proceeds from the sale of Talen Montana's (then PPL Montana's) hydroelectric generating facilities, rendering PPL Montana insolvent. The complaint includes claims for, among other things, breach of fiduciary duty; aiding and abetting breach of fiduciary duty; breach of an LLC agreement; breach of the implied duty of good faith and fair dealing; tortious interference; negligent misrepresentation; and constructive fraud. Talen Montana is seeking unspecified damages, including punitive damages, and other relief. In December 2018, PPL moved to dismiss the Talen Direct Action for lack of jurisdiction and, in the alternative, to dismiss because Delaware is the appropriate forum to decide this case. In January 2019, Talen Montana dismissed without prejudice all current and former PPL Corporation directors from the case. The parties engaged in limited jurisdictional discovery, and the Court heard oral argument regarding the PPL parties' motion to dismiss on August 22, 2019. On December 4, 2019, the Court granted PPL's motion to dismiss and on December 26, 2019, a judgment dismissing all claims against all defendants with prejudice was signed by the Court. No appeal was filed and this matter is now concluded.

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

Also, on October 29, 2018, Talen Montana Retirement Plan and Talen Energy Marketing filed a putative class action complaint on behalf of current and contingent creditors of Talen Montana who allegedly suffered harm or allegedly will suffer reasonably foreseeable harm as a result of the November 2014 distribution. The action was filed in the Sixteenth Judicial District of the State of Montana, Rosebud County, against PPL and certain of its affiliates and current and former officers and directors (Talen Putative Class Action). The plaintiffs assert claims for, among other things, fraudulent transfer, both actual and constructive; recovery against subsequent transferees; civil conspiracy; aiding and abetting tortious conduct; and unjust enrichment. They are seeking avoidance of the purportedly fraudulent transfer, unspecified damages, including punitive damages, the imposition of a constructive trust, and other relief. In December 2018, PPL removed the Talen Putative Class Action from the Sixteenth Judicial District of the State of Montana to the United States District Court for the District of Montana, Billings Division (MT Federal Court). In January 2019, the plaintiffs moved to remand the Talen Putative Class Action back to state court, and dismissed without prejudice all current and former PPL Corporation directors from the case. In September 2019, the MT Federal Court granted plaintiffs' motion to remand the case back to state court, and the PPL defendants promptly petitioned the Ninth Circuit Court of Appeals to grant an appeal of the remand decision. On November 21, 2019, the Ninth Circuit Court of Appeals denied that request and on December 30, 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, LLC as a plaintiff. On January 31, 2020, PPL defendants filed a motion to dismiss the Second Amended Complaint. The Court has scheduled a hearing date of June 24, 2020 to hear oral argument regarding the motion to dismiss.

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

On November 30, 2018, PPL, certain PPL affiliates, and certain current and former officers and directors (PPL plaintiffs) filed a complaint in the Court of Chancery of the State of Delaware seeking various forms of relief against Riverstone, Talen Energy and certain of their affiliates (Delaware Action). In the complaint, the PPL plaintiffs ask the Delaware Court of Chancery for declaratory and injunctive relief. This includes a declaratory judgment that, under the separation agreement governing the spinoff of PPL Energy Supply, all related claims that arise must be heard in Delaware; that the statute of limitations in Delaware and the spinoff agreement bar these claims at this point; that PPL is not liable for the claims in either the Talen Direct Action or the Talen Putative Class Action as PPL Montana was solvent at all relevant times; and that the separation agreement requires that Talen Energy indemnify PPL for all losses arising from the debts of Talen Montana, among other things. PPL's complaint also seeks damages against Riverstone for interfering with the separation agreement and against Riverstone affiliates for breach of the implied covenant of good faith and fair dealing. The complaint was subsequently amended on January 11, 2019 and March 20, 2019, including to add claims related to indemnification with respect to the Talen Direct Action and the Talen Putative Class Action (together, the Montana Actions), request a declaration that the Montana Actions are time-barred under the spinoff agreements, and allege additional facts to support the tortious interference claim. In April 2019, the defendants filed motions to dismiss the amended complaint. In July 2019, the Court heard oral arguments from the parties regarding the motions to dismiss. On October 23, 2019, the Delaware Court of Chancery returned its opinion on the defendants' motions to dismiss sustaining all of the PPL plaintiffs' claims except for the claim for breach of implied covenant of good faith and fair dealing. Discovery is underway; however, on January 30, 2020, Talen Energy filed a new motion to dismiss five of the remaining eight claims in the amended complaint. Oral argument on the motion to dismiss is scheduled for May 28, 2020. A tentative trial date 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. 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 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. Discussions between the EPA and LG&E are ongoing. The parties have entered into a tolling agreement with respect to this matter through July 31, 2020. The parties are conducting negotiations regarding potential settlement of the matter. PPL, LKE and LG&E are unable to predict the outcome of this matter or the potential impact on operations of the Mill Creek plant, including increased capital or operating costs, and potential civil penalties or remedial measures, if any.

Water/Waste

(PPL, LKE, LG&E and KU)

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 November 25, 2019, the EPA issued proposed revisions to its best available technology standards for certain wastewaters. The EPA expects to complete its reconsideration of best available technology standards by the fall of 2020. Upon completion of the ongoing regulatory proceedings, the rule will be implemented by the states in the course of their normal permitting activities. LG&E and KU are developing compliance strategies and schedules. PPL, LKE, LG&E and KU are unable to predict the outcome of the EPA's pending reconsideration of the rule or fully estimate compliance costs or timing. Additionally, certain aspects of these compliance plans and estimates relate to developments in state water quality standards, which are separate from the ELG rule or its implementation. Costs to comply with ELGs or other discharge limits are expected to be significant. Certain costs are included in the Registrants' capital plans and are subject to rate recovery. 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. Legal challenges to the final rule are pending before the D.C. Circuit Court of Appeals. 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 to August 31, 2020, but allow 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 August 2020. LG&E and KU generally expect to complete impoundment closures within five years of commencement, although a longer period may be required to complete closure of some facilities. Associated costs are expected to be subject to rate recovery.

In connection with the final CCR rule, LG&E and KU recorded adjustments to existing AROs beginning in 2015 and continue to record adjustments as required. See Note 15 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 March 31, 2020 and December 31, 2019, PPL Electric had a recorded liability of $10 million representing its best estimate of the probable loss 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 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 (including RFC or SERC) determination concerning the resolution of violations of the Reliability Standards remains subject to the approval of the NERC and the FERC.

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

Other

Guarantees and Other Assurances

(All Registrants)

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

(PPL)

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

(All Registrants)

The table below details guarantees provided as of March 31, 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 March 31, 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 March 31, 2020		Expiration Date
PPL			
Indemnifications related to the WPD Midlands acquisition		(a)	
WPD indemnifications for entities in liquidation and sales of assets	$ 10	(b)	2022
WPD guarantee of pension and other obligations of unconsolidated entities	77	(c)	
PPL Electric			
Guarantee of inventory value	6	(d)	2020
LKE			
Indemnification of lease termination and other divestitures	200	(e)	2021
LG&E and KU			
LG&E and KU obligation of shortfall related to OVEC		(f)	

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

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

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

(c) Relates to certain obligations of discontinued or modified electric associations that were guaranteed at the time of privatization by the participating members. Costs are allocated to the members and can be reallocated if an existing member becomes insolvent. At March 31, 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.

(d) A third-party logistics firm provided inventory procurement and fulfillment services, whose contract was terminated as of March 2020. The logistics firm has title to the inventory, however, upon termination of the contracts, PPL Electric has guaranteed to purchase any remaining inventory that has not been used or sold.

(e) LKE provides certain indemnifications covering the due and punctual payment, performance and discharge by each party of its respective obligations. The most comprehensive of these guarantees is the LKE guarantee covering operational, regulatory and environmental commitments and indemnifications made by WKE under a 2009 Transaction Termination Agreement. This guarantee has a term of 12 years ending July 2021, and a maximum exposure of $200 million, exclusive of certain items such as government fines and penalties that may exceed the maximum. Additionally, LKE has indemnified various third parties related to historical obligations for other divested subsidiaries and affiliates. The indemnifications vary by entity and the maximum exposures range from being capped at the sale price to no specified maximum. LKE could be required to perform on these indemnifications in the event of covered losses or liabilities being claimed by an indemnified party. LKE cannot predict the ultimate outcomes of the various indemnification scenarios, but does not expect such outcomes to result in significant losses above the amounts recorded.

(f) Pursuant to the OVEC power purchase contract, LG&E and KU are obligated to pay for their share of OVEC's excess debt service, post-retirement and decommissioning costs, as well as any shortfall from amounts included within a demand charge designed and expected to cover these costs over the term of the contract. LKE's proportionate share of OVEC's outstanding debt was $109 million at March 31, 2020, consisting of LG&E's share of $76 million and KU's share of $33 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. In October 2019, the bankruptcy court issued an order confirming the sponsor's proposed reorganization plan. OVEC and other entities are challenging the contract rejection, the bankruptcy plan confirmation and regulatory aspects of the plan in various forums. In December 2019, an appellate court remanded the contract rejection issue and in March 2020 the FERC commenced a related proceeding. The plan was declared effective in February 2020, but certain aspects of the matter are subject to the on-going appellate, bankruptcy and regulatory proceedings, including issues relating to the appropriateness of the rejection of the OVEC power purchase agreement and regulatory appropriateness of the plan's confirmation. Periodically, OVEC and certain of its sponsors, including LG&E and KU, consider certain potential additional credit support actions to preserve OVEC's access to credit markets or mitigate risks or adverse impacts relating thereto, including addressing increased interest costs, establishing or continuing debt reserve accounts or other changes involving OVEC's existing short and long-term debt. The ultimate outcome of these matters, including the sponsor bankruptcy and related appellate or regulatory proceedings, OVEC structural or financial steps relating thereto and any other potential impact on LG&E's and KU's obligations relating to OVEC under the power purchase contract cannot be predicted.

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

11. 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 March 31, 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	
	2020	2019
PPL Electric from PPL Services	$ 12	$ 16
LKE from PPL Services	6	9
PPL Electric from PPL EU Services	41	37
LG&E from LKS	38	38
KU from LKS	41	43

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 March 31, 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 March 31, 2020 and December 31, 2019, $242 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 March 31, 2020 and December 31, 2019 were 3.02% and 3.20%. Interest expense on the revolving line of credit was not significant for the three months ended March 31, 2020 and 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 March 31, 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 March 31, 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 for the three months ending March 31, 2020 and 2019. Interest expense on the $250 million note was $3 million for the three months ending March 31, 2020 and 2019.

(LG&E)

LG&E participates in an intercompany money pool agreement whereby LKE and/or KU make available to LG&E funds up to $500 million at an interest rate based on a market index of commercial paper issues. At March 31, 2020, LG&E had borrowings outstanding from KU in the amount of $21 million. This balance is reflected in “Notes payable with affiliates” on the Balance Sheets. No balances were outstanding at December 31, 2019.

(KU)

KU participates in an intercompany money pool agreement whereby LKE and/or LG&E make available to KU funds up to $500 million at an interest rate based on a market index of commercial paper issues. No balances were outstanding at March 31, 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 $32 million as of March 31, 2020 and 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 Sheets.

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

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

12. Other Income (Expense) - net

(PPL)

The details of "Other Income (Expense) - net" for the periods ended March 31, were:

	Three Months	
	2020	2019
Other Income		
Economic foreign currency exchange contracts (Note 14)	$ 62	$ (33)
Defined benefit plans - non-service credits (Note 9)	68	80
Interest income	1	6
AFUDC - equity component	3	5
Miscellaneous	1	6
Total Other Income	135	64
Other Expense		
Charitable contributions	1	2
Miscellaneous	9	10
Total Other Expense	10	12
Other Income (Expense) - net	$ 125	$ 52

13. Fair Value Measurements

(All Registrants)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). A market approach (generally, data from market transactions), an income approach (generally, present value techniques and option-pricing models) and/or a cost approach (generally, replacement cost) are used to measure the fair value of an asset or liability, as appropriate. These valuation approaches incorporate inputs such as observable, independent market data and/or unobservable data that management believes are predicated on the assumptions market participants would use to price an asset or liability. These inputs may incorporate, as applicable, certain risks such as nonperformance risk, which includes credit risk. The fair value of a group of financial assets and liabilities is measured on a net basis. 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:

	March 31, 2020				December 31, 2019			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
PPL								
Assets								
Cash and cash equivalents	$ 915	$ 915	$ —	$ —	$ 815	$ 815	$ —	$ —
Restricted cash and cash equivalents (a)	21	21	—	—	21	21	—	—
Special use funds (a):								
Money market fund	1	1	—	—	—	—	—	—
Commingled debt fund measured at NAV (b)	29	—	—	—	29	—	—	—
Commingled equity fund measured at NAV (b)	22	—	—	—	27	—	—	—
Total special use funds	52	1	—	—	56	—	—	—

	March 31, 2020				December 31, 2019			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Price risk management assets (c):								
Foreign currency contracts	190	—	190	—	142	—	142	—
Cross-currency swaps	169	—	169	—	154	—	154	—
Total price risk management assets	359	—	359	—	296	—	296	—
Total assets	$ 1,347	$ 937	$ 359	$ —	$ 1,188	$ 836	$ 296	$ —
Liabilities								
Price risk management liabilities (c):								
Interest rate swaps	$ 34	$ —	$ 34	$ —	$ 21	$ —	$ 21	$ —
Foreign currency contracts	—	—	—	—	5	—	5	—
Total price risk management liabilities	$ 34	$ —	$ 34	$ —	$ 26	$ —	$ 26	$ —
PPL Electric								
Assets								
Cash and cash equivalents	$ 33	$ 33	$ —	$ —	$ 262	$ 262	$ —	$ —
Restricted cash and cash equivalents (a)	2	2	—	—	2	2	—	—
Total assets	$ 35	$ 35	$ —	$ —	$ 264	$ 264	$ —	$ —
LKE								
Assets								
Cash and cash equivalents	$ 47	$ 47	$ —	$ —	$ 27	$ 27	$ —	$ —
Cash collateral posted to counterparties (d)	1	1	—	—	—	—	—	—
Total assets	$ 48	$ 48	$ —	$ —	$ 27	$ 27	$ —	$ —
Liabilities								
Price risk management liabilities:								
Interest rate swaps	$ 29	$ —	$ 29	$ —	$ 21	$ —	$ 21	$ —
Total price risk management liabilities	$ 29	$ —	$ 29	$ —	$ 21	$ —	$ 21	$ —
LG&E								
Assets								
Cash and cash equivalents	$ 7	$ 7	$ —	$ —	$ 15	$ 15	$ —	$ —
Cash collateral posted to counterparties (d)	1	1	—	—	—	—	—	—
Total assets	$ 8	$ 8	$ —	$ —	$ 15	$ 15	$ —	$ —
Liabilities								
Price risk management liabilities:								
Interest rate swaps	$ 29	$ —	$ 29	$ —	$ 21	$ —	$ 21	$ —
Total price risk management liabilities	$ 29	$ —	$ 29	$ —	$ 21	$ —	$ 21	$ —
KU								
Assets								
Cash and cash equivalents	$ 40	$ 40	$ —	$ —	$ 12	$ 12	$ —	$ —
Total assets	$ 40	$ 40	$ —	$ —	$ 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 statement of financial position.

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

(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.

	March 31, 2020		December 31, 2019	
	Carrying Amount (a)	Fair Value	Carrying Amount (a)	Fair Value
PPL	$ 21,840	$ 25,175	$ 21,893	$ 25,481
PPL Electric	3,986	4,500	3,985	4,589
LKE	6,003	6,774	6,002	6,766
LG&E	2,005	2,254	2,005	2,278
KU	2,624	2,978	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.

14. Derivative Instruments and Hedging Activities

Risk Management Objectives

(All Registrants)

PPL has a risk management policy approved by the Board of Directors to manage market risk associated with commodities, interest rates on debt issuances and foreign exchange (including price, liquidity and volumetric risk) and credit risk (including non-performance risk and payment default risk). The Risk Management Committee, comprised of senior management and chaired by the 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 $29 million and $14 million obligation to return cash collateral under master netting arrangements at March 31, 2020 and December 31, 2019.

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

PPL, LKE and LG&E posted $1 million of cash collateral under master netting arrangements at March 31, 2020. KU had no obligation to post cash collateral under master netting arrangements at March 31, 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 March 31, 2020, PPL held an aggregate notional value in interest rate swap contracts of £105 million (approximately $134 million based on spot rates) that mature in 2035 to hedge interest payments of WPD's anticipated September 2020 debt issuance.

At March 31, 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 months ended March 31, 2020 and 2019, PPL had no cash flow hedges reclassified into earnings associated with discontinued cash flow hedges.

At March 31, 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 on variable rate debt. Because realized gains and losses from the swaps, including terminated swap contracts, are recoverable through regulated rates, any subsequent changes in fair value of these derivatives are included in regulatory assets or liabilities until they are realized as interest expense. Realized gains and losses are recognized in "Interest Expense" on the Statements of Income at the time the underlying hedged interest expense is recorded. At March 31, 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 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 March 31, 2020.

At March 31, 2020 and December 31, 2019, PPL had $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 March 31, 2020, the total exposure hedged by PPL was approximately £686 million (approximately $1.0 billion based on contracted rates). These contracts have termination dates ranging from April 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 March 31, 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.

	March 31, 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)	$ —	$ 5	$ —	$ 4	$ —	$ —	$ —	$ 4
Cross-currency swaps (b)	6	—	—	—	5	—	—	—
Foreign currency contracts	—	—	187	—	—	—	142	5
Total current	6	5	187	4	5	—	142	9
Noncurrent:								
Price Risk Management								
Assets/Liabilities (a):								
Interest rate swaps (b)	—	—	—	25	—	—	—	17
Cross-currency swaps (b)	163	—	—	—	149	—	—	—
Foreign currency contracts	—	—	3	—	—	—	—	—
Total noncurrent	163	—	3	25	149	—	—	17
Total derivatives	$ 169	$ 5	$ 190	$ 29	$ 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 March 31, 2020.

Derivative Relationships	Three 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
Cash Flow Hedges:			
Interest rate swaps	$ (5)	Interest expense	$ (3)
Cross-currency swaps	15	Other income (expense) - net	6
Total	$ 10		$ 3
Net Investment Hedges:			
Foreign currency contracts	$ —		

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	Three Months
Foreign currency contracts	Other income (expense) - net	$ 62
Interest rate swaps	Interest expense	(1)
	Total	$ 61

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized as Regulatory Liabilities/Assets	Three Months
Interest rate swaps	Regulatory assets - noncurrent	$ (8)

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 March 31, 2019.

Derivative Relationships	Three 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
Cash Flow Hedges:			
Interest rate swaps	$ —	Interest expense	$ (2)
Cross-currency swaps	(23)	Other income (expense) - net	(28)
Total	$ (23)		$ (30)
Net Investment Hedges:			
Foreign currency contracts	$ —		

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	Three Months
Foreign currency contracts	Other income (expense) - net	$ (33)
Interest rate swaps	Interest expense	(1)
	Total	$ (34)

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

The following table presents the effect of cash flow hedge activity on the Statement of Income for the period ended March 31, 2020.

	Location and Amount of Gain (Loss) Recognized in Income on Hedging Relationships	
	Three Months	
	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	$ 248	$ 125
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	(3)	—
Cross-currency swaps:		
Hedged items	—	(6)
Amount of gain (loss) reclassified from AOCI to income	—	6

(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.

	March 31, 2020		December 31, 2019	
	Assets	Liabilities	Assets	Liabilities
Current:				
Price Risk Management				
Assets/Liabilities:				
Interest rate swaps	$ —	$ 4	$ —	$ 4
Total current	—	4	—	4

	March 31, 2020		December 31, 2019	
	Assets	Liabilities	Assets	Liabilities
Noncurrent:				
Price Risk Management				
Assets/Liabilities:				
Interest rate swaps	—	25	—	17
Total noncurrent	—	25	—	17
Total derivatives	$ —	$ 29	$ —	$ 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 March 31, 2020.

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

Derivative Instruments	Location of Gain (Loss) Recognized in Regulatory Assets	Three Months
Interest rate swaps	Regulatory assets - noncurrent	$ (8)

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 March 31, 2019.

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

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

(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
March 31, 2020								
Treasury Derivatives								
PPL	$ 359	$ —	$ 29	$ 330	$ 34	$ —	$ 1	$ 33
LKE	—	—	—	—	29	—	1	28
LG&E	—	—	—	—	29	—	1	28

	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 March 31, 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	$ 2	$ 2
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	2	2

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

15. 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 10 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	4	4	1	3
Changes in estimated timing or cost	18	18	—	18
Obligations settled	(20)	(20)	(7)	(13)
Balance at March 31, 2020	$ 284	$ 217	$ 67	$ 150

16. Accumulated Other Comprehensive Income (Loss)

(PPL)

The after-tax changes in AOCI by component for the periods ended March 31 were as follows.

	Foreign currency translation adjustments	Unrealized gains (losses) on qualifying derivatives	Defined benefit plans		Total
			Prior service costs	Actuarial gain (loss)	
PPL					
December 31, 2019	$ (1,425)	$ (5)	$ (18)	$ (2,910)	$ (4,358)
Amounts arising during the period	(61)	8	—	—	(53)
Reclassifications from AOCI	—	(3)	1	47	45
Net OCI during the period	(61)	5	1	47	(8)
March 31, 2020	$ (1,486)	$ —	$ (17)	$ (2,863)	$ (4,366)
December 31, 2018	$ (1,533)	$ (7)	$ (19)	$ (2,405)	$ (3,964)
Amounts arising during the period	294	(19)	—	(3)	272
Reclassifications from AOCI	—	24	—	21	45
Net OCI during the period	294	5	—	18	317
March 31, 2019	$ (1,239)	$ (2)	$ (19)	$ (2,387)	$ (3,647)

The following table presents PPL's gains (losses) and related income taxes for reclassifications from AOCI for the periods ended March 31.

Details about AOCI	Three Months		Affected Line Item on the Statements of Income
	2020	2019	
Qualifying derivatives			
Interest rate swaps	$ (3)	$ (2)	Interest Expense
Cross-currency swaps	6	(28)	Other Income (Expense) - net
Total Pre-tax	3	(30)	
Income Taxes	—	6	
Total After-tax	3	(24)	
Defined benefit plans			
Prior service costs (a)	(1)	—	
Net actuarial loss (a)	(59)	(26)	
Total Pre-tax	(60)	(26)	
Income Taxes	12	5	
Total After-tax	(48)	(21)	
Total reclassifications during the period	$ (45)	$ (45)	

(a) These AOCI components are included in the computation of net periodic defined benefit cost. See Note 9 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 months ended March 31, 2020 with the same period 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.

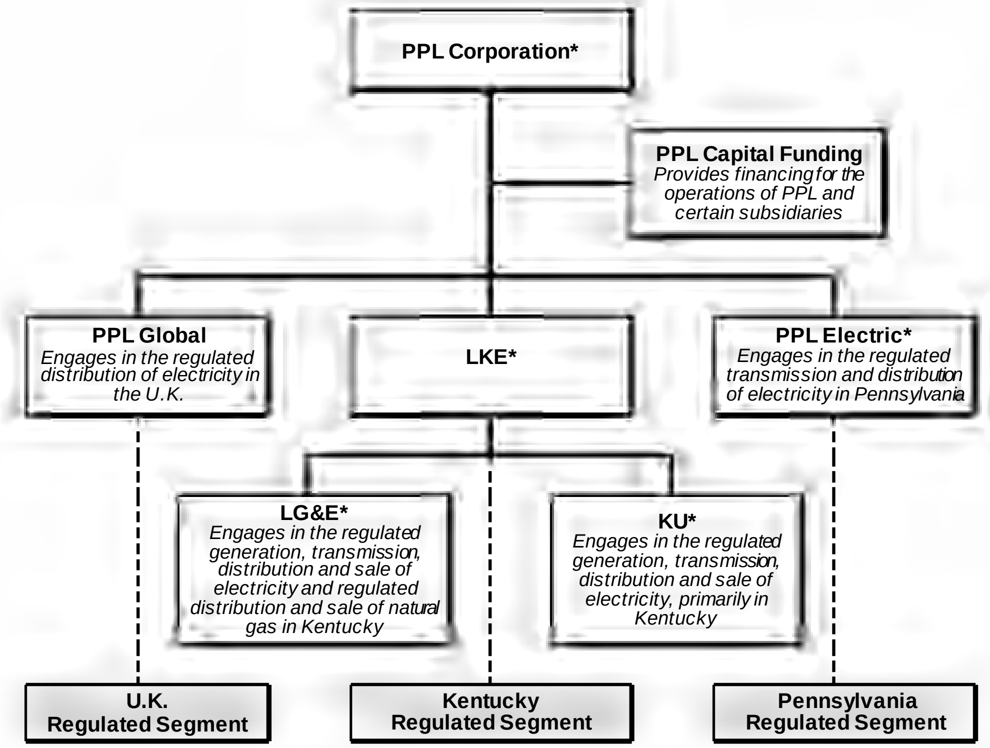
Overview

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 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, the VSCC and certain of its transmission and wholesale power activities are subject to the jurisdiction of the FERC under the Federal Power Act. KU serves its Kentucky customers under the KU name and its Virginia customers under the Old Dominion Power name.

Business Strategy

(All Registrants)

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

PPL's strategy, and that of the other Registrants, is to deliver best-in-sector operational performance, invest in a sustainable energy future, maintain a strong financial foundation, and engage and develop its people. PPL's business plan is designed to achieve growth by providing efficient, reliable and safe operations and strong customer service, maintaining constructive regulatory relationships and achieving timely recovery of costs. These businesses are expected to achieve strong, long-term growth in rate base in the U.S. and RAV in the U.K. Rate base growth is being driven by planned significant capital expenditures to maintain existing assets and improve system reliability and, for LKE, LG&E and KU, to comply with federal and state environmental regulations related to coal-fired electricity generation facilities.

For the U.S. businesses, central to PPL's strategy is recovering capital project costs efficiently through various rate-making mechanisms, including periodic base rate case proceedings using forward test years, annual FERC formula rate mechanisms and other regulatory agency-approved recovery mechanisms designed to limit regulatory lag. In Kentucky, the KPSC has adopted a series of regulatory mechanisms (ECR, DSM, GLT, fuel adjustment clause, and gas supply clause) and recovery on construction work-in-progress that reduce regulatory lag and provide timely recovery of and return on, as appropriate, prudently incurred costs. In addition, the KPSC requires a utility to obtain a CPCN prior to constructing a facility, unless the construction is an ordinary extension of existing facilities in the usual course of business or does not involve sufficient capital expenditures to materially affect the utility's financial condition. Although such KPSC proceedings do not directly address cost recovery issues, the KPSC, in awarding a CPCN, concludes that the public convenience and necessity require the construction of the facility on the basis that the facility is the lowest reasonable cost alternative to address the need. In Pennsylvania, the FERC transmission formula rate, DSIC mechanism, Smart Meter Rider and other recovery mechanisms operate to reduce regulatory lag and provide for timely recovery of and a return on, as appropriate, prudently incurred costs.

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

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

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

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

Financial and Operational Developments

Outbreak of COVID-19 (All Registrants)

In recent weeks, 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 financial impact of this net reduction in load was not material to the first quarter financial results. 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 and have worked to reconnect service for customers who had previously been disconnected, where required. Despite suspension of disconnections for non-payment, the Registrants have not experienced a significant reduction of cash receipts and have not adjusted their allowance for uncollectible accounts for potential additional expected credit losses. The Registrants will continue to monitor cash receipts to determine if future increases in their allowance for uncollectible accounts is required.

At March 31, 2020, the Registrants had approximately $3.1 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 addition, in early April 2020, PPL Capital Funding borrowed an additional $200 million aggregate amount under one and two-year term loan credit facilities and issued $1 billion in senior notes. Based on these actions 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 have mitigated investment losses resulting from recent market volatility and significant declines in equity values.

PPL has executed hedges to mitigate the foreign exchange risk to its U.K. earnings. The COVID-19 outbreak has put additional downward pressure on the GBP to U.S. dollar exchange rate. As of March 31, 2020, PPL's foreign exchange exposure related to budgeted earnings is approximately 86% hedged for 2020 at an average rate of $1.55 per GBP and approximately 8% hedged for 2021 at an average rate of $1.32 per GBP. Although PPL cannot predict the impact of COVID-19 on foreign exchange rates, the impact could be significant.

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 as of March 31, 2020 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, results of operations, financial condition, liquidity or on their supply chain as a result of COVID-19; however, 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.

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.

Although goodwill was not determined to be impaired at March 31, 2020, it is possible that 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 reduce from 19% to 17%, effective April 1, 2020. On March 11, 2020, the U.K. Spring Budget 2020 was announced and included a cancellation of the tax rate reduction to 17%. Maintaining the corporation tax rate at 19% for financial years 2020 and 2021 is expected to be included in the Finance Act 2020, which PPL expects will be approved and enacted into law in the third quarter of 2020. The impact of the cancellation of the corporate tax rate reduction, if enacted as proposed, would be an increase in deferred tax liabilities and a corresponding deferred tax cost of approximately $100 to $110 million.

U.S. Tax Reform (All Registrants)

The IRS issued proposed regulations for certain provisions of the TCJA in 2018, including rules relating to limitations on interest deductibility. These proposed regulations were issued in November 2018 and should not apply to the Registrants until the year in which the regulations are issued in final form, which is expected to be in 2020. It is uncertain what form the final regulations will take and, therefore, the Registrants cannot predict what impact the final regulations will have on the tax deductibility of interest expense. However, if the proposed regulations were issued as final in their current form, the Registrants could have a limitation on a portion of their interest expense deduction for tax purposes and such limitation could be significant. PPL expressed its views on these proposed regulations in a comment letter addressed to the IRS on February 26, 2019.

U.K. Membership in European Union (PPL)

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. 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 March 31, 2020, PPL's foreign exchange exposure related to budgeted earnings is approximately 86% hedged for 2020 at an average rate of $1.55 per GBP and approximately 8% hedged for 2021 at an average rate of $1.32 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, 10 and 15 to the Financial Statements for a discussion of these significant environmental matters. These and other stringent environmental requirements led PPL, LKE, LG&E and KU to retire approximately 1,000 MW of coal-fired generating plants in Kentucky since 2015.

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 network companies and system operators working 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.

Ofgem will now shift focus to the development of the RIIO-ED2 price control methodology, with the consultation expected to be published by the third quarter of 2020. WPD and PPL continue to be fully engaged in the RIIO-ED2 process. 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. Any decision for RIIO-ED2 will not be finalized until November 2022. The RIIO-ED2 price control will come into effect on April 1, 2023.

FERC Transmission Rate Filing

(PPL, LKE, LG&E and KU)

In 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 seeks 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 November 2019, the FERC granted LG&E and KU's and other parties' rehearing requests. Additionally, certain petitions for review of FERC's orders have been filed by multiple parties, including LG&E and KU, at the D.C. Circuit Court of Appeals. LG&E and KU cannot predict the outcome of the proceedings. In February 2020, the D.C. Circuit Court of Appeals issued an order holding the various appeals in abeyance pending the FERC's rehearing process. 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 will take effect in June 2020.

Rate Case 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.

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 months ended March 31, 2020 with the same period 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 months ended March 31, 2020 with the same period 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 period ended March 31 includes the following results.

	Three Months		
	2020	2019	$ Change
Operating Revenues	$ 2,054	$ 2,079	$ (25)
Operating Expenses			
Operation			
Fuel	163	194	(31)
Energy purchases	201	250	(49)
Other operation and maintenance	476	490	(14)
Depreciation	317	284	33
Taxes, other than income	80	80	—
Total Operating Expenses	1,237	1,298	(61)
Other Income (Expense) - net	125	52	73
Interest Expense	248	241	7
Income Taxes	140	126	14
Net Income	$ 554	$ 466	$ 88

Operating Revenues

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

	Three Months
Domestic:	
PPL Electric Distribution volumes (a)	$ (24)
PPL Electric PLR (b)	(27)
PPL Electric Transmission Formula Rate (c)	16
LKE Retail Rates (d)	49
LKE ECR (e)	19
LKE Fuel and other energy purchase prices (f)	(21)
LKE Municipal supply (g)	(22)
LKE Volumes (h)	(38)
Other	(8)
Total Domestic	(56)
U.K.:	
Price	18
Foreign currency exchange rates	9
Other	4
Total U.K.	31
Total	$ (25)

(a) The decrease was primarily due to warmer weather in 2020.
(b) The decrease was primarily due to lower energy volumes of $16 million primarily due to warmer weather in 2020 and lower energy prices of $11 million.
(c) The increase was primarily due to increased returns on capital investments.
(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 was primarily due to higher recoverable depreciation expense as a result of higher depreciation rates effective May 1, 2019.
(f) The decrease was primarily due to lower recoveries of fuel and energy purchases due to lower commodity costs.
(g) The decrease was primarily due to the termination of eight supply contracts with Kentucky municipalities on April 30, 2019
(h) The decrease was primarily due to weather.

Fuel

Fuel decreased $31 million primarily due to a $13 million decrease in volumes driven by weather, a $10 million decrease in commodity costs and an $8 million decrease in volumes driven by the termination of eight supply contracts with Kentucky municipalities on April 30, 2019.

Energy Purchases

Energy purchases decreased $49 million primarily due to lower PLR prices of $18 million and lower PLR volumes of $14 million at PPL Electric as well as a $14 million decrease in commodity costs at LKE.

Other Operation and Maintenance

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

	Three Months
Domestic:	
PPL Electric storm costs	$ (16)
LKE plant operations and maintenance	(3)
LKE administrative and general	(5)
Other	(2)
U.K.:	
Pension	2
Foreign currency exchange rates	2
Third-party engineering	2
Other	6
Total	$ (14)

Depreciation

The increase in depreciation was due to:

	Three Months
Additions to PP&E, net	$ 11
Foreign currency exchange rates	1
Depreciation rates (a)	19
Other	2
Total	$ 33

(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
Economic foreign currency exchange contracts (Note 14)	$ 95
Defined benefit plans - non-service credits (Note 9)	(12)
Other	(10)
Total	$ 73

Table of Contents

Interest Expense

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

	Three Months
Long-term debt interest expense	$ 8
Short-term debt interest expense	(2)
Foreign currency exchange rates	1
Total	$ 7

Income Taxes

Income taxes increased by $14 million primarily due to a change in pre-tax income. See Note 6 to the Financial Statements for additional information on income taxes.

Segment Earnings

PPL's Net Income by reportable segment for the period ended March 31 was as follows:

	Three Months		
	2020	2019	$ Change
U.K. Regulated	$ 340	$ 264	$ 76
Kentucky Regulated	127	117	10
Pennsylvania Regulated	118	121	(3)
Corporate and Other (a)	(31)	(36)	5
Net Income	$ 554	$ 466	$ 88

(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 14 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 period ended March 31 were as follows:

	Three Months		
	2020	2019	$ Change
U.K. Regulated	$ 298	$ 304	$ (6)
Kentucky Regulated	127	117	10
Pennsylvania Regulated	118	121	(3)
Corporate and Other	(29)	(34)	5
Earnings from Ongoing Operations	$ 514	$ 508	$ 6

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 61% of PPL's Net Income for the three months ended March 31, 2020 and 39% of PPL's assets at March 31, 2020.

Net Income and Earnings from Ongoing Operations for the period ended March 31 include the following results.

	Three Months		
	2020	2019	$ Change
Operating revenues	$ 614	$ 583	$ 31
Other operation and maintenance	129	118	11
Depreciation	66	62	4
Taxes, other than income	33	32	1
Total operating expenses	228	212	16
Other Income (Expense) - net	130	45	85
Interest Expense	102	99	3
Income Taxes	74	53	21
Net Income	340	264	76
Less: Special Items	42	(40)	82
Earnings from Ongoing Operations	$ 298	$ 304	$ (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 period ended March 31.

		Three Months	
	Income Statement Line Item	2020	2019
Foreign currency economic hedges, net of tax of ($11), $11 (a)	Other Income (Expense) - net	$ 42	$ (40)
Total Special Items		$ 42	$ (40)

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

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
U.K.	
U.K. Adjusted Gross Margins	$ 20
Other operation and maintenance	(10)
Depreciation	(4)
Other Income (Expense) - net	(11)
Interest expense	(2)
Income taxes	1
U.S.	
Income taxes	(1)
Other	3
Foreign currency exchange, after-tax	(2)
Earnings from Ongoing Operations	(6)
Special items, after-tax	82
Net Income	$ 76

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 primarily from increases in various costs that were not individually significant in comparison to the prior year.
- Lower other income (expense) - net primarily from lower pension income.

Kentucky Regulated Segment

The Kentucky Regulated segment consists primarily of LKE's regulated electricity generation, transmission and distribution operations conducted by LG&E and KU, as well as LG&E's regulated distribution and sale of natural gas. In addition, certain acquisition-related financing costs are allocated to the Kentucky Regulated segment. The Kentucky Regulated segment represents 23% of PPL's Net Income for the three months ended March 31, 2020 and 34% of PPL's assets at March 31, 2020.

Net Income and Earnings from Ongoing Operations for the period ended March 31 include the following results.

	Three Months		
	2020	2019	$ Change
Operating revenues	$ 825	$ 845	$ (20)
Fuel	163	194	(31)
Energy purchases	57	79	(22)
Other operation and maintenance	204	214	(10)
Depreciation	149	123	26
Taxes, other than income	18	18	—
Total operating expenses	591	628	(37)
Other Income (Expense) - net		—	—
Interest Expense	75	70	5
Income Taxes	32	30	2
Net Income	127	117	10
Less: Special Items (a)	—	—	—
Earnings from Ongoing Operations	$ 127	$ 117	$ 10

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

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

	Three Months
Kentucky Adjusted Gross Margins	$ 17
Other operation and maintenance	9
Depreciation	(8)
Taxes, other than income	(1)
Interest Expense	(5)
Income Taxes	(2)
Net Income	$ 10

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

- Lower other operation and maintenance expense primarily from decreases in various costs that were not individually significant in comparison to the prior year.

- Higher depreciation expense primarily due to a $5 million increase related to higher depreciation rates effective May 1, 2019 and a $3 million increase related to additional assets placed into service, net of retirements.

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 21% of PPL's Net Income for the three months ended March 31, 2020 and 26% of PPL's assets at March 31, 2020.

Net Income and Earnings from Ongoing Operations for the period ended March 31 include the following results.

	Three Months		
	2020	2019	$ Change
Operating revenues	$ 608	$ 645	$ (37)
Energy purchases	144	171	(27)
Other operation and maintenance	137	150	(13)
Depreciation	98	95	3
Taxes, other than income	30	31	(1)
Total operating expenses	409	447	(38)
Other Income (Expense) - net	4	7	(3)
Interest Expense	44	42	2
Income Taxes	41	42	(1)
Net Income	118	121	(3)
Less: Special Item (a)	—	—	—
Earnings from Ongoing Operations	$ 118	$ 121	$ (3)

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

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
Pennsylvania Adjusted Gross Margins	$ (2)
Other operation and maintenance	5
Depreciation	(1)
Taxes, other than income	(1)
Other Income (Expense) - net	(3)
Interest Expense	(2)
Income Taxes	1
Net Income	$ (3)

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

- Lower other operation and maintenance expense primarily due to lower storm costs of $11 million, partially offset by higher project cancellation costs of $6 million.

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 period ended March 31.

	2020 Three Months				
	U.K. Regulated	KY Regulated	PA Regulated	Corporate and Other	Total
Net Income	$ 340	$ 127	$ 118	$ (31)	$ 554
Less: Special Items (expense) benefit:					
Foreign currency economic hedges, net of tax of ($11)	42	—	—	—	42
Talen litigation costs, net of tax of $1 (a)	—	—	—	(2)	(2)
Total Special Items	42	—	—	(2)	40
Earnings from Ongoing Operations	$ 298	$ 127	$ 118	$ (29)	$ 514

	2019 Three Months				
	U.K. Regulated	KY Regulated	PA Regulated	Corporate and Other	Total
Net Income	$ 264	$ 117	$ 121	$ (36)	$ 466
Less: Special Items (expense) benefit:					
Foreign currency economic hedges, net of tax of $11	(40)	—	—	—	(40)
Talen litigation costs, net of tax of $0 (a)	—	—	—	(2)	(2)
Total Special Items	(40)	—	—	(2)	(42)
Earnings from Ongoing Operations	$ 304	$ 117	$ 121	$ (34)	$ 508

(a) PPL incurred legal expenses related to litigation with its former affiliate, Talen Montana. See Note 10 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 period ended March 31 as well as the change between period. The factors that gave rise to the changes are described following the table.

	Three Months		
	2020	**2019**	**$ Change**
U.K. Regulated			
U.K. Adjusted Gross Margins	$ 575	$ 546	$ 29
Impact of changes in foreign currency exchange rates			9
U.K. Adjusted Gross Margins excluding impact of foreign currency exchange rates			$ 20
Kentucky Regulated			
Kentucky Adjusted Gross Margins			
Total Kentucky Adjusted Gross Margins	$ 547	$ 530	$ 17
Pennsylvania Regulated			
Pennsylvania Adjusted Gross Margins			
Distribution	$ 242	$ 260	$ (18)
Transmission	159	143	16
Total Pennsylvania Adjusted Gross Margins	$ 401	$ 403	$ (2)

U.K. Adjusted Gross Margins

U.K. Adjusted Gross Margins, excluding the impact of changes in foreign currency exchange rates, increased primarily due to the April 1, 2019 price increase.

Kentucky Adjusted Gross Margins

Kentucky Adjusted Gross Margins increased primarily due to higher retail rates approved by the KPSC of $49 million, inclusive of the termination of the TCJA bill credit mechanism, partially offset by $17 million of decreased sales volumes primarily due to weather and a $14 million decrease due to the termination of eight supply contracts with Kentucky municipalities on April 30, 2019.

Pennsylvania Adjusted Gross Margins

Distribution

Distribution Adjusted Gross Margins decreased $26 million due to lower volumes primarily as a result of warmer weather in 2020, partially offset by $8 million of returns on additional distribution system improvement capital investments.

Transmission

Transmission Adjusted Gross Margins increased 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 March 31.

	2020 Three Months				
	U.K. Adjusted Gross Margins	Kentucky Adjusted Gross Margins	Pennsylvania Adjusted Gross Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 605 (c)	$ 825	$ 608	$ 16	$ 2,054
Operating Expenses					
Fuel	—	163	—	—	163
Energy purchases	—	57	144	—	201
Other operation and maintenance	30	21	23	402	476
Depreciation	—	37	12	268	317
Taxes, other than income	—	—	28	52	80
Total Operating Expenses	30	278	207	722	1,237
Total	$ 575	$ 547	$ 401	$ (706)	$ 817

	2019 Three Months				
	U.K. Adjusted Gross Margins	Kentucky Adjusted Gross Margins	Pennsylvania Adjusted Gross Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 574 (c)	$ 845	$ 645	$ 15	$ 2,079
Operating Expenses					
Fuel	—	194	—	—	194
Energy purchases	—	79	171	—	250
Other operation and maintenance	28	22	31	409	490
Depreciation	—	19	10	255	284
Taxes, other than income	—	1	30	49	80
Total Operating Expenses	28	315	242	713	1,298
Total	$ 546	$ 530	$ 403	$ (698)	$ 781

(a) Represents amounts excluded from Adjusted Gross Margins.
(b) As reported on the Statements of Income.
(c) Excludes ancillary revenues of $9 million for the three months ended March 31, 2020 and 2019.

PPL Electric: Statement of Income Analysis

Statement of Income Analysis

Net income for the periods ended March 31 includes the following results.

	Three Months		
	2020	2019	$ Change
Operating Revenues	$ 608	$ 645	$ (37)
Operating Expenses			
Operation			
Energy purchases	144	171	(27)
Other operation and maintenance	137	150	(13)
Depreciation	98	95	3
Taxes, other than income	30	31	(1)
Total Operating Expenses	409	447	(38)
Other Income (Expense) - net	3	5	(2)
Interest Income from Affiliate	1	2	(1)
Interest Expense	44	42	2
Income Taxes	41	42	(1)
Net Income	$ 118	$ 121	$ (3)

Operating Revenues

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

	Three Months
Distribution volume (a)	$ (24)
PLR (b)	(27)
Transmission Formula Rate (c)	16
Other	(2)
Total	$ (37)

(a) The decrease was primarily due to warmer weather in 2020.
(b) The decrease was primarily due to lower energy volumes of $16 million primarily due to warmer weather in 2020 and lower energy prices of $11 million.
(c) The increase was primarily due to increased returns on capital investments.

Energy Purchases

Energy purchases decreased $27 million primarily due to lower PLR prices of $18 million and lower PLR volumes of $14 million, partially offset by higher transmission enhancement expenses of $6 million.

Other Operation and Maintenance

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

	Three Months
Storm costs	$ (16)
Act 129	(3)
Bad debts	(2)
Canceled projects	6
Other	2
Total	$ (13)

LKE: Statement of Income Analysis

Statement of Income Analysis

Net income for the period ended March 31 includes the following results.

	Three Months		
	2020	2019	$ Change
Operating Revenues	$ 825	$ 845	$ (20)
Operating Expenses			
Operation			
Fuel	163	194	(31)
Energy purchases	57	79	(22)
Other operation and maintenance	204	214	(10)
Depreciation	149	123	26
Taxes, other than income	18	18	—
Total Operating Expenses	591	628	(37)
Interest Expense	58	54	4
Interest Expense with Affiliate	7	7	—
Income Taxes	34	32	2
Net Income	$ 135	$ 124	$ 11

Operating Revenues

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

	Three Months
Retail rates (a)	$ 49
ECR (b)	19
Fuel and other energy prices (c)	(21)
Municipal supply (d)	(22)
Volumes (e)	(38)
Other	(7)
Total	$ (20)

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

Fuel

Fuel decreased $31 million primarily due to a $13 million decrease in volumes driven by weather, a $10 million decrease in commodity costs and an $8 million decrease in volumes driven by the termination of eight supply contracts with Kentucky municipalities on April 30, 2019.

Energy Purchases

Energy purchases decreased $22 million primarily due to a $14 million decrease in commodity costs and a $6 million decrease in gas volumes driven by weather.

Other Operation and Maintenance

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

	Three Months
Administrative and general	$ (5)
Plant operations and maintenance	(3)
Other	(2)
Total	$ (10)

Depreciation

Depreciation increased $26 million primarily due to a $19 million increase related to higher depreciation rates effective May 1, 2019 and an $6 million increase related to additional assets placed into service, net of retirements.

LG&E: Statement of Income Analysis

Statement of Income Analysis

Net income for the period ended March 31 includes the following results.

	Three Months		
	2020	2019	$ Change
Operating Revenues			
Retail and wholesale	$ 393	$ 397	$ (4)
Electric revenue from affiliate	14	13	1
Total Operating Revenues	407	410	(3)
Operating Expenses			
Operation			
Fuel	74	78	(4)
Energy purchases	52	74	(22)
Energy purchases from affiliate	—	2	(2)
Other operation and maintenance	92	94	(2)
Depreciation	64	51	13
Taxes, other than income	10	9	1
Total Operating Expenses	292	308	(16)
Other Income (Expense) - net	(1)	—	(1)
Interest Expense	22	21	1
Income Taxes	19	17	2
Net Income	$ 73	$ 64	$ 9

Operating Revenues

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

	Three Months
Retail rates (a)	$ 20
ECR (b)	8
Fuel and other energy prices (c)	(12)
Volumes (d)	(18)
Other	(1)
Total	$ (3)

(a) The increase was primarily due to higher base rates, inclusive of the termination of the TCJA bill credit mechanism, effective May 1, 2019.
(b) The increase was primarily due to higher recoverable depreciation expense as a result of higher depreciation rates effective May 1, 2019.
(c) The decrease was primarily due to lower recoveries of fuel and energy purchases due to lower commodity costs.
(d) The decrease was primarily due to weather.

Fuel

Fuel decreased $4 million primarily due to a $3 decrease in commodity costs and a $1 decrease in volumes driven by weather.

Energy Purchases

Energy purchases decreased $22 million primarily due to a $14 million decrease in commodity costs and a $6 million decrease in gas volumes driven by weather.

Depreciation

Depreciation increased $13 million primarily due to a $9 million increase related to higher depreciation rates effective May 1, 2019 and a $4 million increase related to additional assets placed into service, net of retirements.

KU: Statement of Income Analysis

Statement of Income Analysis

Net income for the period ended March 31 includes the following results.

	Three Months		
	2020	2019	$ Change
Operating Revenues			
Retail and wholesale	$ 432	$ 448	$ (16)
Electric revenue from affiliate	—	2	(2)
Total Operating Revenues	432	450	(18)
Operating Expenses			
Operation			
Fuel	89	116	(27)
Energy purchases	5	5	—
Energy purchases from affiliate	14	13	1
Other operation and maintenance	104	108	(4)
Depreciation	84	72	12
Taxes, other than income	9	9	—
Total Operating Expenses	305	323	(18)
Other Income (Expense) - net	1	2	(1)
Interest Expense	28	26	2
Income Taxes	20	22	(2)
Net Income	$ 80	$ 81	$ (1)

Operating Revenues

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

	Three Months
Municipal supply (a)	$ (22)
Volumes (b)	(20)
Fuel and other energy prices (c)	(9)
ECR (d)	11
Retail rates (e)	29
Other	(7)
Total	$ (18)

(a) The decrease was primarily due to the termination of eight supply contracts with Kentucky municipalities on April 30, 2019.
(b) The decrease was primarily due to weather.
(c) The decrease was primarily due to lower recoveries of fuel and energy purchases due to lower commodity costs.
(d) The increase was primarily due to higher recoverable depreciation expense as a result of higher depreciation rates effective May 1, 2019.

(e) The increase was due to higher base rates, inclusive of the termination of the TCJA bill credit mechanism, effective May 1, 2019.

Fuel

Fuel decreased $27 million primarily due to a $12 million decrease in volumes driven by weather, an $8 million decrease in volumes driven by the termination of eight supply contracts with Kentucky municipalities on April 30, 2019 and a $7 million decrease in commodity.

Other Operation and Maintenance

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

	Three Months
Plant operations and maintenance	$ (2)
Administrative and general	(1)
Other	(1)
Total	$ (4)

Depreciation

Depreciation increased $12 million primarily due to a $10 million increase related to higher depreciation rates effective May 1, 2019 and a $2 million increase related to additional assets placed into service, net of retirements.

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
March 31, 2020					
Cash and cash equivalents	$ 915	$ 33	$ 47	$ 7	$ 40
Short-term debt	1,696	85	303	159	144
Long-term debt due within one year	1,170	—	975	—	500
Notes payable with affiliates		—	242	21	—
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 March 31, 2020, $174 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 three month periods ended March 31, and the changes between periods, were as follows.

	PPL	PPL Electric	LKE	LG&E	KU
2020					
Operating activities	$ 692	$ 132	$ 320	$ 171	$ 193
Investing activities	(833)	(281)	(255)	(117)	(159)
Financing activities	240	(80)	(45)	(62)	(6)
2019					
Operating activities	$ 474	$ 81	$ 270	$ 157	$ 174
Investing activities	(722)	(264)	(278)	(117)	(161)
Financing activities	142	(61)	6	(41)	(14)
Change - Cash Provided (Used)					
Operating activities	$ 218	$ 51	$ 50	$ 14	$ 19
Investing activities	(111)	(17)	23	—	2
Financing activities	98	(19)	(51)	(21)	8

Operating Activities

The components of the change in cash provided by (used in) operating activities for the three months ended March 31, 2020 compared with 2019 were as follows.

	PPL	PPL Electric	LKE	LG&E	KU
Change - Cash Provided (Used)					
Net income	$ 88	$ (3)	$ 11	$ 9	$ (1)
Non-cash components	(44)	29	18	(3)	2
Working capital	98	14	7	12	8
Defined benefit plan funding	2	—	(2)	(4)	(1)
Other operating activities	74	11	16	—	11
Total	$ 218	$ 51	$ 50	$ 14	$ 19

(PPL)

PPL's cash provided by operating activities in 2020 increased $218 million compared with 2019.

- Net income increased $88 million between the periods and included a decrease in non-cash charges of $44 million. The decrease in non-cash charges was primarily due to an increase in unrealized gains on hedging activities, partially offset by 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 book versus tax plant timing differences and Federal net operating losses) and a decrease in the U.K. net periodic defined benefit credits (primarily due to higher levels of unrecognized losses being amortized).

- The $98 million increase in cash from changes in working capital was primarily due to an increase in accounts payable (primarily due to timing of payments), a decrease in accounts receivable (primarily due to timing of receipts) and a decrease in unbilled revenues (primarily due to weather).

- The $74 million increase in cash provided by other operating activities was primarily due to an increase in non-current regulatory liabilities, an increase in accrued pension obligation and an increase in ARO expenditures.

(PPL Electric)

PPL Electric's cash provided by operating activities in 2020 increased $51 million compared with 2019.

- Net income decreased $3 million between the periods and included an increase in non-cash components of $29 million. The increase in non-cash components was primarily due to a $16 million increase in deferred income taxes (due to book versus tax plant timing differences and Federal net operating losses) and a $10 million increase in other expenses (primarily due to an increase in canceled projects).

- The $14 million increase in cash from changes in working capital was primarily due to a decrease in unbilled revenues (primarily due to weather) and a decrease in prepayments (primarily due to timing of prepayments including gross receipt tax and other income tax prepayments), partially offset by a decrease in accounts payable (primarily due to timing of payments).

- The $11 million increase in cash provided by other operating activities was primarily due to an increase in other liabilities (primarily due to an increase in accrued pension obligations and noncurrent regulatory liabilities).

(LKE)

LKE's cash provided by operating activities in 2020 increased $50 million compared with 2019.

- Net income increased $11 million between the periods and included an increase in non-cash components of $18 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).

- The increase in cash from changes in working capital was primarily driven by an increase in accounts payable (primarily due to timing of payments), a decrease in accounts receivable (primarily due to weather) and an increase in interest payable (primarily due to higher interest rates and higher outstanding debt) partially offset by a decrease in other current liabilities (primarily due to timing of payments).

- The increase in cash provided by other operating activities was driven primarily by a decrease in ARO expenditures.

(LG&E)

LG&E's cash provided by operating activities in 2020 increased $14 million compared with 2019.

- Net income increased $9 million between the periods and included a decrease in non-cash components of $3 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) and a decrease in amortization expense (primarily due to amortization of regulatory liabilities beginning May 1, 2019), 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 an increase in taxes payable (primarily due to timing of payments), an increase in interest payable (primarily due to higher interest rates and higher outstanding debt), partially offset by a decrease in other current liabilities (primarily due to timing of payments) and a decrease in accounts payable (primarily due to timing of payments).

(KU)

KU's cash provided by operating activities in 2020 increased $19 million compared with 2019.

- Net income decreased $1 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 increase in cash from changes in working capital was primarily driven by an increase in accounts payable (primarily due to timing of payments), an increase in taxes payable (primarily due to timing of payments) and a decrease in unbilled revenues (primarily due to weather), partially offset by a decrease in other current liabilities (primarily due to timing of payments) and an increase in net regulatory assets and liabilities (primarily due to the timing of rate recovery mechanisms).

- The increase in cash provided by other operating activities was driven primarily by a decrease in ARO expenditures.

Investing Activities

(All Registrants)

The components of the change in cash provided by (used in) investing activities for the three months ended March 31, 2020 compared with 2019 were as follows.

	PPL	PPL Electric	LKE	LG&E	KU
Change - Cash Provided (Used)					
Expenditures for PP&E	$ (97)	$ (16)	$ 23	$ —	$ 23
Purchase of investments	55	—	—	—	—
Proceeds from the sale of investments	(57)	—	—	—	—
Notes receivable with affiliate	—	—	—	—	(21)
Other investing activities	(12)	—	—	—	—
Total	$ (111)	$ (16)	$ 23	$ —	$ 2

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 and KU. The increase in expenditures at WPD was primarily due to an increase in expenditures to enhance system reliability and an increase in foreign currency exchange rates. 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 various other projects at LG&E and KU that are not individually significant.

Financing Activities

(All Registrants)

The components of the change in cash provided by (used in) financing activities for the three months ended March 31, 2020 compared with 2019 were as follows.

	PPL	PPL Electric	LKE	LG&E	KU
Change - Cash Provided (Used)					
Stock issuances/redemptions, net	$ (2)	$ —	$ —	$ —	$ —
Dividends	(21)	(45)	—	1	2
Capital contributions/distributions, net	—	—	4	25	9
Issuance of term loan	200	—	—	—	—
Change in short-term debt, net	(79)	25	(73)	(69)	(4)
Notes payable with affiliate		—	18	21	—
Other financing activities	—	1	—	1	1
Total	$ 98	$ (19)	$ (51)	$ (21)	$ 8

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. At March 31, 2020, the total committed borrowing capacity under credit facilities and the borrowings under these facilities were:

Table of Contents

External

	Committed Capacity	Borrowed	Letters of Credit and Commercial Paper Issued	Unused Capacity
PPL Capital Funding Credit Facilities	$ 1,700	$ 825	$ 180	$ 695
PPL Electric Credit Facility	650	85	1	564
LG&E Credit Facilities	500	100	59	341
KU Credit Facilities	400	100	44	256
Total LKE	900	200	103	597
Total U.S. Credit Facilities (a)	$ 3,250	$ 1,110	$ 284	$ 1,856
Total U.K. Credit Facilities (b)	£ 1,055	£ 210	£ —	£ 847

(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 March 31, 2020 were a USD-denominated borrowing of $200 million and GBP-denominated borrowings of £ 54 million which equated to $69 million. The unused capacity reflects the USD denominated borrowing amount borrowed in GBP of £ 154 million as of the date borrowed. At March 31, 2020, the USD equivalent of unused capacity under the U.K. committed credit facilities was $1.1 billion.

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

See Note 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	$ 242	$ —	$ 133
LG&E Money Pool (a)	500	21	159	320
KU Money Pool (a)	500	—	144	356

(a) LG&E and KU participate in an intercompany money pool agreement whereby LKE, LG&E and/or KU make available funds up to $500 million at an interest rate based on a market index of commercial paper issues. However, the FERC has issued a maximum aggregate short-term debt limit for each utility at $500 million from all covered sources.

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

Commercial Paper *(All Registrants)*

PPL, PPL Electric, LG&E and KU maintain commercial paper programs to provide an additional financing source to fund short-term liquidity needs, as necessary. Commercial paper issuances, included in "Short-term debt" on the Balance Sheets, are supported by the respective Registrant's credit facility. The following commercial paper programs were in place at March 31, 2020:

	Capacity	Commercial Paper Issuances	Unused Capacity
PPL Capital Funding	$ 1,500	$ 180	$ 1,320
PPL Electric	650	—	650
LG&E	350	59	291
KU	350	44	306
Total LKE	700	103	597
Total PPL	$ 2,850	$ 283	$ 2,567

Long-term Debt *(All Registrants)*

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

(PPL)

Equity Securities Activities

ATM

In February 2018, PPL entered into an equity distribution agreement, pursuant to which PPL may sell, from time to time, up to an aggregate of $1.0 billion of its common stock through an at-the-market offering program; including a forward sales component. The compensation paid to the selling agents by PPL may be up to 2% of the gross offering proceeds of the shares. There were no issuances under the ATM program for the three months ended March 31, 2020.

Common Stock Dividends

In February 2020, PPL declared a quarterly common stock dividend, payable April 1, 2020, of 41.50 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 bonds were issued April 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 14 to the Financial Statements for a discussion of "Credit Risk-Related Contingent Features," including a discussion of the potential additional collateral requirements for PPL, LKE and LG&E for derivative contracts in a net liability position at March 31, 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 13 and 14 to the Financial Statements for information about the Registrants' risk management objectives, valuation techniques and accounting designations.

The forward-looking information presented below provides estimates of what may occur in the future, assuming certain adverse market conditions and model assumptions. Actual future results may differ materially from those presented. These 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 March 31, 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)	$ 134	$ (5)	$ —	2035
Cross-currency swaps (c)	702	171	(70)	2028
Economic hedges				
Interest rate swaps (d)	147	(29)	—	2033
LKE				
Economic hedges				
Interest rate swaps (d)	147	(29)	—	2033
LG&E				
Economic hedges				
Interest rate swaps (d)	147	(29)	—	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 March 31, 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 March 31, 2020 is shown below.

	10% Adverse Movement in Rates
PPL	$ 638
PPL Electric	198
LKE	193
LG&E	84
KU	104

Foreign Currency Risk (PPL)

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

The following foreign currency hedges were outstanding at March 31, 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)	£ 686	$ 190	$ (67)	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 13 and 14 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 loss of $63 million for the three months ended March 31, 2020, which primarily reflected a $108 million decrease to PP&E, a $20 million decrease to goodwill, partially offset by a $63 million decrease to long-term debt and a $2 million decrease to other net liabilities. Changes in this exchange rate resulted in a foreign currency translation gain of $294 million for the three months ended March 31, 2019, which primarily reflected a $504 million increase to PP&E and a $98 million increase to goodwill, partially offset by a $304 million increase to long-term debt and a $4 million increase to other net liabilities. The impact of foreign currency translation is recorded in AOCI.

Related Party Transactions *(All Registrants)*

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

Acquisitions, Development and Divestitures *(All Registrants)*

The Registrants from time to time evaluate opportunities for potential acquisitions, divestitures and development projects. Development projects are reexamined based on market conditions and other factors to determine whether to proceed with, modify or terminate the projects. Any resulting transactions may impact future financial results.

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 10 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 15 to the Financial Statements for information related to the impacts of CCRs on AROs.

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 March 31, 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 March 31, 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' first 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 first quarter of 2020 see:

- "Item 3. Legal Proceedings" in each Registrant's 2019 Form 10-K; and
- Notes 6, 7 and 10 to the Financial Statements.

Item 1A. Risk Factors

There have been no material changes in the Registrants' risk factors from those disclosed in "Item 1A. Risk Factors" of the Registrants' 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 5. Other Information

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

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.

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.

3(a)	- Bylaws of PPL Corporation, effective as of March 23, 2020 (Exhibit 3(ii) to PPL Corporation Form 8-K Report (File No. 1-11459) dated March 27, 2020)
4(a)	- Supplemental Indenture No 17, dated as of April 3, 2020, to Indenture, dated as of November 1, 1997, among PPL Capital Funding, Inc., PPL Corporation and The Bank of New York Mellon (as successor to JPMorgan Chase Bank, N.A. (formerly known as The Chase Manhattan Bank)), as Trustee (Exhibit 4(b) to PPL Corporation Form 8-K Report (File No. 1-11459) dated April 3, 2020)

*10(a)	- $100,000,000 Term Loan Credit Agreement, dated as of April 1, 2020, among PPL Capital Funding, Inc., as Borrower, PPL Corporation, as Guarantor, and Canadian Imperial Bank of Commerce, New York Branch, as Administrative Agent and Lender
*10(b)	- $100,000,000 Term Loan Credit Agreement, dated as of April 1, 2020, among PPL Capital Funding, Inc., as Borrower, PPL Corporation, as Guarantor, and U.S. Bank National Association, as Administrative Agent and Lender
*10(c)	- $200,000,000 Credit Agreement, dated as of March 27, 2020, among PPL Capital Funding, Inc., as Borrower, PPL Corporation, as Guarantor, and The Bank of Nova Scotia, as Administrative Agent and Lender
*10(d)	- $50,000,000 Revolving Credit Agreement, dated as of March 12, 2020, among PPL Capital Funding, Inc., as Borrower, PPL Corporation, as Guarantor, and The Bank of Nova Scotia, as Administrative Agent and Lender
*10(e)	- Amendment No. 6 to Revolving Credit Agreement, dated as of March 12, 2020, to the March 26, 2014 Existing Credit Agreement, between PPL Capital Funding, Inc., the Borrower, PPL Corporation, the Guarantor, and The Bank of Nova Scotia, as the Administrative Agent and as a Lender

Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, for the quarterly period ended September 30, 2019, filed by the following officers for the following companies:

*31(a)	- PPL Corporation's principal executive officer
*31(b)	- PPL Corporation's principal financial officer
*31(c)	- PPL Electric Utilities Corporation's principal executive officer
*31(d)	- PPL Electric Utilities Corporation's principal financial officer
*31(e)	- LG&E and KU Energy LLC's principal executive officer
*31(f)	- LG&E and KU Energy LLC's principal financial officer
*31(g)	- Louisville Gas and Electric Company's principal executive officer
*31(h)	- Louisville Gas and Electric Company's principal financial officer
*31(i)	- Kentucky Utilities Company's principal executive officer
*31(j)	- Kentucky Utilities Company's principal financial officer

Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, for the quarterly period ended September 30, 2019, furnished by the following officers for the following companies:

*32(a)	- PPL Corporation's principal executive officer and principal financial officer
*32(b)	- PPL Electric Utilities Corporation's principal executive officer and principal financial officer
*32(c)	- LG&E and KU Energy LLC's principal executive officer and principal financial officer
*32(d)	- Louisville Gas and Electric Company's principal executive officer and principal financial officer
*32(e)	- Kentucky Utilities Company's principal executive officer and principal financial officer

101.INS	- XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	- XBRL Taxonomy Extension Schema
101.CAL	- XBRL Taxonomy Extension Calculation Linkbase
101.DEF	- XBRL Taxonomy Extension Definition Linkbase
101.LAB	- XBRL Taxonomy Extension Label Linkbase
101.PRE	- XBRL Taxonomy Extension Presentation Linkbase
104	- The Cover Page Interactive Data File is formatted as Inline XBRL and contained in Exhibits 101.

SIGNATURES

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

PPL Corporation
(Registrant)

Date: May 8, 2020

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

PPL Electric Utilities Corporation
(Registrant)

Date: May 8, 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: May 8, 2020

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

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 June 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 ☒

Table of Contents

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, 768,783,540 shares outstanding at July 31, 2020.
PPL Electric Utilities Corporation	Common stock, no par value, 66,368,056 shares outstanding and all held by PPL Corporation at July 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 July 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 July 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 June 30, 2020

Table of Contents

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

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

Table of Contents

Table of Contents

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).

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.

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.

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.

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 durati on 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 subsequent to the spinoff of PPL Energy Supply.

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

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

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

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

Forward-looking Information

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

Table of Contents

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 June 30,		Six Months Ended June 30,	
	2020	**2019**	**2020**	**2019**
Operating Revenues	**$ 1,739**	$ 1,803	**$ 3,793**	$ 3,882
Operating Expenses				
Operation				
Fuel	**138**	168	**301**	362
Energy purchases	**133**	138	**334**	388
Other operation and maintenance	**487**	482	**963**	972
Depreciation	**319**	300	**636**	584
Taxes, other than income	**67**	75	**147**	155
Total Operating Expenses	**1,144**	1,163	**2,381**	2,461
Operating Income	**595**	640	**1,412**	1,421
Other Income (Expense) - net	**76**	131	**201**	183
Interest Expense	**253**	246	**501**	487
Income Before Income Taxes	**418**	525	**1,112**	1,117
Income Taxes	**74**	84	**214**	210
Net Income	**$ 344**	$ 441	**$ 898**	$ 907
Earnings Per Share of Common Stock:				
Net Income Available to PPL Common Shareowners:				
Basic	**$ 0.45**	$ 0.61	**$ 1.17**	$ 1.26
Diluted	**$ 0.45**	$ 0.60	**$ 1.17**	$ 1.24
Weighted-Average Shares of Common Stock Outstanding (in thousands)				
Basic	**768,768**	721,785	**768,358**	721,406
Diluted	**769,408**	730,915	**769,073**	730,436

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 June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net income	**$ 344**	$ 441	**$ 898**	$ 907
Other comprehensive income (loss):				
Amounts arising during the period - gains (losses), net of tax (expense) benefit:				
Foreign currency translation adjustments, net of tax of $1, $0, $1, $0	**(291)**	(377)	**(352)**	(83)
Qualifying derivatives, net of tax of ($6), ($8), ($8), ($4)	**28**	35	**36**	16
Defined benefit plans:				
Net actuarial gain (loss), net of tax of $1, $1, $1, $2	**(1)**	(2)	**(1)**	(5)
Reclassifications from AOCI - (gains) losses, net of tax expense (benefit):				
Qualifying derivatives, net of tax of $4, $6, $4, $0	**(20)**	(27)	**(23)**	(3)
Defined benefit plans:				
Prior service costs, net of tax of $0, $0, $0, $0	**1**	1	**2**	1
Net actuarial (gain) loss, net of tax of ($11), ($6), ($23), ($11)	**47**	21	**94**	42
Total other comprehensive income (loss)	**(236)**	(349)	**(244)**	(32)
Comprehensive income	**$ 108**	$ 92	**$ 654**	$ 875

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)

	Six Months Ended June 30, 2020	2019
Cash Flows from Operating Activities		
Net income	**$ 898**	$ 907
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**636**	584
Amortization	**29**	31
Defined benefit plans - (income) expense	**(105)**	(135)
Deferred income taxes and investment tax credits	**169**	154
Unrealized (gains) losses on derivatives, and other hedging activities	**25**	22
Stock-based compensation expense	**12**	19
Other	**2**	(7)
Change in current assets and current liabilities		
Accounts receivable	**10**	22
Accounts payable	**(98)**	(102)
Unbilled revenues	**107**	70
Fuel, materials and supplies	**6**	19
Prepayments	**(75)**	(79)
Regulatory assets and liabilities, net	**(47)**	(72)
Accrued interest	**(55)**	(63)
Other current liabilities	**(37)**	(85)
Other	**(7)**	11
Other operating activities		
Defined benefit plans - funding	**(193)**	(207)
Other assets	**27**	11
Other liabilities	**(5)**	(30)
Net cash provided by operating activities	**1,299**	1,070
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	**(1,576)**	(1,474)
Purchase of investments	**—**	(55)
Proceeds from the sale of investments	**9**	61
Other investing activities	**(6)**	(11)
Net cash used in investing activities	**(1,573)**	(1,479)
Cash Flows from Financing Activities		
Issuance of long-term debt	**1,598**	769
Retirement of long-term debt	**—**	(200)
Proceeds from project financing	**96**	—
Issuance of common stock	**33**	35
Payment of common stock dividends	**(636)**	(594)
Issuance of term loan	**300**	—
Net increase (decrease) in short-term debt	**(619)**	206
Other financing activities	**(27)**	(18)
Net cash provided by financing activities	**745**	198
Effect of Exchange Rates on Cash, Cash Equivalents and Restricted Cash	**(6)**	(4)
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	**465**	(215)
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	**836**	643
Cash, Cash Equivalents and Restricted Cash at End of Period	**$ 1,301**	$ 428
Supplemental Disclosures of Cash Flow Information		
Significant non-cash transactions:		
Accrued expenditures for property, plant and equipment at June 30,	**$ 291**	$ 278
Accrued expenditures for intangible assets at June 30,	**$ 81**	$ 59

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

Table of Contents

CONDENSED CONSOLIDATED BALANCE SHEETS

PPL Corporation and Subsidiaries

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

	June 30, 2020	December 31, 2019
Assets		
Current Assets		
Cash and cash equivalents	**$ 1,278**	$ 815
Accounts receivable (less reserve: 2020, $66; 2019, $58)		
Customer	**665**	687
Other	**106**	105
Unbilled revenues (less reserve: 2020, $2; 2019, $0)	**388**	504
Fuel, materials and supplies	**333**	332
Prepayments	**153**	79
Price risk management assets	**234**	147
Other current assets	**111**	98
Total Current Assets	**3,268**	2,767
Property, Plant and Equipment		
Regulated utility plant	**43,226**	42,709
Less: accumulated depreciation - regulated utility plant	**8,261**	8,055
Regulated utility plant, net	**34,965**	34,654
Non-regulated property, plant and equipment	**452**	357
Less: accumulated depreciation - non-regulated property, plant and equipment	**88**	109
Non-regulated property, plant and equipment, net	**364**	248
Construction work in progress	**1,456**	1,580
Property, Plant and Equipment, net	**36,785**	36,482
Other Noncurrent Assets		
Regulatory assets	**1,472**	1,492
Goodwill	**3,086**	3,198
Other intangibles	**730**	742
Pension benefit asset	**740**	464
Price risk management assets	**75**	149
Other noncurrent assets	**364**	386
Total Other Noncurrent Assets	**6,467**	6,431
Total Assets	**$ 46,520**	$ 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)

	June 30, 2020	December 31, 2019
Liabilities and Equity		
Current Liabilities		
Short-term debt	$ **828**	$ 1,151
Long-term debt due within one year	**2,058**	1,172
Accounts payable	**804**	956
Taxes	**76**	99
Interest	**232**	294
Dividends	**319**	317
Customer deposits	**267**	261
Regulatory liabilities	**86**	115
Other current liabilities	**498**	535
Total Current Liabilities	**5,168**	4,900
Long-term Debt	**21,098**	20,721
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**3,279**	3,088
Investment tax credits	**123**	124
Accrued pension obligations	**491**	587
Asset retirement obligations	**219**	212
Regulatory liabilities	**2,539**	2,572
Other deferred credits and noncurrent liabilities	**559**	485
Total Deferred Credits and Other Noncurrent Liabilities	**7,210**	7,068
Commitments and Contingent Liabilities (Notes 7 and 10)		
Equity		
Common stock - $0.01 par value (a)	**8**	8
Additional paid-in capital	**12,255**	12,214
Earnings reinvested	**5,383**	5,127
Accumulated other comprehensive loss	**(4,602)**	(4,358)
Total Equity	**13,044**	12,991
Total Liabilities and Equity	$ **46,520**	$ 45,680

(a) 1,560,000 shares authorized; 768,783 and 767,233 shares issued and outstanding at June 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
March 31, 2020	768,266	$ 8	$ 12,239	$ 5,360	$ (4,366)	$ 13,241
Common stock issued	517		13			13
Stock-based compensation			3			3
Net income				344		344
Dividends and dividend equivalents (b)				(321)		(321)
Other comprehensive income (loss)					(236)	(236)
June 30, 2020	768,783	$ 8	$ 12,255	$ 5,383	$ (4,602)	$ 13,044
December 31, 2019	767,233	$ 8	$ 12,214	$ 5,127	$ (4,358)	$ 12,991
Common stock issued	1,550		47			47
Stock-based compensation			(6)			(6)
Net income				898		898
Dividends and dividend equivalents (b)				(640)		(640)
Other comprehensive income (loss)					(244)	(244)
Adoption of financial instrument credit losses guidance cumulative effect adjustment (Note 2), net of tax of $0				(2)		(2)
June 30, 2020	768,783	$ 8	$ 12,255	$ 5,383	$ (4,602)	$ 13,044
March 31, 2019	721,371	$ 7	$ 11,051	$ 4,761	$ (3,647)	$ 12,172
Common stock issued	469		15			15
Stock-based compensation			3			3
Net income				441		441
Dividends and dividend equivalents (b)				(299)		(299)
Other comprehensive income (loss)					(349)	(349)
June 30, 2019	721,840	$ 7	$ 11,069	$ 4,903	$ (3,996)	$ 11,983
December 31, 2018	720,323	$ 7	$ 11,021	$ 4,593	$ (3,964)	$ 11,657
Common stock issued	1,517		47			47
Stock-based compensation			1			1
Net income				907		907
Dividends and dividend equivalents (b)				(597)		(597)
Other comprehensive income (loss)					(32)	(32)
June 30, 2019	721,840	$ 7	$ 11,069	$ 4,903	$ (3,996)	$ 11,983

(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 $0.8300 for the three and six months ended June 30, 2020 and $0.4125 and $0.8250 for the three and six months ended June 30, 2019.

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

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Table of Contents

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

PPL Electric Utilities Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	**2019**	**2020**	**2019**
Operating Revenues	**$ 554**	$ 521	**$ 1,162**	$ 1,166
Operating Expenses				
Operation				
Energy purchases	**111**	110	**255**	281
Other operation and maintenance	**129**	130	**266**	280
Depreciation	**101**	96	**199**	191
Taxes, other than income	**18**	24	**48**	55
Total Operating Expenses	**359**	360	**768**	807
Operating Income	**195**	161	**394**	359
Other Income (Expense) - net	**5**	6	**8**	11
Interest Income from Affiliate	**—**	—	**1**	2
Interest Expense	**42**	41	**86**	83
Income Before Income Taxes	**158**	126	**317**	289
Income Taxes	**40**	32	**81**	74
Net Income (a)	**$ 118**	$ 94	**$ 236**	$ 215

(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)

	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Cash Flows from Operating Activities		
Net income	**$ 236**	$ 215
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**199**	191
Amortization	**13**	11
Deferred income taxes and investment tax credits	**61**	36
Other	**4**	(9)
Change in current assets and current liabilities		
Accounts receivable	**(19)**	7
Accounts payable	**(37)**	(39)
Unbilled revenues	**44**	31
Materials and supplies	**(15)**	(1)
Prepayments	**(59)**	(64)
Regulatory assets and liabilities, net	**(32)**	(40)
Taxes payable	**(11)**	(4)
Other	**(10)**	(6)
Other operating activities		
Defined benefit plans - funding	**(21)**	(21)
Other assets	**5**	4
Other liabilities	**2**	3
Net cash provided by operating activities	**360**	314
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	**(556)**	(533)
Other investing activities	**(2)**	3
Net cash used in investing activities	**(558)**	(530)
Cash Flows from Financing Activities		
Contributions from parent	**255**	—
Return of capital to parent	**(260)**	—
Payment of common stock dividends to parent	**(246)**	(215)
Net increase in short-term debt	**200**	185
Other financing activities	**—**	(1)
Net cash used in financing activities	**(51)**	**(31)**
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	**(249)**	(247)
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	**264**	269
Cash, Cash Equivalents and Restricted Cash at End of Period	**$ 15**	$ 22
Supplemental Disclosure of Cash Flow Information		
Significant non-cash transactions:		
Accrued expenditures for property, plant and equipment at June 30,	**$ 158**	$ 158

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)

	June 30, 2020	December 31, 2019
Assets		
Current Assets		
Cash and cash equivalents	**$ 13**	$ 262
Accounts receivable (less reserve: 2020, $35; 2019, $28)		
Customer	**279**	258
Other	**21**	22
Accounts receivable from affiliates	**10**	11
Unbilled revenues (less reserve: 2020, $1; 2019, $0)	**90**	134
Materials and supplies	**56**	33
Prepayments	**65**	6
Regulatory assets	**31**	26
Other current assets	**12**	9
Total Current Assets	**577**	761
Property, Plant and Equipment		
Regulated utility plant	**13,029**	12,589
Less: accumulated depreciation - regulated utility plant	**3,207**	3,078
Regulated utility plant, net	**9,822**	9,511
Construction work in progress	**597**	597
Property, Plant and Equipment, net	**10,419**	10,108
Other Noncurrent Assets		
Regulatory assets	**706**	726
Intangibles	**264**	263
Other noncurrent assets	**54**	43
Total Other Noncurrent Assets	**1,024**	1,032
Total Assets	**$ 12,020**	$ 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)

		June 30, 2020		December 31, 2019
Liabilities and Equity				
Current Liabilities				
Short-term debt	$	**200**	$	—
Accounts payable		**370**		438
Accounts payable to affiliates		**41**		32
Taxes		**2**		13
Interest		**40**		41
Regulatory liabilities		**72**		96
Other current liabilities		**87**		93
Total Current Liabilities		**812**		713
Long-term Debt		**3,986**		3,985
Deferred Credits and Other Noncurrent Liabilities				
Deferred income taxes		**1,524**		1,447
Accrued pension obligations		**148**		179
Regulatory liabilities		**586**		599
Other deferred credits and noncurrent liabilities		**147**		146
Total Deferred Credits and Other Noncurrent Liabilities		**2,405**		2,371
Commitments and Contingent Liabilities (Notes 7 and 10)				
Equity				
Common stock - no par value (a)		**364**		364
Additional paid-in capital		**3,553**		3,558
Earnings reinvested		**900**		910
Total Equity		**4,817**		4,832
Total Liabilities and Equity	**$**	**12,020**	$	11,901

(a) 170,000 shares authorized; 66,368 shares issued and outstanding at June 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 Electric Utilities Corporation and Subsidiaries
(Unaudited)
(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Total
March 31, 2020	66,368	$ 364	$ 3,558	$ 863	$ 4,785
Net income				118	118
Capital contributions from parent			255		255
Return of capital to parent			(260)		(260)
Dividends declared on common stock				(81)	(81)
June 30, 2020	66,368	$ 364	$ 3,553	$ 900	$ 4,817
December 31, 2019	66,368	$ 364	$ 3,558	$ 910	$ 4,832
Net income				236	236
Capital contributions from parent			255		255
Return of capital to parent			(260)		(260)
Dividends declared on common stock				(246)	(246)
June 30, 2020	66,368	$ 364	$ 3,553	$ 900	$ 4,817
March 31, 2019	66,368	$ 364	$ 3,158	$ 940	$ 4,462
Net income				94	94
Dividends declared on common stock				(95)	(95)
June 30, 2019	66,368	$ 364	$ 3,158	$ 939	$ 4,461
December 31, 2018	66,368	$ 364	$ 3,158	$ 939	$ 4,461
Net income				215	215
Dividends declared on common stock				(215)	(215)
June 30, 2019	66,368	$ 364	$ 3,158	$ 939	$ 4,461

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

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

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

(Unaudited)
(Millions of Dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Operating Revenues	**$ 700**	$ 732	**$ 1,525**	$ 1,577
Operating Expenses				
Operation				
Fuel	**138**	168	**301**	362
Energy purchases	**22**	27	**79**	106
Other operation and maintenance	**207**	208	**411**	422
Depreciation	**151**	135	**300**	258
Taxes, other than income	**18**	18	**36**	36
Total Operating Expenses	**536**	556	**1,127**	1,184
Operating Income	**164**	176	**398**	393
Other Income (Expense) - net	**2**	—	**2**	—
Interest Expense	**58**	58	**116**	112
Interest Expense with Affiliate	**8**	9	**15**	16
Income Before Income Taxes	**100**	109	**269**	265
Income Taxes	**17**	3	**51**	35
Net Income (a)	**$ 83**	$ 106	**$ 218**	$ 230

(a) Net income approximates comprehensive income.

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

LG&E and KU Energy LLC and Subsidiaries

(Unaudited)

(Millions of Dollars)

	Six Months Ended June 30,	
	2020	**2019**
Cash Flows from Operating Activities		
Net income	**$ 218**	$ 230
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**300**	258
Amortization	**10**	16
Defined benefit plans - expense	**7**	5
Deferred income taxes and investment tax credits	**38**	47
Other	**(1)**	(1)
Change in current assets and current liabilities		
Accounts receivable	**33**	24
Accounts payable	**(36)**	(34)
Accounts payable to affiliates	**(2)**	—
Unbilled revenues	**15**	13
Fuel, materials and supplies	**24**	21
Regulatory assets and liabilities, net	**(15)**	(32)
Taxes payable	**16**	(25)
Accrued interest	**1**	7
Other	**(30)**	(23)
Other operating activities		
Defined benefit plans - funding	**(24)**	(28)
Expenditures for asset retirement obligations	**(31)**	(45)
Other assets	**(2)**	(1)
Other liabilities	**13**	13
Net cash provided by operating activities	**534**	445
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	**(479)**	(530)
Other investing activities	**3**	—
Net cash used in investing activities	**(476)**	(530)
Cash Flows from Financing Activities		
Net increase in notes payable with affiliate	**102**	90
Issuance of long-term debt	**498**	705
Retirement of long-term debt	**—**	(200)
Net decrease in short-term debt	**(388)**	(418)
Distributions to member	**(140)**	(137)
Contributions from member	**—**	63
Other financing activities	**(5)**	(10)
Net cash provided by financing activities	**67**	93
Net Increase in Cash and Cash Equivalents	**125**	8
Cash and Cash Equivalents at Beginning of Period	**27**	24
Cash and Cash Equivalents at End of Period	**$ 152**	$ 32
Supplemental Disclosure of Cash Flow Information		
Significant non-cash transactions:		
Accrued expenditures for property, plant and equipment at June 30,	**$ 90**	$ 91

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)

	June 30, 2020	December 31, 2019
Assets		
Current Assets		
Cash and cash equivalents	**$ 152**	$ 27
Accounts receivable (less reserve: 2020, $27; 2019, $28)		
Customer	**233**	260
Other	**62**	71
Unbilled revenues (less reserve: 2020, $0; 2019, $0)	**149**	164
Fuel, materials and supplies	**227**	250
Prepayments	**33**	30
Regulatory assets	**51**	41
Other current assets	**—**	2
Total Current Assets	**907**	845
Property, Plant and Equipment		
Regulated utility plant	**15,123**	14,646
Less: accumulated depreciation - regulated utility plant	**2,515**	2,356
Regulated utility plant, net	**12,608**	12,290
Construction work in progress	**681**	794
Property, Plant and Equipment, net	**13,289**	13,084
Other Noncurrent Assets		
Regulatory assets	**766**	766
Goodwill	**996**	996
Other intangibles	**65**	69
Other noncurrent assets	**113**	171
Total Other Noncurrent Assets	**1,940**	2,002
Total Assets	**$ 16,136**	$ 15,931

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

Table of Contents

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

	June 30, 2020	December 31, 2019
Liabilities and Equity		
Current Liabilities		
Short-term debt	$ —	$ 388
Long-term debt due within one year	**1,371**	975
Notes payable with affiliates	**252**	150
Accounts payable	**253**	316
Accounts payable to affiliates	**9**	11
Customer deposits	**64**	62
Taxes	**74**	58
Price risk management liabilities	**4**	4
Regulatory liabilities	**14**	19
Interest	**41**	40
Asset retirement obligations	**54**	70
Other current liabilities	**131**	153
Total Current Liabilities	**2,267**	2,246
Long-term Debt		
Long-term debt	**4,476**	4,377
Long-term debt to affiliate	**650**	650
Total Long-term Debt	**5,126**	5,027
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**1,126**	1,069
Investment tax credits	**122**	124
Price risk management liabilities	**24**	17
Accrued pension obligations	**183**	233
Asset retirement obligations	**164**	145
Regulatory liabilities	**1,953**	1,973
Other deferred credits and noncurrent liabilities	**149**	155
Total Deferred Credits and Other Noncurrent Liabilities	**3,721**	3,716
Commitments and Contingent Liabilities (Notes 7 and 10)		
Member's Equity	**5,022**	4,942
Total Liabilities and Equity	**$ 16,136**	$ 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
March 31, 2020	$ 5,026
Net income	83
Distributions to member	(88)
Other comprehensive income (loss)	1
June 30, 2020	$ 5,022
December 31, 2019	$ 4,942
Net income	218
Distributions to member	(140)
Other comprehensive income (loss)	2
June 30, 2020	$ 5,022
March 31, 2019	$ 4,791
Net income	106
Contributions from member	63
Distributions to member	(81)
Other comprehensive income	(2)
June 30, 2019	$ 4,877
December 31, 2018	$ 4,723
Net income	230
Contributions from member	63
Distributions to member	(137)
Other comprehensive income	(2)
June 30, 2019	$ 4,877

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 June 30,		Six Months Ended June 30,	
	2020	**2019**	**2020**	**2019**
Operating Revenues				
Retail and wholesale	**$ 320**	$ 328	**$ 713**	$ 725
Electric revenue from affiliate	**2**	6	**16**	19
Total Operating Revenues	**322**	334	**729**	744
Operating Expenses				
Operation				
Fuel	**50**	69	**124**	147
Energy purchases	**18**	22	**70**	96
Energy purchases from affiliate	**8**	2	**8**	4
Other operation and maintenance	**92**	96	**184**	190
Depreciation	**65**	56	**129**	107
Taxes, other than income	**9**	10	**19**	19
Total Operating Expenses	**242**	255	**534**	563
Operating Income	**80**	79	**195**	181
Other Income (Expense) - net	**1**	(1)	**—**	(1)
Interest Expense	**22**	22	**44**	43
Income Before Income Taxes	**59**	56	**151**	137
Income Taxes	**12**	12	**31**	29
Net Income (a)	**$ 47**	$ 44	**$ 120**	$ 108

(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)

	Six Months Ended June 30,	
	2020	2019
Cash Flows from Operating Activities		
Net income	**$ 120**	$ 108
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**129**	107
Amortization	**4**	11
Defined benefit plans - expense	**1**	1
Deferred income taxes and investment tax credits	**2**	28
Change in current assets and current liabilities		
Accounts receivable	**18**	15
Accounts receivable from affiliates	**2**	6
Accounts payable	**(25)**	(16)
Accounts payable to affiliates	**(9)**	(4)
Unbilled revenues	**8**	9
Fuel, materials and supplies	**20**	27
Regulatory assets and liabilities, net	**4**	(13)
Taxes payable	**21**	(7)
Accrued interest	**—**	4
Other	**(9)**	(8)
Other operating activities		
Defined benefit plans - funding	**(5)**	(4)
Expenditures for asset retirement obligations	**(8)**	(12)
Other assets	**(2)**	(1)
Other liabilities	**4**	7
Net cash provided by operating activities	**275**	258
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	**(214)**	(224)
Net cash used in investing activities	**(214)**	(224)
Cash Flows from Financing Activities		
Net increase in notes payable with affiliates	**190**	—
Issuance of long-term debt	**—**	399
Retirement of long-term debt	**—**	(200)
Net decrease in short-term debt	**(238)**	(183)
Payment of common stock dividends to parent	**(76)**	(71)
Contributions from parent	**53**	25
Other financing activities	**—**	(5)
Net cash used in financing activities	**(71)**	(35)
Net Decrease in Cash and Cash Equivalents	**(10)**	(1)
Cash and Cash Equivalents at Beginning of Period	**15**	10
Cash and Cash Equivalents at End of Period	**$ 5**	$ 9
Supplemental Disclosure of Cash Flow Information		
Significant non-cash transactions:		
Accrued expenditures for property, plant and equipment at June 30,	**$ 49**	$ 40

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

Table of Contents

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

	June 30, 2020	December 31, 2019
Assets		
Current Assets		
Cash and cash equivalents	$ 5	$ 15
Accounts receivable (less reserve: 2020, $1; 2019, $1)		
Customer	107	121
Other	31	41
Unbilled revenues (less reserve: 2020, $0; 2019, $0)	68	76
Accounts receivable from affiliates	16	18
Fuel, materials and supplies	102	122
Prepayments	16	14
Regulatory assets	23	25
Other current assets	1	1
Total Current Assets	369	433
Property, Plant and Equipment		
Regulated utility plant	6,522	6,372
Less: accumulated depreciation - regulated utility plant	931	846
Regulated utility plant, net	5,591	5,526
Construction work in progress	316	297
Property, Plant and Equipment, net	5,907	5,823
Other Noncurrent Assets		
Regulatory assets	378	380
Goodwill	389	389
Other intangibles	38	41
Other noncurrent assets	75	67
Total Other Noncurrent Assets	880	877
Total Assets	$ 7,156	$ 7,133

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

Table of Contents

CONDENSED BALANCE SHEETS

Louisville Gas and Electric Company

(Unaudited)

(Millions of Dollars, shares in thousands)

	June 30, 2020	December 31, 2019
Liabilities and Equity		
Current Liabilities		
Short-term debt	$ —	$ 238
Long-term debt due within one year	264	—
Notes payable with affiliate	190	—
Accounts payable	131	172
Accounts payable to affiliates	22	31
Customer deposits	32	31
Taxes	54	33
Price risk management liabilities	4	4
Regulatory liabilities	4	2
Interest	15	15
Asset retirement obligations	18	24
Other current liabilities	41	47
Total Current Liabilities	775	597
Long-term Debt	1,741	2,005
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	707	697
Investment tax credits	33	34
Price risk management liabilities	24	17
Asset retirement obligations	49	49
Regulatory liabilities	877	883
Other deferred credits and noncurrent liabilities	91	89
Total Deferred Credits and Other Noncurrent Liabilities	1,781	1,769
Commitments and Contingent Liabilities (Notes 7 and 10)		
Stockholder's Equity		
Common stock - no par value (a)	424	424
Additional paid-in capital	1,873	1,820
Earnings reinvested	562	518
Total Equity	2,859	2,762
Total Liabilities and Equity	$ 7,156	$ 7,133

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

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

Table of Contents

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
March 31, 2020	21,294	$	424	$	1,845	$	562	$	2,831
Net income							47		47
Capital contributions from parent					28				28
Cash dividends declared on common stock							(47)		(47)
June 30, 2020	21,294	$	424	$	1,873	$	562	$	2,859
December 31, 2019	21,294	$	424	$	1,820	$	518	$	2,762
Net income							120		120
Capital contributions from parent					53				53
Cash dividends declared on common stock							(76)		(76)
June 30, 2020	21,294	$	424	$	1,873	$	562	$	2,859
March 31, 2019	21,294	$	424	$	1,795	$	502	$	2,721
Net income							44		44
Capital contributions from parent					25				25
Cash dividends declared on common stock							(41)		(41)
June 30, 2019	21,294	$	424	$	1,820	$	505	$	2,749
December 31, 2018	21,294	$	424	$	1,795	$	468	$	2,687
Net income							108		108
Capital contributions from parent					25				25
Cash dividends declared on common stock							(71)		(71)
June 30, 2019	21,294	$	424	$	1,820	$	505	$	2,749

(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 June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Operating Revenues				
Retail and wholesale	**$ 380**	$ 404	**$ 812**	$ 852
Electric revenue from affiliate	**8**	2	**8**	4
Total Operating Revenues	**388**	406	**820**	856
Operating Expenses				
Operation				
Fuel	**88**	99	**177**	215
Energy purchases	**4**	5	**9**	10
Energy purchases from affiliate	**2**	6	**16**	19
Other operation and maintenance	**107**	105	**211**	213
Depreciation	**86**	78	**170**	150
Taxes, other than income	**8**	8	**17**	17
Total Operating Expenses	**295**	301	**600**	624
Operating Income	**93**	105	**220**	232
Other Income (Expense) - net	**—**	(2)	**1**	—
Interest Expense	**29**	28	**57**	54
Income Before Income Taxes	**64**	75	**164**	178
Income Taxes	**11**	14	**31**	36
Net Income (a)	**$ 53**	$ 61	**$ 133**	$ 142

(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)

	Six Months Ended June 30,	
	2020	**2019**
Cash Flows from Operating Activities		
Net income	**$ 133**	$ 142
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**170**	150
Amortization	**4**	5
Deferred income taxes and investment tax credits	**5**	29
Other	**(1)**	(2)
Change in current assets and current liabilities		
Accounts receivable	**15**	14
Accounts payable	**(7)**	(8)
Accounts payable to affiliates	**(15)**	(15)
Unbilled revenues	**7**	4
Fuel, materials and supplies	**4**	(6)
Regulatory assets and liabilities, net	**(19)**	(19)
Taxes payable	**24**	(2)
Accrued interest	**1**	3
Other	**(12)**	1
Other operating activities		
Defined benefit plans - funding	**(1)**	(2)
Expenditures for asset retirement obligations	**(23)**	(33)
Other assets	**—**	1
Other liabilities	**8**	8
Net cash provided by operating activities	**293**	270
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	**(264)**	(305)
Net increase in notes receivable with affiliates	**(190)**	—
Other investing activities	**3**	—
Net cash used in investing activities	**(451)**	(305)
Cash Flows from Financing Activities		
Issuance of long-term debt	**498**	306
Net decrease in short-term debt	**(150)**	(235)
Payment of common stock dividends to parent	**(89)**	(91)
Contributions from parent	**37**	68
Other financing activities	**(5)**	(4)
Net cash provided by financing activities	**291**	44
Net Increase in Cash and Cash Equivalents	**133**	9
Cash and Cash Equivalents at Beginning of Period	**12**	14
Cash and Cash Equivalents at End of Period	**$ 145**	$ 23
Supplemental Disclosure of Cash Flow Information		
Significant non-cash transactions:		
Accrued expenditures for property, plant and equipment at June 30,	**$ 41**	$ 52

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

Table of Contents

CONDENSED BALANCE SHEETS

Kentucky Utilities Company

(Unaudited)

(Millions of Dollars, shares in thousands)

	June 30, 2020	December 31, 2019
Assets		
Current Assets		
Cash and cash equivalents	$ 145	$ 12
Accounts receivable (less reserve: 2020, $1; 2019, $1)		
Customer	126	139
Other	28	27
Unbilled revenues (less reserve: 2020, $0; 2019, $0)	81	88
Notes receivable from affiliate	190	—
Fuel, materials and supplies	125	128
Prepayments	15	14
Regulatory assets	28	16
Other current assets	—	1
Total Current Assets	738	425
Property, Plant and Equipment		
Regulated utility plant	8,587	8,262
Less: accumulated depreciation - regulated utility plant	1,579	1,507
Regulated utility plant, net	7,008	6,755
Construction work in progress	364	496
Property, Plant and Equipment, net	7,372	7,251
Other Noncurrent Assets		
Regulatory assets	388	386
Goodwill	607	607
Other intangibles	27	28
Other noncurrent assets	111	128
Total Other Noncurrent Assets	1,133	1,149
Total Assets	$ 9,243	$ 8,825

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)

	June 30, 2020	December 31, 2019
Liabilities and Equity		
Current Liabilities		
Short-term debt	$ —	$ 150
Long-term debt due within one year	**632**	500
Accounts payable	**103**	121
Accounts payable to affiliates	**39**	52
Customer deposits	**32**	31
Taxes	**50**	26
Regulatory liabilities	**10**	17
Interest	**21**	20
Asset retirement obligations	**36**	46
Other current liabilities	**44**	51
Total Current Liabilities	**967**	1,014
Long-term Debt	**2,485**	2,123
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**808**	792
Investment tax credits	**89**	90
Asset retirement obligations	**115**	96
Regulatory liabilities	**1,076**	1,090
Other deferred credits and noncurrent liabilities	**48**	46
Total Deferred Credits and Other Noncurrent Liabilities	**2,136**	2,114
Commitments and Contingent Liabilities (Notes 7 and 10)		
Stockholder's Equity		
Common stock - no par value (a)	**308**	308
Additional paid-in capital	**2,766**	2,729
Earnings reinvested	**581**	537
Total Equity	**3,655**	3,574
Total Liabilities and Equity	**$ 9,243**	$ 8,825

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

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

Table of Contents

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
March 31, 2020	37,818	$ 308	$ 2,766	$ 580	$ 3,654
Net income				53	53
Cash dividends declared on common stock				(52)	(52)
June 30, 2020	37,818	$ 308	$ 2,766	$ 581	$ 3,655
December 31, 2019	37,818	$ 308	$ 2,729	$ 537	$ 3,574
Net income				133	133
Capital contributions from parent			37		37
Cash dividends declared on common stock				(89)	(89)
June 30, 2020	37,818	$ 308	$ 2,766	$ 581	$ 3,655
March 31, 2019	37,818	$ 308	$ 2,689	$ 515	$ 3,512
Net income				61	61
Capital contributions from parent			40		40
Cash dividends declared on common stock				(52)	(52)
June 30, 2019	37,818	$ 308	$ 2,729	$ 524	$ 3,561
December 31, 2018	37,818	$ 308	$ 2,661	$ 473	$ 3,442
Net income				142	142
Capital contributions from parent			68		68
Cash dividends declared on common stock				(91)	(91)
June 30, 2019	37,818	$ 308	$ 2,729	$ 524	$ 3,561

(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. Defined Benefits	x	x	x	x	x
10. Commitments and Contingencies	x	x	x	x	x
11. Related Party Transactions		x	x	x	x
12. Other Income (Expense) - net	x				
13. Fair Value Measurements	x	x	x	x	x
14. Derivative Instruments and Hedging Activities	x	x	x	x	x
15. Asset Retirement Obligations	x		x	x	x
16. Accumulated Other Comprehensive Income (Loss)	x				
17. Subsequent Events	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 six months ended June 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	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Cash and cash equivalents	$ 1,278	$ 815	$ 13	$ 262
Restricted cash - current (a)	3	3	2	2
Restricted cash - noncurrent (a)	20	18	—	—
Total Cash, Cash Equivalents and Restricted Cash	$ 1,301	$ 836	$ 15	$ 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 collectibility 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 collectibility 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)

Table of Contents

The following table shows changes in the allowance for credit losses for the six months ended June 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	$ 15	$ 7	$ 38
Other (c)	27	1	1	27
PPL Electric				
Accounts Receivable - Customer and Unbilled Revenue	$ 25	$ 9	$ 3	$ 31
Other	1	1	—	2
LKE				
Accounts Receivable - Customer and Unbilled Revenue	$ 2	$ 3	$ 3	$ 2
Other (c)	26	—	1	25
LG&E				
Accounts Receivable - Customer and Unbilled Revenue	$ 1	$ 1	$ 1	$ 1
KU				
Accounts Receivable - Customer and Unbilled Revenue	$ 1	$ 2	$ 2	$ 1

(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.

(PPL, LKE, LG&E and KU)

Asset Impairment (Excluding Investments)

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 10 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 months ended June 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.

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 June 30 are as follows:

	Three Months		Six Months	
	2020	2019	2020	2019
Operating Revenues from external customers				
U.K. Regulated	$ 476	$ 541	$ 1,090	$ 1,124
Kentucky Regulated	700	732	1,525	1,577
Pennsylvania Regulated	554	521	1,162	1,166
Corporate and Other	9	9	16	15
Total	$ 1,739	$ 1,803	$ 3,793	$ 3,882
Net Income				
U.K. Regulated (a)	$ 179	$ 284	$ 519	$ 548
Kentucky Regulated	74	97	201	214
Pennsylvania Regulated	118	94	236	215
Corporate and Other	(27)	(34)	(58)	(70)
Total	$ 344	$ 441	$ 898	$ 907

(a) Includes unrealized gains and losses from hedging foreign currency economic activity. See Note 14 for additional information.

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

	June 30, 2020	December 31, 2019
Assets		
U.K. Regulated (a) (b)	$ 17,479	$ 17,622
Kentucky Regulated	15,802	15,597
Pennsylvania Regulated	12,036	11,918
Corporate and Other (c)	1,203	543
Total	$ 46,520	$ 45,680

(a) Includes $12.9 billion and $13.2 billion of net PP&E as of June 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 $2.4 billion and $2.5 billion of goodwill as of June 30, 2020 and December 31, 2019.
(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 June 30.

	2020 Three Months				
	PPL	PPL Electric	LKE	LG&E	KU
Operating Revenues (a)	$ 1,739	$ 554	$ 700	$ 322	$ 388
Revenues derived from:					
Alternative revenue programs (b)	(8)	(1)	(7)	(1)	(6)
Other (c)	(7)	(1)	(4)	(1)	(3)
Revenues from Contracts with Customers	$ 1,724	$ 552	$ 689	$ 320	$ 379

	2019 Three Months				
	PPL	PPL Electric	LKE	LG&E	KU
Operating Revenues (a)	$ 1,803	$ 521	$ 732	$ 334	$ 406
Revenues derived from:					
Alternative revenue programs (b)	(20)	(2)	(18)	(3)	(15)
Other (c)	(10)	(2)	(6)	(3)	(3)
Revenues from Contracts with Customers	$ 1,773	$ 517	$ 708	$ 328	$ 388

	2020 Six Months				
	PPL	PPL Electric	LKE	LG&E	KU
Operating Revenues (a)	$ 3,793	$ 1,162	$ 1,525	$ 729	$ 820
Revenues derived from:					
Alternative revenue programs (b)	(11)	(1)	(10)	(4)	(6)
Other (c)	(17)	(3)	(10)	(4)	(6)
Revenues from Contracts with Customers	$ 3,765	$ 1,158	$ 1,505	$ 721	$ 808

	2019 Six Months									
	PPL		PPL Electric		LKE		LG&E		KU	
Operating Revenues (a)	$	3,882	$	1,166	$	1,577	$	744	$	856
Revenues derived from:										
Alternative revenue programs (b)		(26)		(6)		(20)		(5)		(15)
Other (c)		(19)		(5)		(10)		(4)		(6)
Revenues from Contracts with Customers	$	3,837	$	1,155	$	1,547	$	735	$	835

(a) PPL includes $476 million and $1,090 million for the three and six months ended June 30, 2020 and $541 million and $1,124 million for the three and six months ended June 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 June 30.

	2020 Three Months									
	PPL (d)		PPL Electric (d)		LKE		LG&E		KU	
Licensed energy suppliers (a)	$	449	$	—	$	—	$	—	$	—
Residential		583		290		293		149		144
Commercial		274		74		200		100		100
Industrial		134		12		122		38		84
Other (b)		108		12		62		28		34
Wholesale - municipality		3		—		3		—		3
Wholesale - other (c)		9		—		9		5		14
Transmission		164		164		—		—		—
Revenues from Contracts with Customers	$	1,724	$	552	$	689	$	320	$	379

	2019 Three Months									
	PPL		PPL Electric		LKE		LG&E		KU	
Licensed energy suppliers (a)	$	510	$	—	$	—	$	—	$	—
Residential		572		301		271		138		133
Commercial		302		87		215		108		107
Industrial		156		15		141		43		98
Other (b)		117		13		66		29		37
Wholesale - municipality		4		—		4		—		4
Wholesale - other (c)		11		—		11		10		9
Transmission		101		101		—		—		—
Revenues from Contracts with Customers	$	1,773	$	517	$	708	$	328	$	388

	2020 Six Months				
	PPL (d)	PPL Electric (d)	LKE	LG&E	KU
Licensed energy suppliers (a)	$ 1,032	$ —	$ —	$ —	$ —
Residential	1,297	634	663	336	327
Commercial	586	155	431	224	207
Industrial	278	20	258	83	175
Other (b)	224	26	128	56	72
Wholesale - municipality	8	—	8	—	8
Wholesale - other (c)	17	—	17	22	19
Transmission	323	323	—	—	—
Revenues from Contracts with Customers	$ 3,765	$ 1,158	$ 1,505	$ 721	$ 808

	2019 Six Months				
	PPL	PPL Electric	LKE	LG&E	KU
Licensed energy suppliers (a)	$ 1,066	$ —	$ —	$ —	$ —
Residential	1,350	708	642	327	315
Commercial	621	182	439	229	210
Industrial	306	32	274	87	187
Other (b)	232	27	136	62	74
Wholesale - municipality	32	—	32	—	32
Wholesale - other (c)	24	—	24	30	17
Transmission	206	206	—	—	—
Revenues from Contracts with Customers	$ 3,837	$ 1,155	$ 1,547	$ 735	$ 835

(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 $388 million and $164 million for the three months ended June 30, 2020 and $835 million and $323 million for the six months ended June 30, 2020. PPL Electric's revenue from contracts with customers disaggregated by distribution and transmission were $416 million and $101 million for the three months ended June 30, 2019 and $949 million and $206 million for the six months ended June 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 June 30.

	Three Months		Six Months	
	2020	2019	2020	2019
PPL	$ 7	$ 2	$ 15	$ 11
PPL Electric	5	—	9	6
LKE	1	1	3	3
LG&E	—	—	1	1
KU	1	1	2	2

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 June 30, 2020	37	16	9	4	5
Revenue recognized during the six months ended June 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 June 30, 2019	47	22	9	5	4
Revenue recognized during the six months ended June 30, 2019 that was included in the contract liability balance at December 31, 2018	29	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 June 30, 2020, PPL had $30 million of performance obligations attributable to Corporate and Other that have not been satisfied. Of this amount, PPL expects to recognize approximately $29 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 June 30 used in the EPS calculation are:

	Three Months		Six Months	
	2020	2019	2020	2019
Income (Numerator)				
Net income	$ 344	$ 441	$ 898	$ 907
Less amounts allocated to participating securities	1	1	1	1
Net income available to PPL common shareowners - Basic and Diluted	$ 343	$ 440	$ 897	$ 906
Shares of Common Stock (Denominator)				
Weighted-average shares - Basic EPS	768,768	721,785	768,358	721,406
Add incremental non-participating securities:				
Share-based payment awards	640	897	715	960
Forward sale agreements	—	8,233	—	8,070
Weighted-average shares - Diluted EPS	769,408	730,915	769,073	730,436
Basic EPS				
Net Income available to PPL common shareowners	$ 0.45	$ 0.61	$ 1.17	$ 1.26
Diluted EPS				
Net Income available to PPL common shareowners	$ 0.45	$ 0.60	$ 1.17	$ 1.24

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

	Three Months		Six Months	
	2020	2019	2020	2019
Stock-based compensation plans	9	52	607	642
DRIP	509	417	943	875

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

	Three Months		Six Months	
	2020	2019	2020	2019
Stock-based compensation awards	1,170	—	710	—

6. Income Taxes

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

(PPL)

	Three Months		Six Months	
	2020	2019	2020	2019
Federal income tax on Income Before Income Taxes at statutory tax rate - 21%	$ 88	$ 110	$ 234	$ 235
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	11	8	24	21
Valuation allowance adjustments (a)	7	7	13	14
Impact of lower U.K. income tax rates	(9)	(6)	(20)	(14)
Amortization of excess deferred federal and state income taxes	(12)	(10)	(23)	(21)
Interest benefit on U.K. financing entities	(3)	(3)	(5)	(6)
Kentucky recycling credit, net of federal income tax expense (a)	—	(20)	—	(20)
Other	(8)	(2)	(9)	1
Total increase (decrease)	(14)	(26)	(20)	(25)
Total income tax expense (benefit)	$ 74	$ 84	$ 214	$ 210

Table of Contents

(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.

(PPL Electric)

	Three Months		Six Months	
	2020	2019	2020	2019
Federal income tax on Income Before Income Taxes at statutory tax rate - 21%	$ 33	$ 26	$ 67	$ 61
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	12	10	25	23
Depreciation and other items not normalized	(2)	(1)	(4)	(3)
Amortization of excess deferred federal and state income taxes	(5)	(4)	(8)	(8)
Other	2	1	1	1
Total increase (decrease)	7	6	14	13
Total income tax expense (benefit)	$ 40	$ 32	$ 81	$ 74

(LKE)

	Three Months		Six Months	
	2020	2019	2020	2019
Federal income tax on Income Before Income Taxes at statutory tax rate - 21%	$ 21	$ 23	$ 56	$ 56
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	4	4	11	10
Valuation allowance adjustments (a)	—	3	—	3
Amortization of excess deferred federal and state income taxes	(6)	(6)	(13)	(12)
Kentucky recycling credit, net of federal income tax expense (a)	—	(20)	—	(20)
Other	(2)	(1)	(3)	(2)
Total increase (decrease)	(4)	(20)	(5)	(21)
Total income tax expense (benefit)	$ 17	$ 3	$ 51	$ 35

(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		Six Months	
	2020	2019	2020	2019
Federal income tax on Income Before Income Taxes at statutory tax rate - 21%	$ 12	$ 12	$ 32	$ 29
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	2	2	6	5
Valuation allowance adjustments (a)	—	15	—	15
Amortization of excess deferred federal and state income taxes	(2)	(2)	(5)	(5)
Kentucky recycling credit, net of federal income tax expense (a)	—	(15)	—	(15)
Other	—	—	(2)	—
Total increase (decrease)	—	—	(1)	—
Total income tax expense (benefit)	$ 12	$ 12	$ 31	$ 29

(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		Six Months	
	2020	2019	2020	2019
Federal income tax on Income Before Income Taxes at statutory tax rate - 21%	$ 13	$ 16	$ 34	$ 37
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit	3	3	6	7
Valuation allowance adjustments (a)	—	5	—	5
Amortization of excess deferred federal and state income taxes	(4)	(4)	(8)	(7)
Kentucky recycling credit, net of federal income tax expense (a)	—	(5)	—	(5)
Other	(1)	(1)	(1)	(1)
Total increase (decrease)	(2)	(2)	(3)	(1)
Total income tax expense (benefit)	$ 11	$ 14	$ 31	$ 36

(a) During the second quarter of 2019, KU 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 KU.

Other

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% for financial years 2020 and 2021. The Finance Act 2020 was formally enacted on July 22, 2020. The impact of the cancellation of the corporate tax rate reduction will result in an increase in deferred tax liabilities and a corresponding deferred tax expense of approximately $100 million to $110 million, which will be recorded in the third quarter of 2020.

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 final regulations are expected to apply to the Registrants for 2020, while the proposed regulations will apply in the year in which the regulations are issued in final form, which is expected to be in 2021. 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	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Current Regulatory Assets:				
Plant outage costs	$ 41	$ 32	$ —	$ —
Gas supply clause	4	8	—	—
Smart meter rider	17	13	17	13
Transmission formula rate	4	3	4	3
Transmission service charge	10	10	10	10
Other	6	1	—	—
Total current regulatory assets (a)	$ 82	$ 67	$ 31	$ 26

	PPL		PPL Electric	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Noncurrent Regulatory Assets:				
Defined benefit plans	$ 779	$ 800	$ 452	$ 467
Storm costs	31	39	11	15
Unamortized loss on debt	35	41	13	18
Interest rate swaps	28	22	—	—
Terminated interest rate swaps	78	81	—	—
Accumulated cost of removal of utility plant	230	220	230	220
AROs	287	279	—	—
Act 129 compliance rider	—	6	—	6
Other	4	4	—	—
Total noncurrent regulatory assets	$ 1,472	$ 1,492	$ 706	$ 726

	PPL		PPL Electric	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Current Regulatory Liabilities:				
Generation supply charge	$ 23	$ 23	$ 23	$ 23
Environmental cost recovery	1	5	—	—
Universal service rider	7	9	7	9
Fuel adjustment clause	8	8	—	—
TCJA customer refund	28	61	28	59
Storm damage expense rider	8	5	8	5
Act 129 compliance rider	6	—	6	—
Other	5	4	—	—
Total current regulatory liabilities	$ 86	$ 115	$ 72	$ 96
Noncurrent Regulatory Liabilities:				
Accumulated cost of removal of utility plant	$ 643	$ 640	$ —	$ —
Power purchase agreement - OVEC	47	51	—	—
Net deferred taxes	1,722	1,756	572	588
Defined benefit plans	55	51	14	11
Terminated interest rate swaps	68	68	—	—
Other	4	6	—	—
Total noncurrent regulatory liabilities	$ 2,539	$ 2,572	$ 586	$ 599

	LKE		LG&E		KU	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Current Regulatory Assets:						
Plant outage costs	$ 41	$ 32	$ 14	$ 16	$ 27	$ 16
Gas supply clause	4	8	4	8	—	—
Other	6	1	5	1	1	—
Total current regulatory assets	$ 51	$ 41	$ 23	$ 25	$ 28	$ 16
Noncurrent Regulatory Assets:						
Defined benefit plans	$ 327	$ 333	$ 199	$ 206	$ 128	$ 127
Storm costs	20	24	12	14	8	10
Unamortized loss on debt	22	23	13	14	9	9
Interest rate swaps	28	22	28	22	—	—
Terminated interest rate swaps	78	81	46	47	32	34

	LKE		LG&E		KU	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
AROs	287	279	79	76	208	203
Other	4	4	1	1	3	3
Total noncurrent regulatory assets	$ 766	$ 766	$ 378	$ 380	$ 388	$ 386

	LKE		LG&E		KU	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Current Regulatory Liabilities:						
Environmental cost recovery	$ 1	$ 5	$ —	$ 1	$ 1	$ 4
Demand side management	3	3	1	1	2	2
Fuel adjustment clause	8	8	3	—	5	8
Other	2	3	—	—	2	3
Total current regulatory liabilities	$ 14	$ 19	$ 4	$ 2	$ 10	$ 17
Noncurrent Regulatory Liabilities:						
Accumulated cost of removal of utility plant	$ 643	$ 640	$ 271	$ 266	$ 372	$ 374
Power purchase agreement - OVEC	47	51	33	35	14	16
Net deferred taxes	1,150	1,168	537	544	613	624
Defined benefit plans	41	40	—	—	41	40
Terminated interest rate swaps	68	68	34	34	34	34
Other	4	6	2	4	2	2
Total noncurrent regulatory liabilities	$ 1,953	$ 1,973	$ 877	$ 883	$ 1,076	$ 1,090

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

Regulatory Matters

Kentucky Activities

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 2020 and continue through 2024 and are estimated to cost approximately $405 million ($153 million at LG&E and $252 million at KU). The applications request an authorized 9.725% return on equity with respect to LG&E's and KU's ECR mechanisms consistent with the 2018 Kentucky rate cases approved in April 2019. Decisions on the applications are currently expected in September 2020. LG&E and KU cannot predict the outcome of these proceedings.

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 are scheduled for August 2020. This proceeding 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, in the event the FERC determines PPL Electric's ROE to be unjust and unreasonable, PPL Electric contends a refund effective date should be set for no earlier than June 10, 2020 and PPLICA's proposed replacement ROE should be rejected. This proceeding remains pending before the FERC. On July 27, 2020, an intervenor filed a motion for permission to respond and a response to PPL Electric's Answer contesting the arguments made in that Answer. PPL Electric believes 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. Certain 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. In February 2020, the D.C. Circuit Court of Appeals issued an order holding the various appeals in abeyance pending the FERC's rehearing process. 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 six months ended June 30, 2020, PPL Electric purchased $240 million and $551 million of accounts receivable from alternative suppliers. During the three and six months ended June 30, 2019, PPL Electric purchased $271 million and $619 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:

	Expiration Date	June 30, 2020 Capacity	Borrowed	Letters of Credit and Commercial Paper Issued	Unused Capacity	December 31, 2019 Borrowed	Letters of Credit and Commercial Paper Issued
PPL							
U.K.							
WPD plc							
Syndicated Credit Facility (a)	Jan. 2023	£ 210	£ 162	£ —	£ 48	£ 155	£ —
WPD (South West)							
Syndicated Credit Facility (b)	May 2023	220	—	—	220	40	—
WPD (South Wales)							
Syndicated Credit Facility (c)	May 2023	125	5	—	120	—	—
WPD (East Midlands)							
Syndicated Credit Facility	May 2023	250	—	—	250	—	—
WPD (West Midlands)							
Syndicated Credit Facility (d)	May 2023	250	39	—	211	48	—
Uncommitted Credit Facilities (e)		100	60	4	36	—	4
Total U.K. Credit Facilities (f)		£ 1,155	£ 266	£ 4	£ 885	£ 243	£ 4
U.S.							
PPL Capital Funding (g)							
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
PPL Electric							
Syndicated Credit Facility	Jan. 2024	$ 650	$ —	$ 201	$ 449	$ —	$ 1
LG&E							
Syndicated Credit Facility	Jan. 2024	$ 500	$ —	$ —	$ 500	$ —	$ 238
Total LG&E Credit Facilities		$ 500	$ —	$ —	$ 500	$ —	$ 238
KU							
Syndicated Credit Facility	Jan. 2024	$ 400	$ —	$ —	$ 400	$ —	$ 150
Total KU Credit Facilities		$ 400	$ —	$ —	$ 400	$ —	$ 150

(a) The amounts borrowed at June 30, 2020 and December 31, 2019 were USD-denominated borrowings of $200 million for both periods, which bore interest at 1.00% and 2.52%. The interest rates on the borrowings are equal to one-month USD LIBOR plus a spread.

(b) The amount borrowed at December 31, 2019 was GBP-denominated borrowings which equated to $51 million and bore interest at 1.09%. The interest rate on the borrowing are equal to one-month GBP LIBOR plus a margin.

(c) The amount borrowed at June 30, 2020 was GBP-denominated borrowing which equated to $6 million and bore interest at 0.60%. The interest rate on the borrowing are equal to one-month GBP LIBOR plus a margin.

(d) The amount borrowed at June 30, 2020 and December 31, 2019 were GBP-denominated borrowings which equated to $48 million and $62 million and bore interest at 0.60% and 1.11%. The interest rates on the borrowings are equal to one-month GBP LIBOR plus a margin.

(e) The amount borrowed at June 30, 2020 was GBP-denominated borrowings which equated to $74 million and bore interest at 1.35%.

(f) At June 30, 2020, the unused capacity under the U.K. credit facilities was $1.1 billion.

(g) The interest rates on the borrowings are based on one-month LIBOR plus a spread, which resulted in a weighted-average rate of 1.04% at June 30, 2020.

(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:

	June 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	0.26%	650	200	450		—
LG&E	—%	350	—	350	2.07%	238
KU	—%	350	—	350	2.02%	150
Total		$ 2,850	$ 200	$ 2,650		$ 838

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

See Note 11 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.

(PPL and LKE)

In June 2020, LKE issued a notice to redeem its series of $475 million of 3.75% senior notes due November 2020 on August 15, 2020.

(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 six months ended June 30, 2020.

Distributions

In May 2020, PPL declared a quarterly common stock dividend, payable July 1, 2020, of 41.50 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. 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 June 30:

	Pension Benefits							
	Three Months				Six Months			
	U.S.		U.K.		U.S.		U.K.	
	2020	2019	2020	2019	2020	2019	2020	2019
PPL								
Service cost	$ 15	$ 12	$ 21	$ 17	$ 28	$ 25	$ 44	$ 34
Interest cost	36	41	35	48	74	82	71	95
Expected return on plan assets	(63)	(61)	(151)	(150)	(123)	(122)	(309)	(298)
Amortization of:								
Prior service cost	2	2	—	—	4	4	—	—
Actuarial loss	24	14	52	23	44	27	106	47
Net periodic defined benefit costs (credits) before settlements	14	8	(43)	(62)	27	16	(88)	(122)
Settlements	—	—	—	—	—	1	—	—
Net periodic defined benefit costs (credits)	$ 14	$ 8	$ (43)	$ (62)	$ 27	$ 17	$ (88)	$ (122)

	Pension Benefits			
	Three Months		Six Months	
	2020	2019	2020	2019
LKE				
Service cost	$ 7	$ 5	$ 12	$ 11
Interest cost	13	17	29	33
Expected return on plan assets	(26)	(26)	(50)	(51)
Amortization of:				
Prior service cost	2	2	4	4
Actuarial loss (a)	10	6	19	10
Net periodic defined benefit costs	$ 6	$ 4	$ 14	$ 7

(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 $6 million for the three and six months ended June 30, 2020 and $1 million for the three and six months ended June 30, 2019. This difference is recorded as a regulatory asset.

	Pension Benefits	
	Three Months	Six Months
	2019 (a)	2019 (a)
LG&E		
Service cost	$ 1	$ 1
Interest cost	3	6
Expected return on plan assets	(5)	(11)
Amortization of:		
Prior service cost	2	3
Actuarial loss	1	3
Net periodic defined benefit costs	$ 2	$ 2

(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.

	Other Postretirement Benefits			
	Three Months		Six Months	
	2020	2019	2020	2019
PPL				
Service cost	$ 1	$ 1	$ 3	$ 2
Interest cost	5	5	10	11
Expected return on plan assets	(6)	(4)	(11)	(9)
Amortization of prior service cost	1	—	1	—
Net periodic defined benefit costs	$ 1	$ 2	$ 3	$ 4
LKE				
Service cost	$ 1	$ 1	$ 2	$ 2
Interest cost	2	2	4	4
Expected return on plan assets	(3)	(2)	(5)	(4)
Amortization of:				
Prior service cost	—	1	—	1
Actuarial gain	—	(1)	—	(1)
Net periodic defined benefit costs	$ —	$ 1	$ 1	$ 2

(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 11 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 June 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		Six Months	
	2020	2019	2020	2019
PPL Electric	$ 3	$ 2	$ 6	$ 5
LG&E (a)	2	1	5	2
KU	—	—	1	—

(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 12 for additional information.

10. 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. The Court held a hearing on June 24, 2020 regarding the motion to dismiss. PPL cannot predict the Court's decision.

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. 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. 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 November 22, 2019, the EPA issued proposed revisions to its best available technology standards for certain wastewaters. The EPA has indicated that it expects to complete its reconsideration of best available technology standards by the fall of 2020. Upon completion of the ongoing regulatory proceedings, the rule will be implemented by the states in the course of their normal permitting activities. LG&E and KU are developing responsive compliance strategies and schedules. PPL, LKE, LG&E and KU are unable to predict the outcome of the EPA's pending reconsideration of the rule or fully estimate compliance costs or timing. Additionally, certain aspects of these compliance plans and estimates relate to developments in state water quality standards, which are separate from the ELG rule or its implementation. Costs to comply with ELGs or other discharge limits are expected to be significant. Certain costs are included in the Registrants' capital plans and are subject to rate recovery. 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. Legal challenges to the final rule are pending before the D.C. Circuit Court of Appeals. 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 July 2020, the EPA issued a final rule extending the closure deadline 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 August 2020. LG&E and KU generally expect to complete impoundment closures within five years of commencement, although a longer period may be required to complete closure of some facilities. Associated costs are expected to be subject to rate recovery.

In connection with the final CCR rule, LG&E and KU recorded adjustments to existing AROs beginning in 2015 and continue to record adjustments as required. See Note 15 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 June 30, 2020 and December 31, 2019, PPL Electric had a recorded liability of $10 million representing its best estimate of the probable loss 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.

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 June 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 $4 million at June 30, 2020 and $5 million at 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 June 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	77	(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 June 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 $106 million at June 30, 2020, consisting of LG&E's share of $74 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.

11. 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 June 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		Six Months	
	2020	2019	2020	2019
PPL Electric from PPL Services	$ 14	$ 13	$ 26	$ 29
LKE from PPL Services	7	5	13	14
PPL Electric from PPL EU Services	41	37	82	74
LG&E from LKS	44	37	82	75
KU from LKS	46	41	87	84

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 June 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 June 30, 2020 and December 31, 2019, $252 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 June 30, 2020 and December 31, 2019 were 1.68% and 3.20%. Interest expense on the revolving line of credit was not significant for the three and six months ended June 30, 2020 and 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 June 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 June 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 $3 million and $7 million for the three and six months ended June 30, 2020 and 2019. Interest expense on the $250 million note was $2 million and $5 million for the three and six months ended June 30, 2020 and 2019.

In May 2020, LKE entered into a $450 million term loan credit agreement with a PPL affiliate whereby LKE can 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 expires on August 31, 2020. No balances were outstanding at June 30, 2020. Interest expense on borrowings was not significant for the three and six months ended June 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. At June 30, 2020, LG&E had borrowings outstanding from KU in the amount of $190 million. This balance is reflected in “Notes payable with affiliates” at LG&E and "Notes receivable from affiliate" at KU on the Balance Sheets. No balances were outstanding at 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 June 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 $28 million as of June 30, 2020, of which $10 million was reflected in "Accounts receivable from affiliates" and $18 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 9 for discussions regarding intercompany allocations associated with defined benefits.

12. Other Income (Expense) - net

(PPL)

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

	Three Months		Six Months	
	2020	2019	2020	2019
Other Income				
Economic foreign currency exchange contracts (Note 14)	$ 1	$ 45	$ 63	$ 12
Defined benefit plans - non-service credits (Note 9)	67	80	135	160
Interest income	1	3	2	9
AFUDC - equity component	5	6	8	11
Miscellaneous	1	3	2	9
Total Other Income	75	137	210	201
Other Expense				
Charitable contributions	1	—	2	2
Miscellaneous	(2)	6	7	16
Total Other Expense	(1)	6	9	18
Other Income (Expense) - net	$ 76	$ 131	$ 201	$ 183

13. Fair Value Measurements

(All Registrants)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). A market approach (generally, data from market transactions), an income approach (generally, present value techniques and option-pricing models) and/or a cost approach (generally, replacement cost) are used to measure the fair value of an asset or liability, as appropriate. These valuation approaches incorporate inputs such as observable, independent market data and/or unobservable data that management believes are predicated on the assumptions market participants would use to price an asset or liability. These inputs may incorporate, as applicable, certain risks such as nonperformance risk, which includes credit risk. The fair value of a group of financial assets and liabilities is measured on a net basis. 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:

	June 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	$ 1,278	$ 1,278	$ —	$ —	$ 815	$ 815	$ —	$ —
Restricted cash and cash equivalents (a)	23	23	—	—	21	21	—	—
Special use funds (a):								
Commingled debt fund measured at NAV (b)	27	—	—	—	29	—	—	—
Commingled equity fund measured at NAV (b)	26	—	—	—	27	—	—	—
Total special use funds	53	—	—	—	56	—	—	—
Price risk management assets (c):								
Foreign currency contracts	108	—	108	—	142	—	142	—
Cross-currency swaps	201	—	201	—	154	—	154	—
Total price risk management assets	309	—	309	—	296	—	296	—
Total assets	$ 1,663	$ 1,301	$ 309	$ —	$ 1,188	$ 836	$ 296	$ —
Liabilities								
Price risk management liabilities (c):								
Interest rate swaps	$ 38	$ —	$ 38	$ —	$ 21	$ —	$ 21	$ —
Foreign currency contracts	—	—	—	—	5	—	5	—
Total price risk management liabilities	$ 38	$ —	$ 38	$ —	$ 26	$ —	$ 26	$ —
PPL Electric								
Assets								
Cash and cash equivalents	$ 13	$ 13	$ —	$ —	$ 262	$ 262	$ —	$ —
Restricted cash and cash equivalents (a)	2	2	—	—	2	2	—	—
Total assets	$ 15	$ 15	$ —	$ —	$ 264	$ 264	$ —	$ —
LKE								
Assets								
Cash and cash equivalents	$ 152	$ 152	$ —	$ —	$ 27	$ 27	$ —	$ —
Cash collateral posted to counterparties (d)	2	2	—	—	—	—	—	—
Total assets	$ 154	$ 154	$ —	$ —	$ 27	$ 27	$ —	$ —
Liabilities								
Price risk management liabilities:								
Interest rate swaps	$ 28	$ —	$ 28	$ —	$ 21	$ —	$ 21	$ —
Total price risk management liabilities	$ 28	$ —	$ 28	$ —	$ 21	$ —	$ 21	$ —
LG&E								
Assets								
Cash and cash equivalents	$ 5	$ 5	$ —	$ —	$ 15	$ 15	$ —	$ —
Cash collateral posted to counterparties (d)	2	2	—	—	—	—	—	—
Total assets	$ 7	$ 7	$ —	$ —	$ 15	$ 15	$ —	$ —
Liabilities								
Price risk management liabilities:								
Interest rate swaps	$ 28	$ —	$ 28	$ —	$ 21	$ —	$ 21	$ —
Total price risk management liabilities	$ 28	$ —	$ 28	$ —	$ 21	$ —	$ 21	$ —
KU								

	June 30, 2020				December 31, 2019			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Assets								
Cash and cash equivalents	$ 145	$ 145	$ —	$ —	$ 12	$ 12	$ —	$ —
Total assets	$ 145	$ 145	$ —	$ —	$ 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.

	June 30, 2020		December 31, 2019	
	Carrying Amount (a)	Fair Value	Carrying Amount (a)	Fair Value
PPL	$ 23,156	$ 27,894	$ 21,893	$ 25,481
PPL Electric	3,986	4,939	3,985	4,589
LKE	6,497	7,704	6,002	6,766
LG&E	2,005	2,436	2,005	2,278
KU	3,117	3,727	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.

14. Derivative Instruments and Hedging Activities

Risk Management Objectives

(All Registrants)

PPL has a risk management policy approved by the Board of Directors to manage market risk associated with commodities, interest rates on debt issuances and foreign exchange (including price, liquidity and volumetric risk) and credit risk (including non-performance risk and payment default risk). The Risk Management Committee, comprised of senior management and chaired by the 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 $22 million and $14 million obligation to return cash collateral under master netting arrangements at June 30, 2020 and December 31, 2019.

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

PPL, LKE and LG&E posted $2 million of cash collateral under master netting arrangements at June 30, 2020. KU had no obligation to post cash collateral under master netting arrangements at June 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 June 30, 2020, PPL held an aggregate notional value in interest rate swap contracts of £126 million (approximately $155 million based on spot rates) that mature in 2035 to hedge interest payments of WPD's anticipated September 2020 debt issuance.

At June 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 six months ended June 30, 2020 and 2019, PPL had no cash flow hedges reclassified into earnings associated with discontinued cash flow hedges.

At June 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 on variable rate debt. Because realized gains and losses from the swaps, including terminated swap contracts, are recoverable through regulated rates, any subsequent changes in fair value of these derivatives are included in regulatory assets or liabilities until they are realized as interest expense. Realized gains and losses are recognized in "Interest Expense" on the Statements of Income at the time the underlying hedged interest expense is recorded. At June 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 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 June 30, 2020.

At June 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 June 30, 2020, the total exposure hedged by PPL was approximately £447 million (approximately $666 million based on contracted rates). These contracts have termination dates ranging from July 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 June 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.

	June 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)	$ —	$ 10	$ —	$ 4	$ —	$ —	$ —	$ 4
Cross-currency swaps (b)	127	—	—	—	5	—	—	—
Foreign currency contracts	—	—	107	—	—	—	142	5
Total current	127	10	107	4	5	—	142	9
Noncurrent:								
Price Risk Management								
Assets/Liabilities (a):								
Interest rate swaps (b)	—	—	—	24	—	—	—	17
Cross-currency swaps (b)	74	—	—	—	149	—	—	—
Foreign currency contracts	—	—	1	—	—	—	—	—
Total noncurrent	74	—	1	24	149	—	—	17
Total derivatives	$ 201	$ 10	$ 108	$ 28	$ 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 June 30, 2020.

Derivative Relationships	Three Months Derivative Gain (Loss) Recognized in OCI	Six 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	Six Months Gain (Loss) Reclassified from AOCI into Income
Cash Flow Hedges:					
Interest rate swaps	$ (5)	$ (10)	Interest expense	$ (2)	$ (5)
Cross-currency swaps	39	54	Other income (expense) - net	26	32
Total	$ 34	$ 44		$ 24	$ 27
Net Investment Hedges:					
Foreign currency contracts	$ 1	$ 1			

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	Three Months	Six Months
Foreign currency contracts	Other income (expense) - net	$ 1	$ 63
Interest rate swaps	Interest expense	(2)	(3)
	Total	$ (1)	$ 60

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized as Regulatory Liabilities/Assets	Three Months	Six Months
Interest rate swaps	Regulatory assets - noncurrent	$ 1	$ (7)

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 June 30, 2019.

Derivative Relationships	Three Months Derivative Gain (Loss) Recognized in OCI	Six 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	Six Months Gain (Loss) Reclassified from AOCI into Income
Cash Flow Hedges:					
Interest rate swaps	$ (8)	$ (8)	Interest expense	$ (2)	$ (4)
Cross-currency swaps	51	28	Other income (expense) - net	35	7
Total	$ 43	$ 20		$ 33	$ 3
Net Investment Hedges:					
Foreign currency contracts	$ 1	$ 1			

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	Three Months	Six Months
Foreign currency contracts	Other income (expense) - net	$ 45	$ 12
Interest rate swaps	Interest expense	(1)	(2)
	Total	$ 44	$ 10

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized as Regulatory Liabilities/Assets	Three Months	Six Months
Interest rate swaps	Regulatory assets - noncurrent	$ (2)	$ (3)

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

	Location and Amount of Gain (Loss) Recognized in Income on Hedging Relationships			
	Three Months		Six 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	$ 253	$ 76	$ 501	$ 201
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)	—	(5)	—
Cross-currency swaps:				
Hedged items	—	(26)	—	(32)
Amount of gain (loss) reclassified from AOCI to income	—	26	—	32

(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.

	June 30, 2020		December 31, 2019	
	Assets	Liabilities	Assets	Liabilities
Current:				
Price Risk Management				
Assets/Liabilities:				
Interest rate swaps	$ —	$ 4	$ —	$ 4
Total current	—	4	—	4
Noncurrent:				
Price Risk Management				
Assets/Liabilities:				
Interest rate swaps	—	24	—	17
Total noncurrent	—	24	—	17
Total derivatives	$ —	$ 28	$ —	$ 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 June 30, 2020.

Derivative Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Three Months	Six Months
Interest rate swaps	Interest expense	$ (2)	$ (3)

Derivative Instruments	Location of Gain (Loss) Recognized in Regulatory Assets	Three Months	Six Months
Interest rate swaps	Regulatory assets - noncurrent	$ 1	$ (7)

The following tables present the pre-tax effect of derivatives not designated as cash flow hedges that are recognized in income or regulatory assets for the period ended June 30, 2019.

Derivative Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Three Months	Six Months
Interest rate swaps	Interest expense	$ (1)	$ (2)

Derivative Instruments	Location of Gain (Loss) Recognized in Regulatory Assets	Three Months	Six Months
Interest rate swaps	Regulatory assets - noncurrent	$ (2)	$ (3)

(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
June 30, 2020								
Treasury Derivatives								
PPL	$ 309	$ —	$ 22	$ 287	$ 38	$ —	$ 2	$ 36
LKE	—	—	—	—	28	—	2	26
LG&E	—	—	—	—	28	—	2	26

	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 June 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	$ 8	$ 2	$ 2
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)	8	2	2

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

15. 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 10 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	7	7	2	5
Changes in estimated timing or cost	22	31	3	28
Effect of foreign currency exchange rates	(3)	—	—	—
Obligations settled	(35)	(35)	(11)	(24)
Balance at June 30, 2020	$ 273	$ 218	$ 67	$ 151

16. Accumulated Other Comprehensive Income (Loss)

(PPL)

The after-tax changes in AOCI by component for the periods ended June 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					
March 31, 2020	$ (1,486)	$ —	$ (17)	$ (2,863)	$ (4,366)
Amounts arising during the period	(291)	28	—	(1)	(264)
Reclassifications from AOCI	—	(20)	1	47	28
Net OCI during the period	(291)	8	1	46	(236)
June 30, 2020	$ (1,777)	$ 8	$ (16)	$ (2,817)	$ (4,602)
December 31, 2019	$ (1,425)	$ (5)	$ (18)	$ (2,910)	$ (4,358)
Amounts arising during the period	(352)	36	—	(1)	(317)
Reclassifications from AOCI	—	(23)	2	94	73
Net OCI during the period	(352)	13	2	93	(244)
June 30, 2020	$ (1,777)	$ 8	$ (16)	$ (2,817)	$ (4,602)
March 31, 2019	$ (1,239)	$ (2)	$ (19)	$ (2,387)	$ (3,647)
Amounts arising during the period	(377)	35	—	(2)	(344)
Reclassifications from AOCI	—	(27)	1	21	(5)
Net OCI during the period	(377)	8	1	19	(349)
June 30, 2019	$ (1,616)	$ 6	$ (18)	$ (2,368)	$ (3,996)
December 31, 2018	$ (1,533)	$ (7)	$ (19)	$ (2,405)	$ (3,964)
Amounts arising during the period	(83)	16	—	(5)	(72)
Reclassifications from AOCI	—	(3)	1	42	40
Net OCI during the period	(83)	13	1	37	(32)

	Foreign currency translation adjustments	Unrealized gains (losses) on qualifying derivatives	Defined benefit plans: Prior service costs	Defined benefit plans: Actuarial gain (loss)	Total
June 30, 2019	$ (1,616)	$ 6	$ (18)	$ (2,368)	$ (3,996)

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

	Three Months		Six Months		Affected Line Item on the
Details about AOCI	**2020**	**2019**	**2020**	**2019**	**Statements of Income**
Qualifying derivatives					
Interest rate swaps	$ (2)	$ (2)	$ (5)	$ (4)	Interest Expense
Cross-currency swaps	26	35	32	7	Other Income (Expense) - net
Total Pre-tax	24	33	27	3	
Income Taxes	(4)	(6)	(4)	—	
Total After-tax	20	27	23	3	
Defined benefit plans					
Prior service costs (a)	(1)	(1)	(2)	(1)	
Net actuarial loss (a)	(58)	(27)	(117)	(53)	
Total Pre-tax	(59)	(28)	(119)	(54)	
Income Taxes	11	6	23	11	
Total After-tax	(48)	(22)	(96)	(43)	
Total reclassifications during the period	$ (28)	$ 5	$ (73)	$ (40)	

(a) These AOCI components are included in the computation of net periodic defined benefit cost. See Note 9 for additional information.

17. Subsequent Events

(PPL)

On August 10, 2020, PPL announced that it is initiating 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 announcement 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.

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 six months ended June 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.

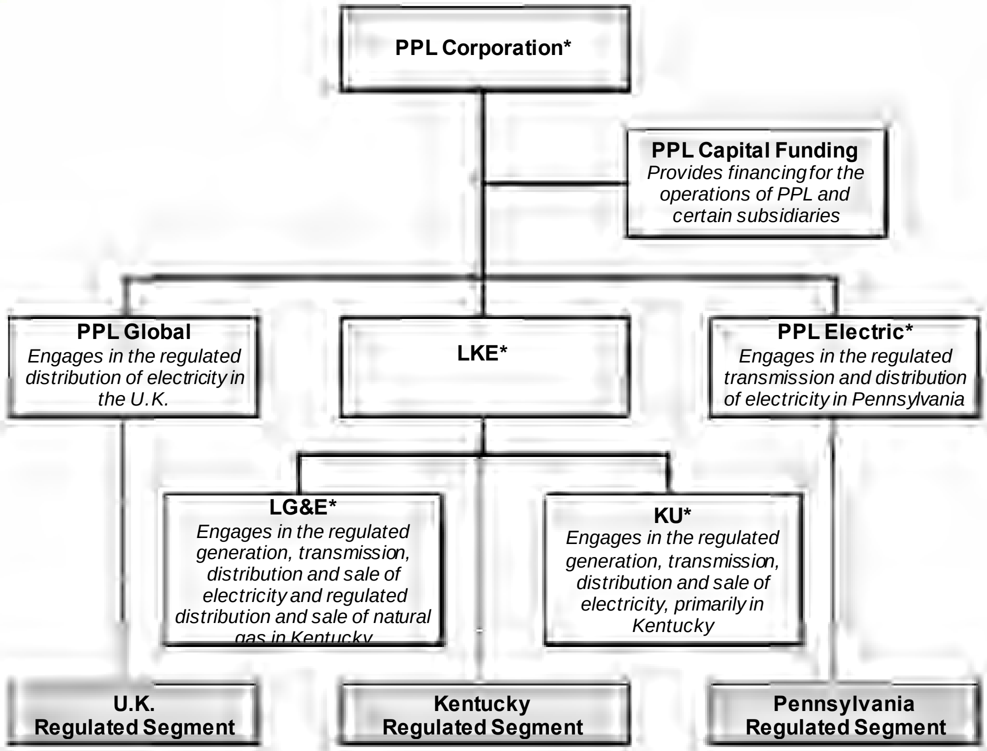
Overview

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 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, the VSCC and certain of its transmission and wholesale power activities are subject to the jurisdiction of the FERC under the Federal Power Act. KU serves its Kentucky customers under the KU name and its Virginia customers under the Old Dominion Power name.

Business Strategy

(All Registrants)

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

PPL's strategy, and that of the other Registrants, is to deliver best-in-sector operational performance, invest in a sustainable energy future, maintain a strong financial foundation, and engage and develop its people. PPL's business plan is designed to achieve growth by providing efficient, reliable and safe operations and strong customer service, maintaining constructive regulatory relationships and achieving timely recovery of costs. These businesses are expected to achieve strong, long-term growth in rate base in the U.S. and RAV in the U.K. Rate base growth is being driven by planned significant capital expenditures to maintain existing assets and improve system reliability and, for LKE, LG&E and KU, to comply with federal and state environmental regulations related to coal-fired electricity generation facilities.

For the U.S. businesses, central to PPL's strategy is recovering capital project costs efficiently through various rate-making mechanisms, including periodic base rate case proceedings using forward test years, annual FERC formula rate mechanisms and other regulatory agency-approved recovery mechanisms designed to limit regulatory lag. In Kentucky, the KPSC has adopted a series of regulatory mechanisms (ECR, DSM, GLT, fuel adjustment clause, and gas supply clause) and recovery on construction work-in-progress that reduce regulatory lag and provide timely recovery of and return on, as appropriate, prudently incurred costs. In addition, the KPSC requires a utility to obtain a CPCN prior to constructing a facility, unless the construction is an ordinary extension of existing facilities in the usual course of business or does not involve sufficient capital expenditures to materially affect the utility's financial condition. Although such KPSC proceedings do not directly address cost recovery issues, the KPSC, in awarding a CPCN, concludes that the public convenience and necessity require the construction of the facility on the basis that the facility is the lowest reasonable cost alternative to address the need. In Pennsylvania, the FERC transmission formula rate, DSIC mechanism, Smart Meter Rider and other recovery mechanisms operate to reduce regulatory lag and provide for timely recovery of and a return on, as appropriate, prudently incurred costs.

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

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

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

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

Financial and Operational Developments

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

On August 10, 2020, PPL announced that it is initiating 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 announcement 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.

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 financial impact of this net reduction in load has not been material to the Registrants' year to date 2020 financial results. 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 and have worked to reconnect service for customers who had previously been disconnected, where required. Despite suspension of disconnections for non-payment, the Registrants have not experienced a significant reduction of cash receipts and have not made significant adjustments to their allowance for uncollectible accounts for potential additional expected credit losses. The Registrants will continue to monitor cash receipts and accounts receivable aging to determine if future increases in their allowance for uncollectible accounts is required.

At June 30, 2020, the Registrants had approximately $4.0 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 addition, 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. Based on these actions 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 have mitigated investment losses resulting from recent market volatility and significant declines in equity values.

PPL has executed hedges to mitigate the foreign exchange risk to its U.K. earnings. The COVID-19 outbreak has put additional downward pressure on the GBP to U.S. dollar exchange rate. As of August 5, 2020, PPL's foreign exchange exposure related to budgeted earnings is approximately 95% hedged for 2020 at an average rate of $1.47 per GBP and approximately 8% hedged for 2021 at an average rate of $1.32 per GBP. Although PPL cannot predict the impact of COVID-19 on foreign exchange rates, the impact could be significant.

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 six months ended June 30, 2020, the following estimated reductions in revenue and incremental costs incurred resulted from the impact of COVID-19:

	PPL	WPD	LKE	LG&E	KU
Reduction in revenue	$ 61	$ 40	$ 21	$ 9	$ 12
Incremental costs	20	15	5	2	3

WPD tariffs are set to recover allowed revenues. Any under-recoveries, including the estimated $40 million 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 insignificant 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 months ended June 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% for financial years 2020 and 2021. The Finance Act 2020 was formally enacted on July 22, 2020. The impact of the cancellation of the corporate tax rate reduction will result in an increase in deferred tax liabilities and a corresponding deferred tax expense of approximately $100 million to $110 million, which will be recorded in the third quarter of 2020.

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 final regulations are expected to apply to the Registrants for 2020, while the proposed regulations will apply in the year in which the regulations are issued in final form, which is expected to be in 2021. 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 August 5, 2020, PPL's foreign exchange exposure related to budgeted earnings is approximately 95% hedged for 2020 at an average rate of $1.47 per GBP and approximately 8% hedged for 2021 at an average rate of $1.32 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, 10 and 15 to the Financial Statements for a discussion of these significant environmental matters. These and other stringent environmental requirements led PPL, LKE, LG&E and KU to retire approximately 1,000 MW of coal-fired generating plants in Kentucky since 2015.

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 closes on October 1, 2020, 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, in the event the FERC determines PPL Electric's ROE to be unjust and unreasonable, PPL Electric contends a refund effective date should be set for no earlier than June 10, 2020 and PPLICA's proposed replacement ROE should be rejected. This proceeding remains pending before the FERC. On July 27, 2020, an intervenor filed a motion for permission to respond and a response to PPL Electric's Answer contesting the arguments made in that Answer. PPL Electric believes 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. Certain 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. In February 2020, the D.C. Circuit Court of Appeals issued an order holding the various appeals in abeyance pending the FERC's rehearing process. 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

(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 six months ended June 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 six months ended June 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 June 30 includes the following results:

	Three Months			Six Months		
	2020	2019	$ Change	2020	2019	$ Change
Operating Revenues	$ 1,739	$ 1,803	$ (64)	$ 3,793	$ 3,882	$ (89)
Operating Expenses						
Operation						
Fuel	138	168	(30)	301	362	(61)
Energy purchases	133	138	(5)	334	388	(54)
Other operation and maintenance	487	482	5	963	972	(9)
Depreciation	319	300	19	636	584	52
Taxes, other than income	67	75	(8)	147	155	(8)
Total Operating Expenses	1,144	1,163	(19)	2,381	2,461	(80)
Other Income (Expense) - net	76	131	(55)	201	183	18
Interest Expense	253	246	7	501	487	14
Income Taxes	74	84	(10)	214	210	4
Net Income	$ 344	$ 441	$ (97)	$ 898	$ 907	$ (9)

Operating Revenues

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

	Three Months	Six Months
Domestic:		
PPL Electric Distribution volumes (a)	$ 7	$ (17)
PPL Electric PLR (b)	2	(25)
PPL Electric Transmission Formula Rate (c)	23	39
LKE Retail Rates (d)	15	64
LKE ECR (e)	9	28
LKE Fuel and other energy prices (f)	(18)	(39)
LKE Municipal supply (g)	(6)	(28)
LKE Volumes (h)	(13)	(51)
LKE Demand (i)	(17)	(24)
Other	(1)	(2)
Total Domestic	1	(55)
U.K.:		
Price	5	23
Volume (i)	(41)	(40)
Foreign currency exchange rates	(25)	(16)
Other	(4)	(1)
Total U.K.	(65)	(34)
Total	$ (64)	$ (89)

(a) The decrease for the six months ended June 30, 2020 was primarily due to warmer weather in Q1 2020.
(b) The decrease for the six months ended June 30, 2020 was primarily the result of lower energy prices, partially offset by higher volumes in Q2 2020.
(c) The increases were primarily due to increased returns on capital investments.
(d) The increases were due to higher base rates, inclusive of the termination of the TCJA bill credit mechanism, effective May 1, 2019.
(e) The increases were primarily due to higher recoverable depreciation expense as a result of higher depreciation rates effective May 1, 2019
(f) The decreases were due to lower recoveries of fuel and energy purchases due to lower commodity costs.
(g) The decreases were due to the termination of eight supply contracts with Kentucky municipalities on April 30, 2019.
(h) The decreases were primarily due to weather.
(i) The decreases were primarily due to COVID-19.

Fuel

Fuel decreased $30 million for three months ended June 30, 2020 compared with 2019, primarily due to a $18 million decrease in volumes driven by weather and a $15 million decrease in commodity costs.

Fuel decreased $61 million for the six months ended June 30, 2020 compared with 2019, primarily due to a $39 million decrease in volumes driven by weather and a $25 million decrease in commodity costs.

Energy Purchases

Energy purchases decreased $5 million for the three months ended June 30, 2020 compared with 2019, primarily due to lower PLR prices of $14 million, offset by higher PLR volumes of $10 million and higher transmission enhancement expenses of $6 million at PPL Electric as well as a $5 million decrease in commodity costs at LKE.

Energy purchases decreased $54 million for the six months ended June 30, 2020 compared with 2019, primarily due to lower PLR prices of $33 million, partially offset by higher transmission enhancement expenses of $11 million at PPL Electric as well as a $19 million decrease in commodity costs at LKE.

Other Operation and Maintenance

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

	Three Months	Six Months
Domestic:		
PPL Electric Act 129	$ (4)	$ (7)
PPL Electric canceled projects	—	9
LKE plant operations and maintenance	(5)	(8)
LKE COVID-19 impact	5	5
Storm Costs	(4)	(23)
Other	6	(4)
U.K.:		
Pension	2	3
Foreign currency exchange rates	(7)	(5)
COVID-19 impact	15	15
Other	(3)	6
Total	$ 5	$ (9)

Depreciation

The increase in depreciation was due to:

	Three Months	Six Months
Additions to PP&E, net	$ 14	$ 26
Foreign currency exchange rates	(3)	(2)
Depreciation rates (a)	7	26
Other	1	2
Total	$ 19	$ 52

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

Taxes, other than Income

Taxes, other than income decreased $8 million for the three and six months ended June 30, 2020 compared with 2019, primarily due to the settlement of 2008 - 2010 gross receipts tax assessments.

Other Income (Expense) - net

The increase (decrease) in other income (expense) - net was due to:

	Three Months	Six Months
Economic foreign currency exchange contracts (Note 14)	$ (44)	$ 51
Defined benefit plans - non-service credits (Note 9)	(13)	(25)
Other	2	(8)
Total	$ (55)	$ 18

Interest Expense

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

	Three Months	Six Months
Long-term debt interest expense	$ 18	$ 26
Short-term debt interest expense	(5)	(7)
Foreign currency exchange rates	(4)	(3)
Other	(2)	(2)
Total	$ 7	$ 14

Income Taxes

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

	Three Months	Six Months
Change in pre-tax income	$ (22)	$ (4)
Kentucky recycling credit, net of federal income tax expense (a)	20	20
Other	(8)	(12)
Total	$ (10)	$ 4

(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.

Segment Earnings

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

	Three Months			Six Months		
	2020	2019	$ Change	2020	2019	$ Change
U.K. Regulated	$ 179	$ 284	$ (105)	$ 519	$ 548	$ (29)
Kentucky Regulated	74	97	(23)	201	214	(13)
Pennsylvania Regulated	118	94	24	236	215	21
Corporate and Other (a)	(27)	(34)	7	(58)	(70)	12
Net Income	$ 344	$ 441	$ (97)	$ 898	$ 907	$ (9)

(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 14 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 June 30 were as follows:

	Three Months			Six Months		
	2020	2019	$ Change	2020	2019	$ Change
U.K. Regulated	$ 256	$ 264	$ (8)	$ 554	$ 568	$ (14)
Kentucky Regulated	78	97	(19)	205	214	(9)
Pennsylvania Regulated	118	94	24	236	215	21
Corporate and Other	(25)	(33)	8	$ (54)	(67)	13
Earnings from Ongoing Operations	$ 427	$ 422	$ 5	$ 941	$ 930	$ 11

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 58% of PPL's Net Income for the six months ended June 30, 2020 and 38% of PPL's assets at June 30, 2020.

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

	Three Months			Six Months		
	2020	2019	$ Change	2020	2019	$ Change
Operating revenues	$ 476	$ 541	$ (65)	$ 1,090	$ 1,124	$ (34)
Other operation and maintenance	142	133	9	271	251	20
Depreciation	64	64	—	131	126	5
Taxes, other than income	31	32	(1)	63	64	(1)
Total operating expenses	237	229	8	465	441	24
Other Income (Expense) - net	65	124	(59)	195	169	26
Interest Expense	97	96	1	199	195	4
Income Taxes	28	56	(28)	102	109	(7)
Net Income	179	284	(105)	519	548	(29)
Less: Special Items	(77)	20	(97)	(35)	(20)	(15)
Earnings from Ongoing Operations	$ 256	$ 264	$ (8)	$ 554	$ 568	$ (14)

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 June 30.

	Income Statement Line Item	Three Months 2020	Three Months 2019	Six Months 2020	Six Months 2019
Foreign currency economic hedges, net of tax of $17, ($7), $6, $4 (a)	Other Income (Expense) - net	$ (65)	$ 24	$ (23)	$ (16)
COVID-19 impact, net of tax of $3, $0, $3, $0 (b)	Other operation and maintenance	(12)	—	(12)	—
Other, net of tax $0, $1, $0, $1 (c)	Other operation and maintenance	—	(4)	—	(4)
Total Special Items		$ (77)	$ 20	$ (35)	$ (20)

(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) 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	Six Months
U.K.		
U.K. Adjusted Gross Margins	$ (37)	$ (17)
Other operation and maintenance	(6)	(16)
Depreciation	(4)	(7)
Other Income (Expense) - net	(11)	(22)
Interest expense	(5)	(7)
Income taxes	16	17
U.S.		
Income taxes	—	(1)
Other	(4)	(1)
Foreign currency exchange, after-tax	43	40
Earnings from Ongoing Operations	(8)	(14)
Special items, after-tax	(97)	(15)
Net Income	$ (105)	$ (29)

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 six 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 six month periods primarily due to lower pension income.
- Lower income taxes for the three month period primarily 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 22% of PPL's Net Income for the six months ended June 30, 2020 and 34% of PPL's assets at June 30, 2020.

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

	Three Months			Six Months		
	2020	2019	$ Change	2020	2019	$ Change
Operating revenues	$ 700	$ 732	$ (32)	$ 1,525	$ 1,577	$ (52)
Fuel	138	168	(30)	301	362	(61)
Energy purchases	22	27	(5)	79	106	(27)
Other operation and maintenance	207	208	(1)	411	422	(11)
Depreciation	151	135	16	300	258	42
Taxes, other than income	18	18	—	36	36	—
Total operating expenses	536	556	(20)	1,127	1,184	(57)
Other Income (Expense) - net	2	—	2	2	—	2
Interest Expense	77	78	(1)	152	148	4
Income Taxes	15	1	14	47	31	16
Net Income	74	97	(23)	201	214	(13)
Less: Special Items	(4)	—	(4)	(4)	—	(4)
Earnings from Ongoing Operations	$ 78	$ 97	$ (19)	$ 205	$ 214	$ (9)

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 June 30.

		Three Months		Six Months	
	Income Statement Line Item	2020	2019	2020	2019
COVID-19 impact, net of tax of $1, $0, $1, $0 (a)	Other operation and maintenance	$ (4)	$ —	$ (4)	$ —
Total Special Items		$ (4)	$ —	$ (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	Six Months
Kentucky Adjusted Gross Margins	$ (5)	$ 12
Other operation and maintenance	3	12
Depreciation	(7)	(15)
Taxes, other than income	2	1
Other Income (Expense) - net	2	2
Interest Expense	1	(4)
Income Taxes	(15)	(17)
Earnings from Ongoing Operations	(19)	(9)
Special items, after-tax	(4)	(4)
Net Income	$ (23)	$ (13)

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

- Higher depreciation expense for the six month period primarily due to an $8 million increase related to additional assets placed into service, net of retirements and a $7 million increase related to higher depreciation rates effective May 1, 2019.

- Higher income tax expense for the three and six month periods primarily due to a deferred income tax benefit recorded in 2019 related to a Kentucky recycling credit of $17 million.

Table of Contents

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 26% of PPL's Net Income for the six months ended June 30, 2020 and 26% of PPL's assets at June 30, 2020.

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

	Three Months			Six Months		
	2020	2019	$ Change	2020	2019	$ Change
Operating revenues	$ 554	$ 521	$ 33	$ 1,162	$ 1,166	$ (4)
Energy purchases	111	110	1	255	281	(26)
Other operation and maintenance	129	130	(1)	266	280	(14)
Depreciation	101	96	5	199	191	8
Taxes, other than income	18	24	(6)	48	55	(7)
Total operating expenses	359	360	(1)	768	807	(39)
Other Income (Expense) - net	5	6	(1)	9	13	(4)
Interest Expense	42	41	1	86	83	3
Income Taxes	40	32	8	81	74	7
Net Income	118	94	24	236	215	21
Less: Special Item (a)	—	—	—	—	—	—
Earnings from Ongoing Operations	$ 118	$ 94	$ 24	$ 236	$ 215	$ 21

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

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	Six Months
Pennsylvania Adjusted Gross Margins	$ 37	$ 35
Other operation and maintenance	(7)	(2)
Depreciation	(4)	(5)
Taxes, other than income	8	7
Other Income (Expense) - net	(1)	(4)
Interest Expense	(1)	(3)
Income Taxes	(8)	(7)
Net Income	$ 24	$ 21

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

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

- Lower taxes, other than income, for the three month period primarily due to the settlement of 2008 - 2010 gross receipts tax assessments.

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

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 June 30.

2020 Three Months

	U.K. Regulated	KY Regulated	PA Regulated	Corporate and Other	Total
Net Income	$ 179	$ 74	$ 118	$ (27)	$ 344
Less: Special Item (expense) benefit:					
Foreign currency economic hedges, net of tax of $17	(65)	—	—	—	(65)
Talen litigation costs, net of tax of $0 (a)	—	—	—	(2)	(2)
COVID-19 impact, net of tax of $4	(12)	(4)	—	—	(16)
Total Special Items	(77)	(4)	—	(2)	(83)
Earnings from Ongoing Operations	$ 256	$ 78	$ 118	$ (25)	$ 427

	2019 Three Months				
	U.K. Regulated	KY Regulated	PA Regulated	Corporate and Other	Total
Net Income	$ 284	$ 97	$ 94	$ (34)	$ 441
Less: Special Item (expense) benefit:					
Foreign currency economic hedges, net of tax of ($7)	24	—	—	—	24
Talen litigation costs, net of tax of $1 (a)	—	—	—	(1)	(1)
Other, net of tax of $1	(4)	—	—	—	(4)
Total Special Items	20	—	—	(1)	19
Earnings from Ongoing Operations	$ 264	$ 97	$ 94	$ (33)	$ 422

	2020 Six Months				
	U.K. Regulated	KY Regulated	PA Regulated	Corporate and Other	Total
Net Income	$ 519	$ 201	$ 236	$ (58)	$ 898
Less: Special Items (expense) benefit:					
Foreign currency economic hedges, net of tax of $6	(23)	—	—	—	(23)
Talen litigation costs, net of tax of $1 (a)	—	—	—	(4)	(4)
COVID-19 impact, net of tax of $4	(12)	(4)	—	—	(16)
Total Special Items	(35)	(4)	—	(4)	(43)
Earnings from Ongoing Operations	$ 554	$ 205	$ 236	$ (54)	$ 941

	2019 Six Months				
	U.K. Regulated	KY Regulated	PA Regulated	Corporate and Other	Total
Net Income	$ 548	$ 214	$ 215	$ (70)	$ 907
Less: Special Items (expense) benefit:					
Foreign currency economic hedges, net of tax of $4	(16)	—	—	—	(16)
Talen litigation costs, net of tax of $1 (a)	—	—	—	(3)	(3)
Other, net of tax of $1	(4)	—	—	—	(4)
Total Special Items	(20)	—	—	(3)	(23)
Earnings from Ongoing Operations	$ 568	$ 214	$ 215	$ (67)	$ 930

(a) PPL incurred legal expenses related to litigation with its former affiliate, Talen Montana. See Note 10 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 June 30 as well as the change between periods. The factors that gave rise to the changes are described following the table.

	Three Months			Six Months		
	2020	2019	$ Change	2020	2019	$ Change
U.K. Regulated						
U.K. Adjusted Gross Margins	$ 439	$ 500	$ (61)	$ 1,014	$ 1,046	$ (32)
Impact of changes in foreign currency exchange rates			(24)			(15)
U.K. Adjusted Gross Margins excluding impact of foreign currency exchange rates			$ (37)			$ (17)
Kentucky Regulated						
Total Kentucky Adjusted Gross Margins	$ 479	$ 484	$ (5)	$ 1,026	$ 1,014	$ 12
Pennsylvania Regulated						
Pennsylvania Adjusted Gross Margins						
Distribution	$ 218	$ 204	$ 14	$ 460	$ 464	$ (4)
Transmission	165	142	23	324	285	39
Total Pennsylvania Adjusted Gross Margins	$ 383	$ 346	$ 37	$ 784	$ 749	$ 35

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 June 30, 2020, compared with 2019, primarily due to $40 million of lower volumes due to the COVID-19 lockdown restrictions that were effective beginning the latter half of March 2020, partially offset by $5 million from the April 1, 2019 price increase.

U.K. Adjusted Gross Margins, excluding the impact of changes in foreign currency exchange rates, decreased for the six months ended June 30, 2020, compared with 2019, primarily due to $40 million of lower volumes due to the COVID-19 lockdown restrictions that were effective beginning the latter half of March 2020, partially offset by $23 million from the April 1, 2019 price increase.

Kentucky Adjusted Gross Margins

Kentucky Adjusted Gross Margins decreased for the three months ended June 30, 2020 compared with 2019, primarily due to $17 million of lower commercial and industrial demand revenue primarily due to impacts of COVID-19 and a $2 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 of $15 million, inclusive of the termination of the TCJA bill credit mechanism.

Kentucky Adjusted Gross Margins increased for the six months ended June 30, 2020 compared with 2019, primarily due to higher retail rates approved by the KPSC of $64 million, inclusive of the termination of the TCJA bill credit mechanism, partially offset by $24 million of lower commercial and industrial demand revenue primarily due to impacts of COVID-19, $18 million of decreased sales volumes primarily due to weather and a $17 million decrease due to the termination of eight supply contracts with Kentucky municipalities on April 30, 2019.

Pennsylvania Adjusted Gross Margins

Distribution

Distribution Adjusted Gross Margins increased for the three months ended June 30, 2020 compared with 2019, primarily due to an $8 million adjustment related to TCJA customer refunds and $7 million due to higher volumes primarily due to weather.

Distribution Adjusted Gross Margins decreased for the six months ended June 30, 2020, compared with 2019, primarily due to $19 million of lower volumes primarily as a result of warmer weather in the first quarter of 2020. The decrease was partially offset by an $8 million adjustment related to TCJA customer refunds and $8 million of returns on additional distribution system improvement capital investments.

Transmission

Transmission Adjusted Gross Margins increased for the three and six months ended June 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 June 30.

	2020 Three Months				
	U.K. Adjusted Gross Margins	Kentucky Adjusted Gross Margins	Pennsylvania Adjusted Gross Margins	Other (a)	Operating Income (b)

Table of Contents

Operating Revenues	$ 467 (c)	$ 700	$ 554	$ 18	$ 1,739
Operating Expenses					
Fuel	—	138	—	—	138
Energy purchases	—	22	111	—	133
Other operation and maintenance	28	20	23	416	487
Depreciation	—	38	13	268	319
Taxes, other than income	—	3	24	40	67
Total Operating Expenses	28	221	171	724	1,144
Total	$ 439	$ 479	$ 383	$ (706)	$ 595

	2019 Three Months				
	U.K. Adjusted Gross Margins	Kentucky Adjusted Gross Margins	Pennsylvania Adjusted Gross Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 531 (c)	$ 732	$ 521	$ 19	$ 1,803
Operating Expenses					
Fuel	—	168	—	—	168
Energy purchases	—	27	110	1	138
Other operation and maintenance	31	23	31	397	482
Depreciation	—	29	12	259	300
Taxes, other than income	—	1	22	52	75
Total Operating Expenses	31	248	175	709	1,163
Total	$ 500	$ 484	$ 346	$ (690)	$ 640

	2020 Six Months				
	U.K. Adjusted Gross Margins	Kentucky Adjusted Gross Margins	Pennsylvania Adjusted Gross Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 1,071 (c)	$ 1,525	$ 1,162	$ 35	$ 3,793
Operating Expenses					
Fuel	—	301	—	—	301
Energy purchases	—	79	255	—	334
Other operation and maintenance	57	41	46	819	963
Depreciation	—	75	25	536	636
Taxes, other than income	—	3	52	92	147
Total Operating Expenses	57	499	378	1,447	2,381
Total	$ 1,014	$ 1,026	$ 784	$ (1,412)	$ 1,412

	2019 Six Months				
	U.K. Adjusted Gross Margins	Kentucky Adjusted Gross Margins	Pennsylvania Adjusted Gross Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 1,105 (c)	$ 1,577	$ 1,166	$ 34	$ 3,882
Operating Expenses					
Fuel	—	362	—	—	362
Energy purchases	—	106	281	1	388
Other operation and maintenance	59	45	62	806	972
Depreciation	—	48	22	514	584
Taxes, other than income	—	2	52	101	155
Total Operating Expenses	59	563	417	1,422	2,461
Total	$ 1,046	$ 1,014	$ 749	$ (1,388)	$ 1,421

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

(c) Excludes ancillary revenues of $9 million and $19 million for the three and six months ended June 30, 2020 and $10 million and $19 million for the three and six months ended June 30, 2019.

PPL Electric: Statement of Income Analysis

Statement of Income Analysis

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

	Three Months			Six Months		
	2020	2019	$ Change	2020	2019	$ Change
Operating Revenues	$ 554	$ 521	$ 33	$ 1,162	$ 1,166	$ (4)
Operating Expenses						
Operation						
Energy purchases	111	110	1	255	281	(26)
Other operation and maintenance	129	130	(1)	266	280	(14)
Depreciation	101	96	5	199	191	8
Taxes, other than income	18	24	(6)	48	55	(7)
Total Operating Expenses	359	360	(1)	768	807	(39)
Other Income (Expense) - net	5	6	(1)	8	11	(3)
Interest Income from Affiliate	—	—	—	1	2	(1)
Interest Expense	42	41	1	86	83	3
Income Taxes	40	32	8	81	74	7
Net Income	$ 118	$ 94	$ 24	$ 236	$ 215	$ 21

Operating Revenues

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

	Three Months	Six Months
Distribution volume (a)	$ 7	$ (17)
PLR (b)	2	(25)
Transmission Formula Rate (c)	23	39
Other	1	(1)
Total	$ 33	$ (4)

(a) The decrease for the six months ended June 30, 2020 was primarily due to warmer weather in Q1 2020.
(b) The decrease for the six months ended June 30, 2020 was primarily the result of lower energy prices, partially offset by higher volumes in Q2 2020.
(c) The increases were primarily due to increased returns on capital investments.

Energy Purchases

Energy purchases increased $1 million for the three months ended June 30, 2020 compared with 2019, primarily due to higher PLR volumes of $10 million and higher transmission enhancement expenses of $6 million, partially offset by lower PLR prices of $14 million.

Energy purchases decreased $26 million for the six months ended June 30, 2020 compared with 2019, primarily due to lower PLR prices of $33 million and lower PLR volumes of $3 million, partially offset by higher transmission enhancement expenses of $11 million.

Other Operation and Maintenance

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

	Three Months	Six Months
Storm costs	$ (1)	$ (17)
Act 129	(4)	(7)
Canceled projects	—	9
Bad debts	6	4
Other	(2)	(3)
Total	$ (1)	$ (14)

Income Taxes

Income taxes increased $8 million for the three months ended June 30, 2020 compared with 2019, primarily due to a change in pre-tax income.

LKE: Statement of Income Analysis

Statement of Income Analysis

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

	Three Months			Six Months		
	2020	2019	$ Change	2020	2019	$ Change
Operating Revenues	$ 700	$ 732	$ (32)	$ 1,525	$ 1,577	$ (52)
Operating Expenses						
Operation						
Fuel	138	168	(30)	301	362	(61)
Energy purchases	22	27	(5)	79	106	(27)
Other operation and maintenance	207	208	(1)	411	422	(11)
Depreciation	151	135	16	300	258	42
Taxes, other than income	18	18	—	36	36	—
Total Operating Expenses	536	556	(20)	1,127	1,184	(57)
Other Income (Expense) - net	2	—	2	2	—	2
Interest Expense	58	58	—	116	112	4
Interest Expense with Affiliate	8	9	(1)	15	16	(1)
Income Taxes	17	3	14	51	35	16
Net Income	$ 83	$ 106	$ (23)	$ 218	$ 230	$ (12)

Operating Revenues

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

	Three Months	Six Months
Volumes (a)	$ (13)	$ (51)
Fuel and other energy prices (b)	(18)	(39)
Municipal supply (c)	(6)	(28)
Demand (d)	(17)	(24)
Retail rates (e)	15	64
ECR (f)	9	28
Other	(2)	(2)
Total	$ (32)	$ (52)

(a) The decreases were primarily due to weather.

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

Fuel

Fuel decreased $30 million for the three months ended June 30, 2020 compared with 2019, primarily due to an $18 million decrease in volumes driven by weather and a $15 million decrease in commodity costs.

Fuel decreased $61 million for the six months ended June 30, 2020 compared with 2019, primarily due to a $39 million decrease in volumes driven by weather and a $25 million decrease in commodity costs.

Energy Purchases

Energy purchases decreased $5 million for the three months ended June 30, 2020 compared with 2019, primarily due to a decrease in commodity costs.

Energy purchases decreased $27 million for the six months ended June 30, 2020 compared with 2019, primarily due to a $19 million decrease in commodity costs and a $3 million decrease in gas volumes driven by weather.

Other Operation and Maintenance

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

	Three Months	Six Months
Plant operations and maintenance	$ (5)	$ (8)
Storm costs	(3)	(6)
Administrative and general	2	(3)
COVID-19 impact	5	5
Other	—	1
Total	$ (1)	$ (11)

Depreciation

Depreciation increased $16 million for the three months ended June 30, 2020 compared with 2019, primarily due to an $8 million increase related to additional assets placed into service, net of retirements, and a $7 million increase related to higher depreciation rates effective May 1, 2019.

Depreciation increased $42 million for the six months ended June 30, 2020 compared with 2019, primarily due to a $26 million increase related to higher depreciation rates effective May 1, 2019 and an $14 million increase related to additional assets placed into service, net of retirements.

Income taxes

Income taxes increased $14 million and $16 million for the three and six months ended June 30, 2020 compared with 2019, primarily due to a deferred income tax benefit in 2019 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.

LG&E: Statement of Income Analysis

Statement of Income Analysis

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

	Three Months			Six Months		
	2020	2019	$ Change	2020	2019	$ Change
Operating Revenues						
Retail and wholesale	$ 320	$ 328	$ (8)	$ 713	$ 725	$ (12)
Electric revenue from affiliate	2	6	(4)	16	19	(3)
Total Operating Revenues	322	334	(12)	729	744	(15)
Operating Expenses						
Operation						
Fuel	50	69	(19)	124	147	(23)
Energy purchases	18	22	(4)	70	96	(26)
Energy purchases from affiliate	8	2	6	8	4	4
Other operation and maintenance	92	96	(4)	184	190	(6)
Depreciation	65	56	9	129	107	22
Taxes, other than income	9	10	(1)	19	19	—
Total Operating Expenses	242	255	(13)	534	563	(29)
Other Income (Expense) - net	1	(1)	2	—	(1)	1
Interest Expense	22	22	—	44	43	1
Income Taxes	12	12	—	31	29	2
Net Income	$ 47	$ 44	$ 3	$ 120	$ 108	$ 12

Operating Revenues

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

	Three Months	Six Months
Volumes (a)	$ (6)	$ (24)
Fuel and other energy prices (b)	(9)	(21)
Demand (c)	(6)	(9)
Retail rates (d)	7	27
ECR (e)	4	12
Other	(2)	—
Total	$ (12)	$ (15)

(a) The decreases were primarily due to weather.
(b) The decreases were 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 increases were due to higher base rates, inclusive of the termination of the TCJA bill credit mechanism, effective May 1, 2019.
(e) The increases were primarily due to higher recoverable depreciation expense as a result of higher depreciation rates effective May 1, 2019.

Fuel

Fuel decreased $19 million for the three months ended June 30, 2020 compared with 2019, primarily due to a decrease in volumes driven by weather.

Fuel decreased $23 million for the six months ended June 30, 2020 compared with 2019, primarily due to a $19 million decrease in volumes driven by weather and a $6 decrease in commodity costs.

Energy Purchases

Energy purchases decreased $4 million for the three months ended June 30, 2020 compared with 2019, primarily due to a decrease in commodity costs.

Energy purchases decreased $26 million for the six months ended June 30, 2020 compared with 2019, primarily due to a $19 million decrease in commodity costs and a $3 million decrease in gas volumes driven by weather.

Energy Purchases from affiliate

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

Other Operation and Maintenance

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

	Three Months	Six Months
Storm costs	$ (5)	$ (5)
Plant operations and maintenance	(3)	(3)
COVID-19 impact	2	2
Other	2	—
Total	$ (4)	$ (6)

Depreciation

Depreciation increased $9 million for the three months ended June 30, 2020 compared with 2019, primarily due to a $4 million increase related to higher depreciation rates effective May 1, 2019 and a $4 million increase related to additional assets placed into service, net of retirements.

Depreciation increased $22 million for the six months ended June 30, 2020 compared with 2019, primarily due to a $13 million increase related to higher depreciation rates effective May 1, 2019 and an $8 million increase related to additional assets placed into service, net of retirements.

KU: Statement of Income Analysis

Statement of Income Analysis

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

	Three Months			Six Months		
	2020	2019	$ Change	2020	2019	$ Change
Operating Revenues						
Retail and wholesale	$ 380	$ 404	$ (24)	$ 812	$ 852	$ (40)
Electric revenue from affiliate	8	2	6	8	4	4
Total Operating Revenues	388	406	(18)	820	856	(36)
Operating Expenses						
Operation						
Fuel	88	99	(11)	177	215	(38)
Energy purchases	4	5	(1)	9	10	(1)
Energy purchases from affiliate	2	6	(4)	16	19	(3)
Other operation and maintenance	107	105	2	211	213	(2)
Depreciation	86	78	8	170	150	20
Taxes, other than income	8	8	—	17	17	—
Total Operating Expenses	295	301	(6)	600	624	(24)
Other Income (Expense) - net	—	(2)	2	1	—	1
Interest Expense	29	28	1	57	54	3
Income Taxes	11	14	(3)	31	36	(5)
Net Income	$ 53	$ 61	$ (8)	$ 133	$ 142	$ (9)

Operating Revenues

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

	Three Months	Six Months
Municipal supply (a)	$ (6)	$ (28)
Volumes (b)	(4)	(24)
Fuel and other energy prices (c)	(9)	(18)
Demand (d)	(11)	(15)
Retail rates (e)	8	37
ECR (f)	5	16
Other	(1)	(4)
Total	$ (18)	$ (36)

(a) The decreases were due to the termination of eight supply contracts with Kentucky municipalities on April 30, 2019.
(b) The decreases were primarily due to weather.
(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 increases were due to higher base rates, inclusive of the termination of the TCJA bill credit mechanism, effective May 1, 2019.
(f) The increases were primarily due to higher recoverable depreciation expense as a result of higher depreciation rates effective May 1, 2019.

Fuel

Fuel decreased $11 million for the three months ended June 30, 2020 compared with 2019, primarily due to a decrease in commodity costs.

Fuel decreased $38 million for the six months ended June 30, 2020 compared with 2019, primarily due to a $20 million decrease in volumes driven by weather and a $19 million decrease in commodity costs.

Energy Purchases from affiliate

Energy purchases from affiliate decreased $4 million for the three months ended June 30, 2020 compared with 2019, primarily due to the timing of generation maintenance outages.

Depreciation

Depreciation increased $8 million for the three months ended June 30, 2020 compared with 2019, primarily due to a $4 million increase related to additional assets placed into service, net of retirements, and a $3 million increase related to higher depreciation rates effective May 1, 2019.

Depreciation increased $20 million for the six months ended June 30, 2020 compared with 2019, primarily due to a $13 million increase related to higher depreciation rates effective May 1, 2019 and a $6 million increase related to additional assets placed into service, net of retirements.

Income taxes

Income taxes decreased $3 million for the three months ended June 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
June 30, 2020					
Cash and cash equivalents	$ 1,278	$ 13	$ 152	$ 5	$ 145
Short-term debt	828	200	—	—	—
Long-term debt due within one year	2,058	—	1,371	264	632
Notes payable with affiliates		—	252	190	—
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 June 30, 2020, $136 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 six month periods ended June 30, and the changes between periods, were as follows.

	PPL	PPL Electric	LKE	LG&E	KU
2020					
Operating activities	$ 1,299	$ 360	$ 534	$ 275	$ 293
Investing activities	(1,573)	(558)	(476)	(214)	(451)
Financing activities	745	(51)	67	(71)	291
2019					
Operating activities	$ 1,070	$ 314	$ 445	$ 258	$ 270
Investing activities	(1,479)	(530)	(530)	(224)	(305)
Financing activities	198	(31)	93	(35)	44
Change - Cash Provided (Used)					
Operating activities	$ 229	$ 46	$ 89	$ 17	$ 23
Investing activities	(94)	(28)	54	10	(146)
Financing activities	547	(20)	(26)	(36)	247

Operating Activities

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

	PPL	PPL Electric	LKE	LG&E	KU
Change - Cash Provided (Used)					
Net income	$ (9)	$ 21	$ (12)	$ 12	$ (9)
Non-cash components	100	48	29	(11)	(4)
Working capital	83	(23)	55	17	26
Defined benefit plan funding	14	—	4	(1)	1
Other operating activities	41	—	13	—	9
Total	$ 229	$ 46	$ 89	$ 17	$ 23

(PPL)

PPL's cash provided by operating activities in 2020 increased $229 million compared with 2019.

- Net income decreased $9 million between the periods and included an increase in non-cash charges of $100 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 book versus tax plant timing differences and Federal net operating losses) and an increase in other expenses (primarily due to an increase in canceled projects), partially offset by a decrease in the U.K. net periodic defined benefit credits (primarily due to higher levels of unrecognized losses being amortized).

- The $83 million increase in cash from changes in working capital was primarily due to an increase in taxes payable (primarily due to timing of payments), a decrease in unbilled revenues (primarily due to weather). and a decrease in net regulatory assets and liabilities (primarily due to the timing of rate recovery mechanisms), 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 $41 million increase in cash provided by other operating activities was primarily due to an increase in accrued pension obligation and an increase in ARO expenditures.

(PPL Electric)

PPL Electric's cash provided by operating activities in 2020 increased $46 million compared with 2019.

- Net income increased $21 million between the periods and included an increase in non-cash components of $48 million. The increase in non-cash components was primarily due to an increase in deferred income taxes (due to book versus tax plant timing differences and Federal net operating losses) and an increase in other expenses (primarily due to an increase in canceled projects).

- The $23 million decrease in cash from changes in working capital was primarily due to 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), partially offset by a decrease in unbilled revenues (primarily due to weather).

(LKE)

LKE's cash provided by operating activities in 2020 increased $89 million compared with 2019.

- Net income decreased $12 million between the periods and included an increase in non-cash components of $29 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).

- The increase in cash from changes in working capital was primarily driven by an increase in taxes payable (primarily due to timing of payments) and a decrease in net regulatory assets and liabilities (primarily due to the timing of rate recovery mechanisms).

- The increase in cash provided by other operating activities was driven primarily by a decrease in ARO expenditures.

(LG&E)

LG&E's cash provided by operating activities in 2020 increased $17 million compared with 2019.

- Net income increased $12 million between the periods and included a decrease in non-cash components of $11 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) and a decrease in amortization expense (primarily due to amortization of regulatory liabilities beginning May 1, 2019), 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 an increase in taxes payable (primarily due to timing of payments) and a decrease in net regulatory assets and liabilities (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 fuel inventory (primarily due to lower generation and natural gas consumption due to weather).

(KU)

KU's cash provided by operating activities in 2020 increased $23 million compared with 2019.

- Net income decreased $9 million between the periods and included a decrease in non-cash charges of $4 million. The decrease in non-cash components was 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 an increase in taxes payable (primarily due to timing of payments) and a decrease in fuel inventory (primarily due to the timing and scope of plant outages), partially offset by a decrease in other current liabilities (primarily due to timing of payments).

- The increase in cash provided by other operating activities was driven primarily by a decrease in ARO expenditures.

Investing Activities

(All Registrants)

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

	PPL	PPL Electric	LKE	LG&E	KU
Change - Cash Provided (Used)					
Expenditures for PP&E	$ (102)	$ (23)	$ 51	$ 10	$ 41
Purchase of investments	55	—	—	—	—
Proceeds from the sale of investments	(52)	—	—	—	—
Notes receivable with affiliate	—	—	—	—	(190)
Other investing activities	5	(5)	3	—	3
Total	$ (94)	$ (28)	$ 54	$ 10	$ (146)

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 partially offset by a decrease in foreign currency exchange rates. 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.

Financing Activities

(All Registrants)

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

	PPL	PPL Electric	LKE	LG&E	KU
Change - Cash Provided (Used)					
Debt issuance/retirement, net	$ 1,029	$ —	$ (7)	$ (199)	$ 192
Proceeds from project financing	96	—	—	—	—
Stock issuances/redemptions, net	(2)	—	—	—	—
Dividends	(42)	(31)	—	(5)	2
Capital contributions/distributions, net	—	(5)	(66)	28	(31)
Issuance of term loan	300	—	—	—	—
Change in short-term debt, net	(825)	15	30	(55)	85
Notes payable with affiliate		—	12	190	—
Other financing activities	(9)	1	5	5	(1)
Total	$ 547	$ (20)	$ (26)	$ (36)	$ 247

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. At June 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	$ 1,800	$ 300	$ —	$ 1,500
PPL Electric Credit Facility	650	—	201	449
LG&E Credit Facilities	500	—	—	500
KU Credit Facilities	400	—	—	400
Total LKE	900	—	—	900
Total U.S. Credit Facilities (a)	$ 3,350	$ 300	$ 201	$ 2,849
Total U.K. Credit Facilities (b)	£ 1,055	£ 206	£ —	£ 849

(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 June 30, 2020 were a USD-denominated borrowing of $200 million and GBP-denominated borrowings of £44 million which equated to $54 million. At June 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	$ 252	$ —	$ 123
LKE Term-Loan Facility	475	—	—	475
LG&E Money Pool (a)	750	190	—	560
KU Money Pool (a)	650	—	—	650

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

Commercial Paper *(All Registrants)*

PPL, PPL Electric, LG&E and KU maintain commercial paper programs to provide an additional financing source to fund short-term liquidity needs, as necessary. Commercial paper issuances, included in "Short-term debt" on the Balance Sheets, are supported by the respective Registrant's credit facility. The following commercial paper programs were in place at June 30, 2020:

	Capacity	Commercial Paper Issuances	Unused Capacity
PPL Capital Funding	$ 1,500	$ —	$ 1,500
PPL Electric	650	200	450
LG&E	350	—	350
KU	350	—	350
Total LKE	700	—	700
Total PPL	$ 2,850	$ 200	$ 2,650

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 six months ended June 30, 2020.

Common Stock Dividends

In May 2020, PPL declared a quarterly common stock dividend, payable July 1, 2020, of 41.50 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 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.

Ratings Triggers

(PPL, LKE, LG&E and KU)

Various derivative and non-derivative contracts, including contracts for the sale and purchase of electricity and fuel, commodity transportation and storage, interest rate and foreign currency instruments (for PPL), contain provisions that require the posting of additional collateral or permit the counterparty to terminate the contract, if PPL's, LKE's, LG&E's or KU's or their subsidiaries' credit rating, as applicable, were to fall below investment grade. See Note 14 to the Financial Statements for a discussion of "Credit Risk-Related Contingent Features," including a discussion of the potential additional collateral requirements for PPL, LKE and LG&E for derivative contracts in a net liability position at June 30, 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 13 and 14 to the Financial Statements for information about the Registrants' risk management objectives, valuation techniques and accounting designations.

The forward-looking information presented below provides estimates of what may occur in the future, assuming certain adverse market conditions and model assumptions. Actual future results may differ materially from those presented. These 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 June 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)	$ 155	$ (10)	$ —	2035
Cross-currency swaps (c)	702	203	(66)	2028
Economic hedges				
Interest rate swaps (d)	147	(29)	—	2033
LKE				
Economic hedges				
Interest rate swaps (d)	147	(29)	—	2033
LG&E				
Economic hedges				
Interest rate swaps (d)	147	(29)	—	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 June 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 June 30, 2020 is shown below.

	10% Adverse Movement in Rates
PPL	$ 637
PPL Electric	185
LKE	207
LG&E	78
KU	126

Foreign Currency Risk (PPL)

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

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

	Exposure Hedged	Fair Value, Net - Asset (Liability)	Effect of a 10% Adverse Movement in Foreign Currency Exchange	Maturities Ranging Through
Economic hedges (b)	£ 447	$ 108	$ (47)	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 13 and 14 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 loss of $353 million for the six months ended June 30, 2020, which primarily reflected a $605 million decrease to PP&E, a $112 million decrease to goodwill, partially offset by a $357 million decrease to long-term debt and a $7 million decrease to other net liabilities. Changes in this exchange rate resulted in a foreign currency translation loss of $84 million for the six months ended June 30, 2019, which primarily reflected a $125 million decrease to PP&E, a $23 million decrease to goodwill and an $9 million decrease to other net assets, partially offset by a $73 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 11 to the Financial Statements for additional information on related party transactions for PPL Electric, LKE, LG&E and KU.

Acquisitions, Development and Divestitures *(All Registrants)*

The Registrants from time to time evaluate opportunities for potential acquisitions, divestitures and development projects. Development projects are reexamined based on market conditions and other factors to determine whether to proceed with, modify or terminate the projects. Any resulting transactions may impact future financial results.

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 10 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 15 to the Financial Statements for information related to the impacts of CCRs on AROs.

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

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 June 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 June 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' second 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 second quarter of 2020 see:

- "Item 3. Legal Proceedings" in each Registrant's 2019 Form 10-K; and
- Notes 6, 7 and 10 to the Financial Statements.

Item 1A. Risk Factors

There have been no material changes in the Registrants' risk factors from those disclosed in "Item 1A. Risk Factors" of the Registrants' 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.

Table of Contents

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.

4(a)	- Supplemental Indenture No. 8, dated as of May 15, 2020, to Indenture, dated as of October 1, 2010, among Kentucky Utilities Company and the Bank of New York Mellon, as Trustee (Exhibit 4(a) to PPL Corporation Form 8-K Report (File No. 1-11459) dated June 3, 2020)
*10(a)	- £845 million Multicurrency Revolving Facilities Agreement, dated May 13 2020, among Western Power Distribution (East Midlands) plc, Western Power Distribution (West Midlands) plc, Western Power Distribution (South West) plc, and Western Power Distribution (South Wales) plc as the Borrowers, Mizuho Bank, Ltd and National Westminster Bank plc as Joint Coordinators, HSBC UK Bank plc, Lloyds Bank plc, Mizuho Bank Ltd, National Westminster Bank plc, Royal Bank of Canada, Barclays Bank plc and Santander UK plc as Bookrunners and Mandated Lead Arrangers, MUFG Bank, Ltd as Mandated Lead Arranger, and

Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, for the quarterly period ended June 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 June 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.

Table of Contents

SIGNATURES

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

PPL Corporation
(Registrant)

Date: August 10, 2020

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

PPL Electric Utilities Corporation
(Registrant)

Date: August 10, 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: August 10, 2020

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

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

Table of Contents

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

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

GLOSSARY OF TERMS AND ABBREVIATIONS

PPL Corporation and its subsidiaries

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

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

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

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

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

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

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

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

PPL EU Services - PPL EU Services Corporation, a subsidiary of PPL that provides administrative, management and support services primarily to PPL Electric.

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

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

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

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

WPD - refers to PPL WPD Limited and its subsidiaries.

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

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

WPD (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.

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, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 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	Nine Months Ended September 30, 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,		Nine Months Ended September 30,	
	2020	**2019**	**2020**	**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	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.

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,		Nine Months Ended September 30,	
	2020	**2019**	**2020**	**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	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.

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	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.

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
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				

	Three Months		Nine Months	
	2020	2019	2020	2019
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	—

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

	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)							

		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
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
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:

	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)

<u>Cane Run Environmental Claims</u>

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.

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):								

	September 30, 2020				December 31, 2019			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
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	$ —	$ —
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.

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	$ 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)

	Foreign currency translation adjustments		Unrealized gains (losses) on qualifying derivatives		Defined benefit plans				Total	
					Prior service costs		Actuarial gain (loss)			
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)
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.

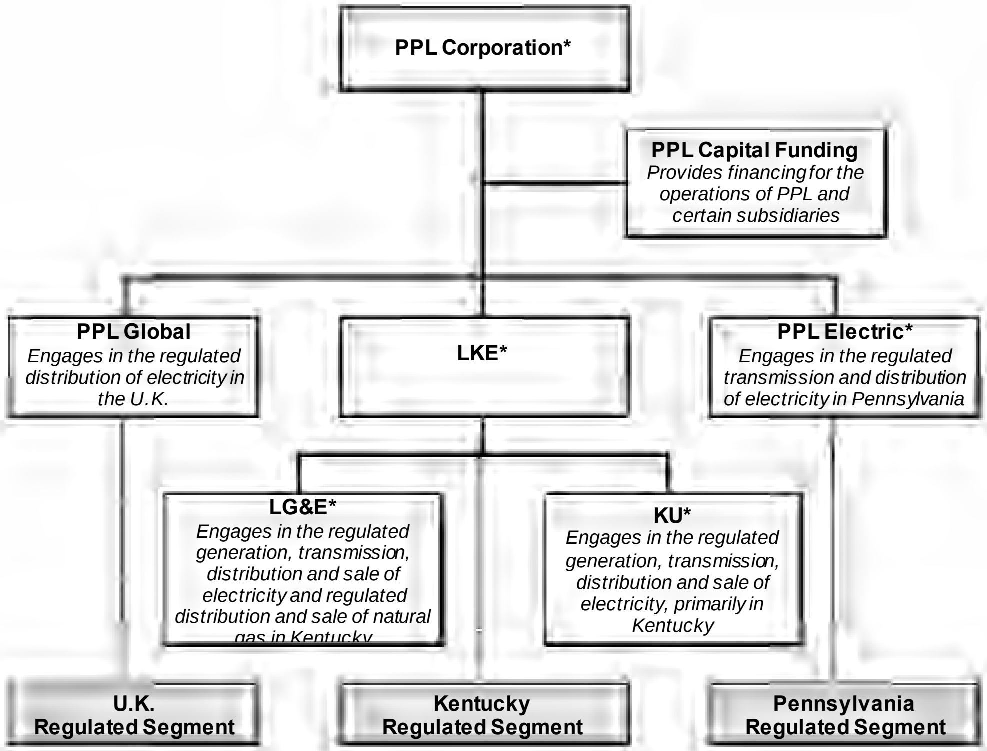
Overview

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

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)

	Three Months			Nine Months		
	2020	2019	$ Change	2020	2019	$ Change
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	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

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)

Table of Contents

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

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the fiscal year ended December 31, 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	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	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	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	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	61-0247570

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

Title of each class	Trading Symbol(s):	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

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

Common Stock of PPL Electric Utilities Corporation

Indicate by check mark if the registrants are a well-known seasoned issuer, as defined in Rule 405 of the Securities 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 by check mark if the registrants are not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

PPL Corporation	Yes ☐	No ☒
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 (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 each registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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 ☒

As of June 30, 2020, PPL Corporation had 768,782,588 shares of its $0.01 par value Common Stock outstanding. The aggregate market value of these common shares (based upon the closing price of these shares on the New York Stock Exchange on that date) held by non-affiliates was $19,865,342,074. As of January 31, 2021, PPL Corporation had 768,984,785 shares of its $0.01 par value Common Stock outstanding.

As of January 31, 2021, PPL Corporation held all 66,368,056 outstanding common shares, no par value, of PPL Electric Utilities Corporation.

As of January 31, 2021, PPL Corporation held all of the membership interests in LG&E and KU Energy LLC.

As of January 31, 2021, LG&E and KU Energy LLC held all 21,294,223 outstanding common shares, no par value, of Louisville Gas and Electric Company.

As of January 31, 2021, LG&E and KU Energy LLC held all 37,817,878 outstanding common shares, no par value, of Kentucky Utilities Company.

PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company meet the conditions set forth in General Instructions (I)(1)(a) and (b) of Form 10-K and are therefore filing this form with the reduced disclosure format.

Documents incorporated by reference:

PPL Corporation has incorporated herein by reference certain sections of PPL Corporation's 2021 Notice of Annual Meeting and Proxy Statement, which will be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2020 and which will provide the information required by Part III of this Report.

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

FORM 10-K ANNUAL REPORT TO
THE SECURITIES AND EXCHANGE COMMISSION
FOR THE YEAR ENDED DECEMBER 31, 2020

TABLE OF CONTENTS

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

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

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 Investments Limited – a subsidiary of PPL WPD Limited and parent to WPD plc.

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

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

U.K. utility business – the part of PPL's U.K. Regulated segment that is currently being marketed for sale, as announced on August 10, 2020. The entity being marketed is PPL WPD Investments Limited and its subsidiaries, including, notably, WPD plc and the four DNOs.

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, a U.K. subsidiary of PPL WPD Limited. Its principal indirectly owned subsidiaries are WPD (East Midlands), WPD (South Wales), WPD (South West) and WPD (West Midlands).

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

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

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

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

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

Other terms and abbreviations

£ - British pound sterling.

401(h) account(s) - a sub-account established within a qualified pension trust to provide for the payment of retiree medical costs.

Act 11 - Act 11 of 2012 that became effective on April 16, 2012. The Pennsylvania legislation 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.

ADIT - accumulated deferred income tax.

Adjusted Gross Margins - a non-GAAP financial measure of performance used in "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" (MD&A).

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.

AIP - annual iteration process.

AOCI - accumulated other comprehensive income or loss.

ARO - asset retirement obligation.

ATM Program - at-the-market stock offering program.

Cane Run Unit 7 - a natural gas combined-cycle generating unit in Kentucky, jointly owned by LG&E and KU.

CCR(s) - coal combustion residual(s). CCRs include fly ash, bottom ash and sulfur dioxide scrubber wastes.

CDP - a not-for-profit organization based in the United Kingdom formerly known as the Carbon Disclosure Project; that runs the global disclosure system that enables investors, companies, cities, states and regions to measure and manage their environmental impacts.

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.

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, subject to KPSC jurisdiction, 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.

DDCP - Directors Deferred Compensation Plan.

DNO - Distribution Network Operator in the U.K.

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

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

DUoS - Distribution Use of System. The charge to licensed third party energy suppliers who are WPD's customers and use WPD's networks to deliver electricity to their customers, the end-users.

Earnings from Ongoing Operations - a non-GAAP financial measure of earnings adjusted for the impact of special items and used in "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" (MD&A).

EBPB - Employee Benefit Plan Board. The administrator of PPL's U.S. qualified retirement plans, which is charged with the fiduciary responsibility to oversee and manage those plans and the investments associated with those plans.

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

Fast pot - Under RIIO-ED1, Totex costs that are recovered in the period they are incurred.

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.

GWh - gigawatt-hour, one million kilowatt hours.

HB 487 - House Bill 487. Comprehensive Kentucky state tax legislation enacted on April 27, 2018.

IBEW - International Brotherhood of Electrical Workers.

ICP - The PPL Incentive Compensation Plan. This plan provides for incentive compensation to PPL's executive officers and certain other senior executives. New awards under the ICP were suspended in 2012 upon adoption of PPL's 2012 Stock Incentive Plan.

ICPKE - The PPL Incentive Compensation Plan for Key Employees. The ICPKE provides for incentive compensation to certain employees below the level of senior executive.

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

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

KU 2010 Mortgage Indenture - KU's Indenture, dated as of October 1, 2010, to The Bank of New York Mellon, as supplemented.

kVA - kilovolt ampere.

kWh - kilowatt hour, basic unit of electrical energy.

LCIDA - Lehigh County Industrial Development Authority.

LG&E 2010 Mortgage Indenture - LG&E's Indenture, dated as of October 1, 2010, to The Bank of New York Mellon, as supplemented.

LIBOR - London Interbank Offered Rate.

Mcf - one thousand cubic feet, a unit of measure for natural gas.

MMBtu - one million British Thermal Units.

MOD - a mechanism applied in the U.K. to adjust allowed base revenue in future periods for differences in prior periods between actual values and those in the agreed business plan.

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

MW - megawatt, one thousand kilowatts.

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

NERC - North American Electric Reliability Corporation.

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

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

OCI - other comprehensive income or loss.

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

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

PEDFA - Pennsylvania Economic Development Financing Authority.

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

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

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

PP&E - property, plant and equipment.

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

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

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

RCRA - Resource Conservation and Recovery Act of 1976.

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

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

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

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

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

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

RTO - Regional Transmission Operator, an electric power transmission system operator that coordinates, controls and monitors a multi-state electric grid.

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

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

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

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

SIP - PPL Corporation's Amended and Restated 2012 Stock Incentive Plan.

Slow pot - Under RIIO-ED1, Totex costs that are added (capitalized) to RAV and recovered through depreciation over a 20 to 45 year period.

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, 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, after the June 1, 2015 spinoff of PPL Energy Supply.

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

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

Totex (total expenditures) - Totex generally consists of all the expenditures relating to WPD's regulated activities with the exception of certain specified expenditure items (Ofgem fees, National Grid transmission charges, property and corporate income taxes, pension deficit funding and cost of capital). The annual net additions to RAV are calculated as a percentage of Totex. Totex can be viewed as the aggregate net network investment, net network operating costs and indirect costs, less any cash proceeds from the sale of assets and scrap.

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

TRU - a mechanism applied in the U.K. to true-up inflation estimates used in determining base revenue.

U.K. Finance Act 2016 - refers to the U.K. Finance Act of 2016, enacted in September 2016, which reduced the U.K. statutory corporate income tax rate from 19% to 17%, effective April 1, 2020.

U.K. Finance Act 2020 - refers to the U.K. Finance Act of 2020, enacted in July 2020, which included a cancellation of the tax rate reduction to 17% in the U.K. Finance Act 2016, thereby maintaining the corporation tax rate at 19% for financial years 2020 and 2021. The U.K. Finance Act 2016 and the U.K. Finance Act 2020 are sometimes collectively referred to as the U.K. Finance Acts.

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.

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Forward-looking Information

Statements contained in this Annual Report concerning expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are other than statements of historical fact are "forward-looking statements" within the meaning of the federal securities laws. Although the Registrants believe that the expectations and assumptions reflected in these statements are reasonable, there can be no assurance that these expectations will prove to be correct. Forward-looking statements are subject to many risks and uncertainties, and actual results may differ materially from the results discussed in forward-looking statements. In addition to the specific factors discussed in "Item 1A. Risk Factors" and in "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Annual Report, the following are among the important factors that could cause actual results to differ materially 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;
- 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 the fair value of those assets 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.

Table of Contents

PART I

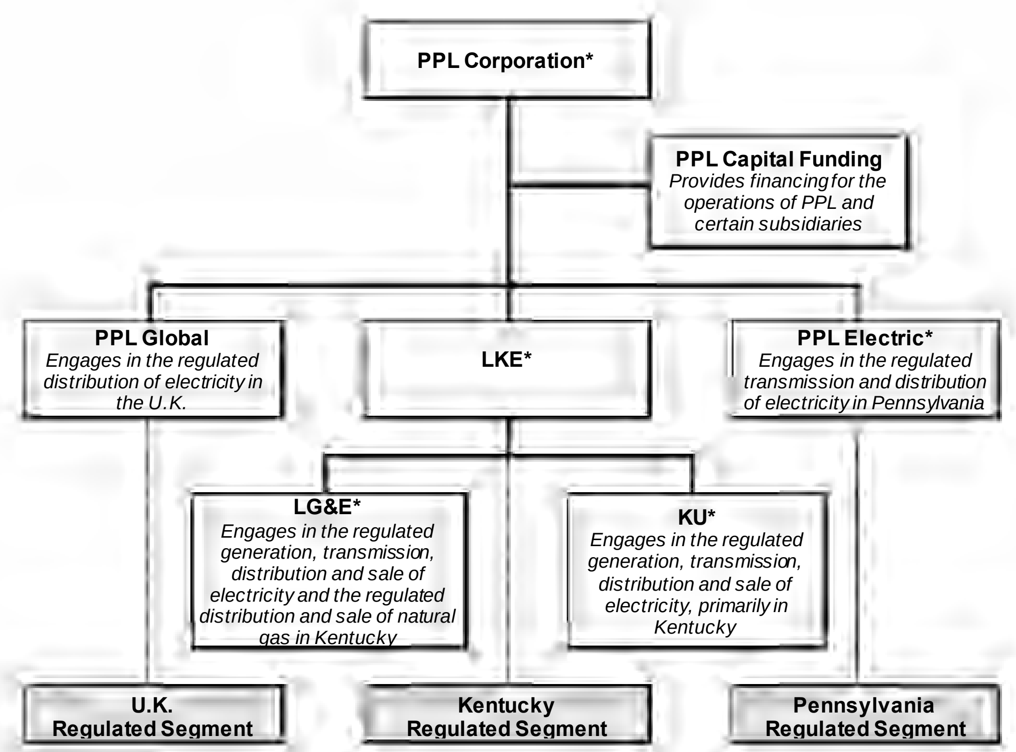
ITEM 1. BUSINESS

General

(All Registrants)

PPL Corporation, headquartered in Allentown, Pennsylvania, is a utility holding company, incorporated in 1994, in connection with the deregulation of electricity generation in Pennsylvania, to serve as the parent company to the regulated utility, PPL Electric, and to generation and other unregulated business activities. PPL Electric was founded in 1920 as Pennsylvania Power & Light 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 at December 31, 2020 are shown below (* denotes a Registrant).



PPL Global is not a registrant. Unaudited annual consolidated financial statements for the U.K. Regulated Segment are furnished contemporaneously with this report on a Form 8-K with the SEC.

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

PPL Electric Utilities Corporation, headquartered in Allentown, Pennsylvania, is a wholly owned subsidiary of PPL organized in Pennsylvania in 1920 and a regulated public utility that is an electricity transmission and distribution service provider in eastern and central Pennsylvania. PPL Electric is subject to regulation as a public utility by the PUC, and certain of its transmission activities are subject to the jurisdiction of the FERC under the Federal Power Act. PPL Electric delivers electricity in its Pennsylvania service area and provides electricity supply to retail customers in that area as a PLR under the Customer Choice Act.

LG&E and KU Energy LLC, headquartered in Louisville, Kentucky, is a wholly owned subsidiary of PPL and a holding company that owns regulated utility operations through its subsidiaries, LG&E and KU, which constitute substantially all of LKE's assets. LG&E and KU are engaged in the generation, transmission, distribution and sale of electricity. LG&E also engages in the distribution and sale of natural gas. LG&E and KU maintain separate corporate identities and serve customers in Kentucky under their respective names. KU also serves customers in Virginia under the Old Dominion Power name. LKE, formed in 2003, is the successor to a Kentucky entity incorporated in 1989.

Louisville Gas and Electric Company, headquartered in Louisville, Kentucky, is a wholly owned subsidiary of LKE and a regulated utility engaged in the generation, transmission, distribution and sale of electricity and distribution and sale of natural gas in Kentucky. LG&E is subject to regulation as a public utility by the KPSC, and certain of its transmission activities are subject to the jurisdiction of the FERC under the Federal Power Act. LG&E was incorporated in 1913.

Kentucky Utilities Company, headquartered in Lexington, Kentucky, is a wholly owned subsidiary of LKE and a regulated utility engaged in the generation, transmission, distribution and sale of electricity in Kentucky 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. KU was incorporated in Kentucky in 1912 and in Virginia in 1991.

Segment Information

(PPL)

PPL is organized into three reportable segments as depicted in the chart above: U.K. Regulated, Kentucky Regulated, and Pennsylvania Regulated. The U.K. Regulated segment has no related subsidiary Registrants. PPL's other reportable segments' results primarily represent the results of its related subsidiary Registrants, except that the reportable segments are also allocated certain corporate level financing costs that are not included in the results of the applicable subsidiary Registrants. PPL also has corporate and other costs, primarily including financing costs incurred at the corporate level that have not been allocated or assigned to the segments, as well as certain other unallocated costs. The financial results of Safari Energy are also reported within Corporate and Other.

A comparison of PPL's three regulated segments is shown below.

	U.K. Regulated	Kentucky Regulated	Pennsylvania Regulated
For the year ended December 31, 2020:			
Operating Revenues (in billions)	$ 2.1	$ 3.1	$ 2.3
Net Income (in millions)	$ 686	$ 418	$ 497
Electricity delivered (GWh)	68,133	29,016	36,008
At December 31, 2020:			
Regulatory Asset Base (in billions) (a)	$ 10.9	$ 10.8	$ 8.3
Service area (in square miles)	21,600	9,400	10,000
End-users (in millions)	8.0	1.3	1.4

(a) Represents RAV for U.K. Regulated, capitalization for Kentucky Regulated and rate base for Pennsylvania Regulated.

See Note 2 to the Financial Statements for additional financial information by segment.

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

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

U.K. Regulated Segment *(PPL)*

The U.K. Regulated segment consists of PPL Global, which primarily includes WPD's regulated electricity distribution operations, the results of hedging the translation of WPD's earnings from British pound sterling into U.S. dollars, and certain costs, such as U.S. income taxes, administrative costs and acquisition-related financing costs.

WPD operates four of the 14 Ofgem regulated DNOs providing electricity service in the U.K. through wholly owned subsidiaries: WPD (South West), WPD (South Wales), WPD (East Midlands) and WPD (West Midlands). The number of network customers (end-users) served by WPD totals 8.0 million across 21,600 square miles in south Wales and southwest and central England. See Note 3 to the Financial Statements for revenue information. WPD's operating revenues are translated from GBP to U.S. dollars using the average exchange rates in effect each month. The annual weighted average of the monthly GBP to U.S. dollar exchange rates used for the years ended December 2020, 2019 and 2018 were $1.28 per GBP, $1.28 per GBP, and $1.34 per GBP.

In August 2020, PPL announced that it initiated a formal process to sell its U.K. utility business. See “Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations – Overview – Financial and Operational Developments – Initiation of Formal Process to Sell U.K. Utility Business.

Franchise and Licenses

WPD’s operations are regulated by Ofgem under the direction of the Gas and Electricity Markets Authority. Ofgem is a non-ministerial government department and an independent National Regulatory Authority responsible for protecting the interests of existing and future electricity and natural gas consumers. The Electricity Act 1989 provides the fundamental framework for electricity companies and established licenses that require each DNO to develop, maintain and operate efficient distribution networks. WPD’s operations are regulated under these licenses which set the outputs WPD needs to deliver to customers and associated revenues WPD is allowed to earn. WPD operates under a regulatory year that begins April 1 and ends March 31 of each year.

Ofgem has the formal power to propose modifications to each distribution license; however, licensees can appeal such changes to the U.K.’s Competition and Markets Authority. Generally, any potential changes to these licenses are reviewed with stakeholders in a formal regulatory consultation process prior to a formal change proposal.

Competition

Although WPD operates in non-exclusive concession areas in the U.K., it currently faces little competition with respect to end-users connected to its network. WPD's four DNOs are, therefore, regulated monopolies, operating under regulatory price controls.

Customers

WPD provides regulated electricity distribution services to licensed third-party energy suppliers who use WPD's networks to transfer electricity to their customers, the end-users. WPD bills energy suppliers for this service and the supplier is responsible for billing its end-users. Ofgem requires that all licensed electricity distributors and suppliers become parties to the Distribution Connection and Use of System Agreement. This agreement specifies how creditworthiness will be determined and, as a result, whether a supplier needs to collateralize its payment obligations.

U.K. Regulation and Rates

Overview

Ofgem has adopted a price control regulatory framework with a balanced objective of enhancing and developing future electricity networks, controlling costs to customers and allowing DNOs, such as WPD's DNOs, to earn a fair return on their investments. This regulatory structure is focused on outputs and performance in contrast to traditional U.S. utility ratemaking that operates under a cost recovery model. Price controls are established based on long-term business plans developed by each DNO with substantial input from its stakeholders. To measure the outputs and performance, each DNO business plan includes incentive targets that allow for increases and/or reductions in revenues based on operational performance, which are intended to align returns with quality of service, innovation and customer satisfaction.

For comparative purposes, amounts listed below are in British pounds sterling, nominal prices and in calendar years unless otherwise noted.

Key Ratemaking Mechanisms

PPL believes the U.K. electricity utility model is a premium jurisdiction in which to do business due to its significant stakeholder engagement, incentive-based structure and high-quality ratemaking mechanisms.

Current Price Control: RIIO-ED1

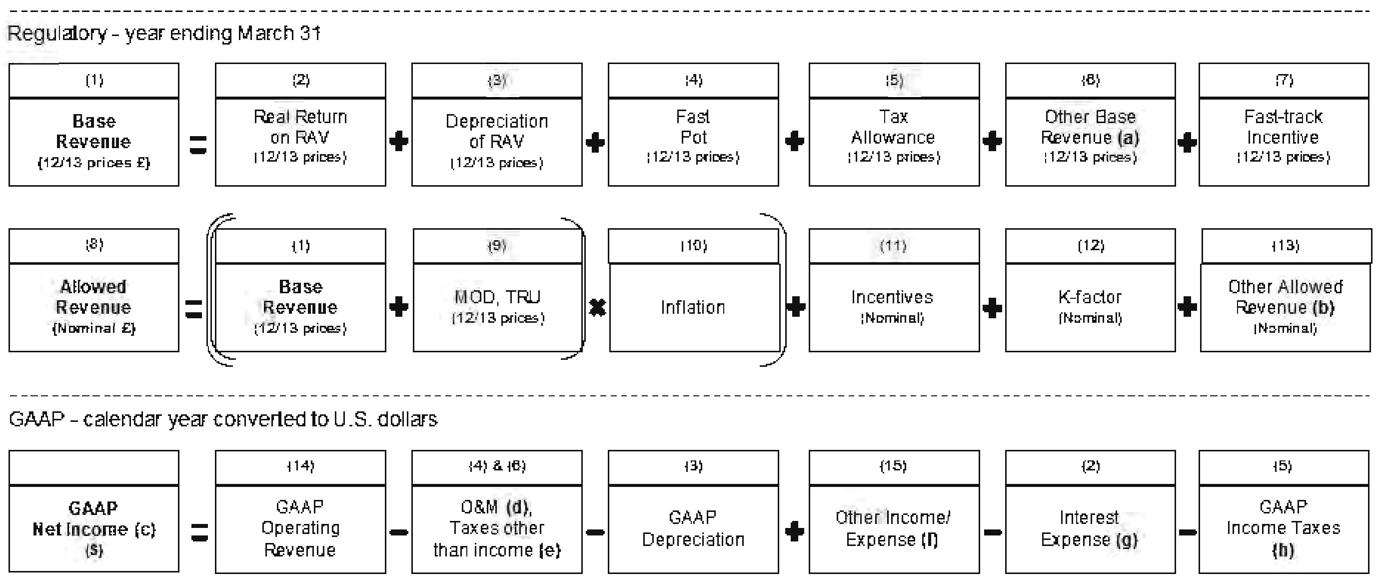
WPD currently operates under an eight-year price control called RIIO-ED1, which commenced for electricity distribution companies on April 1, 2015. The regulatory framework is based on an updated approach for sustainable network regulation known as the "RIIO" model where Revenue = Incentives + Innovation + Outputs.

In coordination with numerous stakeholders, WPD developed its business plans for RIIO-ED1 building off its historical track record and long-term strategy of delivering industry-leading levels of performance at an efficient level of cost. As a result, all four of WPD’s DNOs' business plans were accepted by Ofgem as "well justified" and were "fast-tracked" ahead of all other DNOs. WPD's DNOs were rewarded for being fast-tracked with preferential financial incentives, a higher return on equity and higher cost savings retention under their business plans as discussed further below. However, an unintended consequence of being fast-tracked resulted in WPD being disadvantaged from a cost of debt recovery standpoint, as further discussed within “*(2) Real Return on capital from RAV*” below.

WPD's combined RIIO-ED1 business plans as accepted by Ofgem included funding for total expenditures of approximately £12.8 billion (nominal) over the eight-year period, as follows:

- Totex - £8.5 billion (£6.8 billion recovered as additions to RAV over time ("Slow pot"); £1.7 billion recovered in the year spent in the plan ("Fast pot"));
- Pension deficit funding - £1.2 billion;
- Cost of debt recovery - £1.0 billion;
- Pass Through Charges - £1.6 billion (Property taxes, Ofgem fees and National Grid transmissions charges); and
- Corporate income taxes recovery - £0.5 billion.

The chart below illustrates the building blocks of allowed revenue and GAAP net income for the U.K. Regulated Segment. The revenue components are shown in either 2012/13 prices or nominal prices, consistent with the formulas Ofgem established for RIIO-ED1. The reference numbers shaded in each block correspond with the descriptions that follow.



(a) Primarily pension deficit funding, pass through costs, profiling adjustments and legacy price control adjustments.
(b) Primarily pass through true-ups.
(c) Reference Form 8-K filed February 18, 2021 for U.K. Regulated Segment GAAP Statement of Income component values.
(d) Includes the service cost component of GAAP pension costs/income. See "Defined Benefits, Net periodic defined benefit costs (credits)" in Note 12 to the Financial Statements.
(e) Primarily property taxes.
(f) Primarily includes the non-service cost (credit) components of GAAP pension costs/income and gains and losses on foreign currency hedges.
(g) Includes WPD interest and $32 million of allocated interest expense to finance the acquisition of WPD Midlands.
(h) GAAP income taxes represent an effective tax rate of 18% for 2020, 16% for 2019, 17% for 2018 and approximately 19% going forward.

(1) Base Revenue

The base revenue a DNO can collect in each year of the current price control period is the sum of the following, discussed further below:

- a return on capital from RAV;
- a return of capital from RAV (i.e., depreciation);
- the Fast pot recovery, see discussion "*(4) Expenditure efficiency mechanisms*" below;
- an allowance for cash taxes paid less a potential reduction for tax benefits from excess leverage if a DNO is levered more than 65% Debt/RAV;
- pension deficit funding;
- certain pass-through costs over which the DNO has no control;
- profiling adjustments, see discussion "*(6) Other revenue included in base revenue*" below;
- certain legacy price control adjustments from preceding price control periods, including the information quality incentive (also known as the rolling RAV incentive); and
- fast-track incentive - because WPD's four DNOs were fast-tracked through the price control review process for RIIO-ED1, their base revenue also includes the fast-track incentive.

(2) Real Return on capital from RAV

Real-time returns on cost of regulated equity (real) - Ofgem establishes an allowed return on regulated equity that DNOs earn in their base business plan revenues as a consideration of the financial parameters for each RIIO-ED1 business plan. For WPD, the base cost of equity collected in revenues was set at 6.4% (real). Base equity returns exclude inflation adjustments, allowances for incentive rewards/penalties and over/under collections driven by cost efficiencies. WPD's DNO base equity returns are calculated using an equity ratio of 35% of RAV. The equity ratio was reviewed and set during the RIIO-ED1 business plan process taking various stakeholder impacts into consideration such as costs to consumers, credit ratings and investor needs. The amounts of base real equity return for 2020, 2019 and 2018 were £177 million, £168 million and £160 million.

Indexed cost of debt recovery (real) - As part of WPD's fast-track agreement with Ofgem for RIIO-ED1, WPD collects in revenues an assumed real cost of debt that is derived from a historical 10-year bond index (iBoxx) and adjusted annually for inflation. This calculated real cost of debt is then applied to 65% of RAV at the DNOs to determine the cost of debt revenue recovery. The cost of debt was set at 2.55% in the original "well justified" business plans. The recovery amounts are trued up annually as a component of the MOD true-up mechanism described within "*(9) MOD and Inflation True-Up (TRU)*" below.

As discussed above, WPD's cost of debt revenue allowances are derived from using a rolling 10-year trailing average of historical 10-year bond index (iBoxx); however, the cost of debt revenue allowances for all slow track companies are derived using an extending trailing average of the index. Under this approach, the trailing average period used is progressively extended from 10 to 20 years and consequently short-term fluctuations in the interest rate have a less pronounced effect on the regulatory cost of debt applied. Therefore, WPD's cost of debt recovery is significantly lower than it would have been had it been derived under the approach used for the slow-track companies.

Over the 8-year RIIO-ED1 period WPD is expected to under-recover its cost of debt at the four DNOs, based upon the latest inflation assumptions and projected 10-year iBoxx bond indices rates, by approximately £300 million primarily driven by the previously discussed differing cost of debt recovery calculations. Under the terms of the fast track process, fast tracked companies were not supposed to be disadvantaged financially to slow track companies. It is currently unlikely, however, if WPD will be able to recover any of this under-recovery in the next price control period, RIIO-ED2, beginning April 1, 2023.

Interest costs relating to long-term debt issued at WPD's holding companies are not recovered in revenues and for 2020, 2019 and 2018 were approximately £58 million, £57 million and £46 million.

(3) Recovery of depreciation in revenues - Recovery of depreciation in regulatory revenues is one of the key mechanisms Ofgem uses to support financeable business plans that provide incentives to attract the continued substantial investment required in the U.K. Differences between GAAP and regulatory depreciation exist primarily due to differing assumptions on asset lives and because RAV is adjusted for inflation using RPI.

Compared to asset lives established for GAAP, asset lives established for ratemaking are set by Ofgem based on economic lives which results in improved DNO near-term revenues and cash flows during investment cycles. Under U.K. regulation prior to RIIO-ED1, electric distribution assets were depreciated on a 20-year asset life for the purpose of setting revenues. After review and consultation, Ofgem decided to use 45-year asset lives for RAV additions after April 1, 2015, with transitional arrangements available for DNOs fully demonstrating a need to ensure financeable plans. WPD adopted a transition that has a linear increase in asset lives from 20 to 45 years for additions to RAV in each year of RIIO-ED1 (with additions averaging a life of approximately 35 years over this period), which adds support to its credit metrics. RAV additions prior to March 31, 2015 continue to be recovered in revenues over 20 years.

The asset lives used to determine depreciation expense for GAAP purposes are not the same as those used for the depreciation of the RAV in setting revenues and, as such, vary by asset type and are based on the expected useful lives of the assets. Effective January 1, 2015, after completing a review of the useful lives of its distribution network assets, WPD set the weighted average useful lives to 69 years for GAAP depreciation expense.

Because Ofgem uses a real cost of capital, the RAV and recovery of depreciation are adjusted for inflation using RPI. The inflation revenues collected in this line item help recover the cost of equity and debt returns on a "nominal" basis, compared to the "real" rates used to set the return component of base revenues.

This regulatory construct, in combination with the different assets lives used for ratemaking and GAAP, results in amounts collected by WPD as recovery of depreciation in revenues being significantly higher than the amounts WPD recorded for depreciation expense under GAAP. For 2020, 2019 and 2018, this difference was £458 million, £450 million and £444 million (pre-tax) and positively impacted net income. The difference is expected to continue in the £400 million to £460 million (pre-tax) range at least through 2022 (the last full calendar year of RIIO-ED1), assuming RPI of approximately 3.0% per year from 2021 through 2022 and based on expected RAV additions of approximately £800 million per year to prepare the distribution system for future U.K. energy objectives while maintaining premier levels of reliability and customer service.

(4) Expenditure efficiency mechanisms - Ofgem introduced the concept of Totex in RIIO to ensure all DNOs face equal incentives in choosing between operating and capital solutions. Totex is split between immediate recovery (called "Fast pot") and deferred recovery as an addition to RAV (called "Slow pot"). The ratio of Slow pot to Fast pot was determined by each DNO in its business plan development. WPD established a Totex split of 80% Slow pot and 20% Fast pot for RIIO-ED1 to balance maximizing RAV growth with immediate cost recovery to support investment grade credit ratings. Comparatively, other DNOs on average used a ratio of approximately 70% Slow pot and 30% Fast pot for RIIO-ED1.

Ofgem also allows a Totex Incentive Mechanism that is intended to reward DNOs for cost efficiency. WPD's DNOs are able to retain 70% of any amounts not spent against their RIIO-ED1 plan and bear 70% of any over-spends. Any amounts to be returned to customers are trued up in the AIP discussed below.

Because Fast pot cost recovery represents 20% of Totex expenditures and certain other costs are recovered in other components of revenue, Fast pot will not equal operation and maintenance expenses recorded for GAAP purposes.

(5) Income Tax Allowance - For price control purposes, WPD collects income tax based on Ofgem’s notional tax charge, which will not equal the amount of income tax expense recorded for GAAP purposes. The following table shows the amount of taxes collected in revenues and recorded under GAAP.

	2020	2019	2018
Taxes collected in revenues	£ 55	£ 56	£ 58
Taxes recorded under GAAP	233	167	156

(6) Other revenue included in base revenue - Other revenue included in base revenue primarily consists of pension deficit funding, pass through costs, profiling adjustments and legacy price control adjustments.

Recovery of annual (normal) pension cost and pension deficit funding - Ofgem allows DNOs to recover annual (normal) pension costs through the Totex allocation, split between the previously described Fast pot (immediate recovery) and Slow pot recovery (as an addition to RAV). The amount of normal pension cost is computed by the pension trustees, using assumptions that differ from those used in calculating pension costs/income under GAAP. In addition, the timing of the revenue collection may not match the actual pension payment schedule, resulting in a timing difference of cash flows.

In addition, WPD recovers approximately 80% of pension deficit funding for certain of WPD's defined benefit pension plans in conjunction with actual costs similar to the Fast pot mechanism. The pension deficit is determined by the pension trustees on a triennial basis in accordance with their funding requirements. Pension deficit funding recovered in revenues was £155 million, £151 million and £147 million in 2020, 2019 and 2018. Following the completion of the 2019 Actuarial Valuations and Ofgem's 2020 Reasonableness Review, WPD expects to collect £142 million, £138 million and £62 million in revenues through December 31, 2021, 2022 and 2023.

See Note 12 to the Financial Statements for additional information on pension costs/income recognized under GAAP.

Recovery of pass through costs - WPD recovers certain pass-through costs over which the DNO has no control such as property taxes, National Grid transmission charges and Ofgem fees. Although these items are intended to be pass-through charges there could be timing differences, primarily related to property taxes, as to when amounts are collected in revenues and when amounts are expensed in the Statements of Income. WPD over-collected property taxes by £30 million, £37 million and £38 million in 2020, 2019 and 2018. WPD expects to continue to over-recover property taxes until the end of RIIO-ED1. Amounts under-or over-recovered in revenues in a regulatory year are trued up through revenues two regulatory years later.

Profiling adjustments - Ofgem permitted DNOs the flexibility to make profiling adjustments to their base revenues within their business plans. These adjustments do not affect the total base revenue in real terms over the eight-year price control period but change the year in which the revenue is collected. In the first year of RIIO-ED1, WPD's base revenue decreased by 11.8% compared to the final year of the prior price control period (DPCR5), primarily due to a change in profiling methodology and a lower weighted-average cost of capital. Base revenue then increased by approximately 2.5% per annum before inflation for regulatory years up to March 31, 2019 and will increase by approximately 1% per annum before inflation for each regulatory year thereafter for the remainder of RIIO-ED1.

(7) Incentives for developing high-quality business plans (known as fast-tracking) - For RIIO-ED1, Ofgem incentivized DNOs with certain financial rewards to develop "well justified" business plans that drive value to customers. WPD was awarded the following fast-track incentives:

- an annual fast-track revenue incentive worth 2.5% of Totex (approximately £25 million annually for WPD);
- a real cost of equity rate of 6.4% compared to 6.0% for slow-tracked DNOs; and,
- cost savings retention was established at 70% for WPD compared to approximately 55% for slow-tracked DNOs.

(8) Allowed Revenue - Allowed revenue is the amount that a DNO can collect from its customers in order to fund its investment requirements.

Base revenues are adjusted annually during RIIO-ED1 to arrive at allowed revenues. These adjustments are discussed in sections (9) through (13) below.

(9) MOD and Inflation True-Up (TRU)

MOD - RIIO-ED1 includes an AIP that allows future base revenues, agreed with the regulator as part of the price control review, to be updated during the price control period for financial adjustments including taxes, pensions, cost of debt, legacy price control adjustments from preceding price control periods and adjustments relating to actual and allowed total expenditure together with the Totex Incentive Mechanism (TIM). The AIP calculates an incremental change to base revenue, known as the "MOD" adjustment.

- The MOD provided by Ofgem in November 2016 included the TIM for the 2015/16 regulatory year, as well as the cost of debt calculation based on the 10-year trailing average to October 2016. This MOD of £12 million reduced base revenue in calendar years 2017 and 2018 by £8 million and £4 million.
- The MOD provided by Ofgem in November 2017 for the 2016/17 regulatory year was a £39 million reduction to revenue that reduced base revenue in calendar years 2018 and 2019 by £26 million and £13 million.
- The MOD provided by Ofgem in November 2018 for the 2017/18 regulatory year was a £42 million reduction to revenue that reduced base revenue in calendar year 2019 and 2020 by £28 million and £14 million.
- The MOD provided by Ofgem in November 2019 for the 2018/19 regulatory year was a £81 million reduction to revenue that reduced base revenue in calendar year 2020 by £54 million and will reduce base revenues in calendar year 2021 by £27 million.
- The MOD provided by Ofgem in November 2020 for the 2019/20 regulatory year was a £126 million reduction to revenue that will reduce base revenue in calendar years 2021 and 2022 by £84 million and £42 million.

- The projected MOD for the 2020/2021 regulatory year is a £159 million reduction to revenue that is expected to reduce base revenue in calendar years 2022 and 2023 by £106 million and £53 million.

TRU - As discussed below in "*(10) Inflation adjusted, multi-year rate cycle*," the base revenue for the RIIO-ED1 period was set based on 2012/13 prices. Therefore, an inflation factor as determined by forecasted RPI, provided by HM Treasury, is applied to base revenue. Forecasted RPI is trued up to actuals and affects future base revenue two regulatory years later. This revenue change is called the "TRU" adjustment.

- The TRU for the 2015/16 regulatory year was a £31 million reduction to revenue that reduced base revenue in calendar years 2017 and 2018 by £21 million and £10 million.
- The TRU for the 2016/17 regulatory year was a £6 million reduction to revenue that reduced base revenue in calendar years 2018 and 2019 by £4 million and £2 million.
- The TRU for the 2017/18 regulatory year was a £4 million increase to revenue that increased base revenue in calendar year 2019 and 2020 by £3 million and £1 million.
- The TRU for the 2018/19 regulatory year was a £2 million reduction to revenue that reduced base revenue in calendar year 2020 by £1 million and will reduce base revenue in calendar year 2021 by £1 million.
- The TRU for the 2019/20 regulatory year was a £15 million reduction to revenue that will reduce base revenue in calendar years 2021 and 2022 by £10 million and £5 million.
- The projected TRU for the 2020/21 regulatory year is a £13 million reduction to revenue that is expected to reduce base revenue in calendar years 2022 and 2023 by £9 million and £4 million.

As both MOD and TRU are changes to future base revenues as determined by Ofgem, these adjustments are recognized as a component of revenues in future years in which service is provided and revenues are collected or returned to customers.

(10) Inflation adjusted, multi-year rate cycle - Ofgem built its price control framework to better coincide with the long-term nature of electricity distribution investments. The current price control for electricity distribution is for the eight-year period from April 1, 2015 through March 31, 2023. This both required and enabled WPD to design a base business plan with predictable revenues and expenses over the long-term to drive value for its customers through predetermined outputs and for its investors through preset base returns. A key aspect to the multi-year cycle is an annual inflation adjustment for revenue and cost components, which are inflated using RPI from the base 2012/13 prices used to establish the business plans. Consistent with Ofgem's formulas, the inflation adjustment is applied to base revenue, MOD and TRU when determining allowed revenue. This inflation adjustment also has the effect of inflating RAV, and real returns are earned on the inflated RAV.

(11) Incentive revenues for strong operational performance and innovation - Ofgem has established incentives to provide opportunities for DNOs to enhance overall returns by improving network efficiency, reliability and customer service. These incentives can result in an increase or reduction in revenues based on incentives or penalties for actual performance against pre-established targets based on past performance. Some of the more significant incentives that may affect allowed revenue include the Interruptions Incentive Scheme (IIS), the broad measure of customer service (BMCS) and the time to connect (TTC) incentive:

- The IIS has two major components: (1) Customer interruptions (CIs) and (2) Customer minutes lost (CMLs), and both are designed to incentivize the DNOs to invest in and operate their networks to manage and reduce both the frequency and duration of power outages.
- The BMCS encompasses customer satisfaction in supply interruptions, connections and general inquiries, complaints, stakeholder engagement and delivery of social obligations.
- The TTC incentive rewards DNOs for reducing connection times for minor connections against an Ofgem set target.

The annual incentives and penalties are reflected in customer rates on a two-year lag from the time they are earned and/or assessed. Based on applicable GAAP, incentive revenues and penalties are recorded in revenues when they are billed to customers. The following table shows the amount of incentive revenues (in total), primarily from IIS, BMCS and TTC that WPD has received and is projected to receive on a calendar year basis:

Calendar Year Ended Incentive Earned	Incentive Received (in millions)	Calendar Year Ended Incentive Included in Revenue
2016	£ 76	2018
2017	72	2019
2018	78	2020
2019	85	2021
2020 (a)	75-85	2022
2021 (a)	75-85	2023

(a) Reflects projected incentive revenues.

(12) Correction Factor (K-factor) - During the price control period, WPD sets its tariffs to recover allowed revenue. However, in any fiscal period, WPD's revenue could be negatively affected if its tariffs and the volume delivered do not fully recover the allowed revenue for a particular period. Conversely, WPD could over-recover revenue. Over- and under-recoveries are subtracted from or added to allowed revenue in future years, known as the "Correction Factor" or "K-factor." Over and under-recovered amounts during RIIO-ED1 will be refunded/recovered two regulatory years later.

- The K-factor for the 2015/16 regulatory year was a £4 million under-recovery that increased allowed revenue in calendar years 2017 and 2018 by £3 million and £1 million.
- The K-factor for the 2016/17 regulatory year was a £23 million over-recovery that reduced allowed revenue in calendar years 2018 and 2019 by £15 million and £8 million.
- The K-factor for the 2017/18 regulatory year was a £3 million over-recovery that reduced allowed revenue in calendar year 2019 and 2020 by £2 million and £1 million.
- The K-factor for the 2018/19 regulatory year was a £16 million over-recovery that reduced allowed revenue in calendar year 2020 by £11 million and will reduce allowed revenue in calendar year 2021 by £5 million.
- The K-factor for the 2019/20 regulatory year was a £25 million under-recovery that will increase allowed revenue in calendar years 2021 and 2022 by £17 million and £8 million.
- The projected K-factor for the 2020/21 regulatory year is a £88 million under-recovery that is expected to increase allowed revenue in calendar years 2022 and 2023 by £59 million and £29 million.

Historically, tariffs have been set a minimum of three months prior to the beginning of the regulatory year (April 1). In 2015, Ofgem determined that, beginning with the 2017/18 regulatory year, tariffs would be established a minimum of fifteen months in advance. This change will potentially increase volatility in future revenue forecasts due to the need to forecast components of allowed revenue including MOD, TRU, K-factor and incentive revenues.

(13) Other Allowed Revenue - Other Allowed Revenue primarily consists of pass through true-ups. For a discussion on property tax true-ups, see recovery of pass through costs in "*(6) Other revenue included in base revenue*" above.

(14) GAAP Operating Revenue - Operating revenue under GAAP primarily consists of allowed revenue, which has been converted to rates and earned as electricity was delivered in the calendar year, converted to U.S. dollars. It also includes miscellaneous revenue primarily from engineering recharge work and ancillary activity revenue. Engineering recharge is work performed for a third party by WPD which is not for general network maintenance or to increase reliability. Examples are diversions and running new lines and equipment for a new housing complex. Ancillary activity revenue includes revenue primarily from WPD’s Telecoms and Property companies. The amounts of miscellaneous revenue for 2020, 2019 and 2018 were £121 million, £115 million and £115 million. The margin or profit on these activities, however, was not significant.

(15) Currency Hedging - Earnings generated by PPL's U.K. subsidiaries are subject to foreign currency translation risk. Due to the significant earnings contributed from WPD, 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.

GAAP Accounting implications

As the regulatory model in the U.K. is incentive based rather than a cost recovery model, WPD is not subject to accounting for the effects of certain types of regulation as prescribed by GAAP. Therefore, the accounting treatment for the differences in the amounts collected in revenues and the amounts recorded for expenses related to depreciation, pensions, cost of debt and income taxes, and the adjustments to base revenue and/or allowed revenue are evaluated primarily based on revenue recognition guidance.

See "Revenue Recognition" in Note 1 to the Financial Statements for additional information.

See "Overview - Financial and Operational Developments - RIIO-2 Framework" in "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" for information on the RIIO-2 Framework which will commence on April 1, 2023.

Kentucky Regulated Segment *(PPL)*

The Kentucky Regulated segment consists of the operations of LKE, which owns and operates regulated public utilities engaged in the generation, transmission, distribution and sale of electricity and distribution and sale of natural gas, representing primarily the activities of LG&E and KU. In addition, certain acquisition-related financing costs are allocated to the Kentucky Regulated segment.

(PPL, LKE, LG&E and KU)

LG&E and KU, direct subsidiaries of LKE, are engaged in the regulated generation, transmission, distribution and sale of electricity in Kentucky and, in KU's case, also Virginia. LG&E also engages in the distribution and sale of natural gas in Kentucky. LG&E provides electricity service to approximately 425,000 customers in Louisville and adjacent areas in Kentucky, covering approximately 700 square miles in nine counties and provides natural gas service to approximately 332,000 customers in its electricity service area and eight additional counties in Kentucky. KU provides electric service to approximately 536,000 customers in 77 counties in central, southeastern and western Kentucky and approximately 28,000 customers in five counties in southwestern Virginia, covering approximately 4,800 non-contiguous square miles. KU also sells wholesale electricity to two municipalities in Kentucky under load following contracts. See Note 3 to the Financial Statements for revenue information.

Franchises and Licenses

LG&E and KU provide electricity delivery service, and LG&E provides natural gas distribution service, in their respective service territories pursuant to certain franchises, licenses, statutory service areas, easements and other rights or permissions granted by state legislatures, cities or municipalities or other entities.

Competition

There are currently no other electric public utilities operating within the electricity service areas of LKE. From time to time, bills are introduced into the Kentucky General Assembly which seek to authorize, promote or mandate increased distributed generation, customer choice or other developments. Neither the Kentucky General Assembly nor the KPSC has adopted or approved a plan or timetable for retail electric industry competition in Kentucky. The nature or timing of legislative or regulatory actions, if any, regarding industry restructuring and their impact on LKE, which may be significant, cannot currently be predicted. Virginia, formerly a deregulated jurisdiction, has enacted legislation that implemented a hybrid model of cost-based regulation. KU's operations in Virginia have been and remain regulated.

Alternative energy sources such as electricity, oil, propane and other fuels indirectly impact LG&E's natural gas revenues. Marketers may also compete to sell natural gas to certain large end-users. LG&E's natural gas tariffs include gas price pass-through mechanisms relating to its sale of natural gas as a commodity. Therefore, customer natural gas purchases from alternative suppliers do not generally impact LG&E's profitability. Some large industrial and commercial customers, however, may physically bypass LG&E's facilities and seek delivery service directly from interstate pipelines or other natural gas distribution systems.

Power Supply

At December 31, 2020, LKE owned generating capacity of 7,561 MW, of which 2,786 MW related to LG&E and 4,775 MW related to KU. See "Item 2. Properties - Kentucky Regulated Segment" for a complete list of LKE's generating facilities.

The system capacity of LKE's owned or controlled generation is based upon a number of factors, including the operating experience and physical condition of the units, and may be revised periodically to reflect changes in circumstances.

During 2020, LKE's power plants generated the following amounts of electricity:

	GWh		
Fuel Source	**LKE**	**LG&E**	**KU**
Coal	24,039	9,961	14,078
Gas	5,370	1,274	4,096
Hydro	367	242	125
Solar	18	7	11
Total (a)	29,794	11,484	18,310

(a) This generation represents decreases for LKE, LG&E and KU of 8%, 13% and 4% from 2019 output.

The majority of LG&E's and KU's generated electricity was used to supply their retail customer bases.

LG&E and KU jointly dispatch their generation units with the lowest cost generation used to serve their customers. When LG&E has excess generation capacity after serving its own customers and its generation cost is lower than that of KU, KU purchases electricity from LG&E and vice versa.

Due to environmental requirements and energy efficiency measures, as of December 31, 2020, LG&E and KU have retired approximately 1,200 MW of coal-fired generation plants since 2010.

LG&E and KU received approval from the KPSC to develop a 4 MW Solar Share facility to service a Solar Share program. The Solar Share program is a voluntary program that allows customers to subscribe capacity in the Solar Share facility. Construction commences, in 500-kilowatt phases, when subscription is complete. Construction of two 500-kilowatt phases was completed as of December 31, 2020. The subscription for the third and fourth 500-kilowatt phase was completed with construction expected to be completed in 2021. LG&E and KU continue to market the program and have started receiving subscriptions for the fifth 500-kilowatt phase.

On January 23, 2020, LG&E and KU applied to the KPSC for approval of arrangements relating to the purchase of 100 MW of solar power in connection with the Green Tariff option established in the 2018 Kentucky base rate cases. Pursuant to the agreements, LG&E and KU would purchase the initial 20 years of output of a proposed third-party solar generation facility and resell the bulk of the power as renewable energy to two large industrial customers and use the remaining power for other customers. On May 8, 2020, the KPSC issued an order approving LG&E's and KU's applications with certain modifications. LG&E and KU requested reconsideration of limited portions of the KPSC's Order and on December 16, 2020, the KPSC amended their original order. PPL, LKE, LG&E and KU do not anticipate that these arrangements will have a significant impact on their results of operations or financial condition.

Fuel Supply

Coal and natural gas are expected to be the predominant fuels used by LG&E and KU for generation for the foreseeable future. Natural gas used for generation is primarily purchased using contractual arrangements separate from LG&E's natural gas distribution operations. Natural gas and oil are also used for intermediate and peaking capacity and flame stabilization in coal-fired boilers.

Fuel inventory is maintained at levels estimated to be necessary to avoid operational disruptions at coal-fired generating units. Reliability of coal deliveries can be affected from time to time by a number of factors including fluctuations in demand, coal mine production issues, high or low river level events, lock outages and other supplier or transporter operating difficulties.

LG&E and KU have entered into coal supply agreements with various suppliers for coal deliveries through 2024 and augment their coal supply agreements with spot market purchases, as needed.

For their existing units, LG&E and KU expect, for the foreseeable future, to purchase most of their coal from western Kentucky, southern Indiana, southern Illinois, northern West Virginia and western Pennsylvania. LG&E and KU continue to purchase certain quantities of ultra-low sulfur content coal from Wyoming for blending at Trimble County Unit 2. Coal is delivered to the generating plants primarily by barge and rail.

To enhance the reliability of natural gas supply, LG&E and KU have secured firm long-term pipeline transport capacity with contracts of various durations through 2024 on the interstate pipeline serving Cane Run Unit 7. This pipeline also serves the six simple cycle combustion turbine units located at the Trimble County site as well as three other simple cycle units at the Paddy's Run site. For the seven simple cycle combustion turbines at the E.W. Brown facility, no firm long-term pipeline transport capacity has been purchased due to the facility being interconnected to two pipelines and some of the units having dual fuel capability.

LG&E and KU have firm contracts for a portion of the natural gas fuel for Cane Run Unit 7 through March 2023. The bulk of the natural gas fuel remains purchased on the spot market.

(PPL, LKE and LG&E)

Natural Gas Distribution Supply

Five underground natural gas storage fields, with a current working natural gas capacity of approximately 15 billion cubic feet (Bcf), are used to provide natural gas service to LG&E's firm sales customers. Natural gas is stored during the summer season for withdrawal during the following winter heating season. Without this storage capacity, LG&E would need to purchase additional natural gas and pipeline transportation services during winter months when customer demand increases and the prices for natural gas supply and transportation services are expected to be higher. At December 31, 2020, LG&E had 12 Bcf of natural gas stored underground with a carrying value of $30 million.

LG&E has a portfolio of supply arrangements of varying durations and terms that provide competitively priced natural gas designed to meet its firm sales obligations. These natural gas supply arrangements include pricing provisions that are market-responsive. In tandem with pipeline transportation services, these natural gas supplies provide the reliability and flexibility necessary to serve LG&E's natural gas customers.

LG&E purchases natural gas supply transportation services from two pipelines. LG&E has contracts with one pipeline that are subject to termination by LG&E between 2023 and 2026. Total winter season capacity under these contracts is 184,900 MMBtu/day and summer season capacity is 60,000 MMBtu/day. With this same pipeline, LG&E also has another contract for pipeline capacity through 2026 for 60,000 MMBtu/day during both the winter and summer seasons. LG&E has a single contract with a second pipeline with a total capacity of 20,000 MMBtu/day during both the winter and summer seasons that expires in 2023.

LG&E expects to purchase natural gas supplies for its gas distribution operations from onshore producing regions in South Texas, East Texas, North Louisiana and Arkansas, as well as gas originating in the Marcellus and Utica production areas.

(PPL, LKE, LG&E and KU)

Transmission

LG&E and KU contract with the Tennessee Valley Authority to act as their transmission reliability coordinator and contract with TranServ International, Inc. to act as their independent transmission organization.

Rates

LG&E is subject to the jurisdiction of the KPSC and FERC, and KU is subject to the jurisdiction of the KPSC, FERC and VSCC. LG&E and KU operate under a FERC-approved open access transmission tariff.

LG&E's and KU's Kentucky base rates are calculated based on a return on capitalization (common equity, long-term debt and short-term debt) including adjustments for certain net investments and costs recovered separately through other means. As such, LG&E and KU generally earn a return on regulatory assets in Kentucky.

KU's Virginia base rates are calculated based on a return on rate base (net utility plant plus working capital less accumulated deferred income taxes and miscellaneous deductions). As all regulatory assets and liabilities, except the levelized fuel factor and regulatory assets or liabilities recorded for pension and postretirement benefits and AROs related to certain CCR impoundments, are excluded from the return on rate base utilized in the calculation of Virginia base rates, no return is earned on the related assets.

KU's rates to municipal customers for wholesale power requirements are calculated based on annual updates to a formula rate that utilizes a return on rate base (net utility plant plus working capital less accumulated deferred income taxes and miscellaneous deductions). As all regulatory assets and liabilities are excluded from the return on rate base utilized in the development of municipal rates, no return is earned on the related assets. In April 2014, certain municipalities submitted notices of termination to cease taking power under the wholesale requirements contracts. KU's service to eight municipalities terminated effective April 30, 2019. KU continues to provide service to two municipalities.

See "Financial and Operational Developments" in "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 7 to the Financial Statements for additional information on current rate proceedings and rate mechanisms.

Pennsylvania Regulated Segment *(PPL)*

The Pennsylvania Regulated segment consists of PPL Electric, a regulated public utility engaged in the distribution and transmission of electricity.

(PPL and PPL Electric)

PPL Electric delivers electricity to approximately 1.4 million customers in a 10,000-square mile territory in 29 counties within eastern and central Pennsylvania. PPL Electric also provides electricity to retail customers in this territory as a PLR under the Customer Choice Act. See Note 3 to the Financial Statements for revenue information.

Franchise, Licenses and Other Regulations

PPL Electric is authorized to provide electric public utility service throughout its service area as a result of grants by the Commonwealth of Pennsylvania in corporate charters to PPL Electric and companies which it has succeeded, and as a result of certification by the PUC. PPL Electric is granted the right to enter the streets and highways by the Commonwealth subject to certain conditions. In general, such conditions have been met by ordinance, resolution, permit, acquiescence or other action by an appropriate local political subdivision or agency of the Commonwealth.

Competition

Pursuant to authorizations from the Commonwealth of Pennsylvania and the PUC, PPL Electric operates a regulated distribution monopoly in its service area. Accordingly, PPL Electric does not face competition in its electricity distribution business. Pursuant to the Customer Choice Act, generation of electricity is a competitive business in Pennsylvania, and PPL Electric does not own or operate any generation facilities.

The PPL Electric transmission business, operating under a FERC-approved PJM Open Access Transmission Tariff, is subject to competition pursuant to FERC Order 1000 from entities that are not incumbent PJM transmission owners with respect to the construction and ownership of transmission facilities within PJM.

Rates and Regulation

Transmission

PPL Electric's transmission facilities are within PJM, which operates the electricity transmission network and electric energy market in the Mid-Atlantic and Midwest regions of the U.S.

PJM serves as a FERC-approved Regional Transmission Operator (RTO) to promote greater participation and competition in the region it serves. In addition to operating the electricity transmission network, PJM also administers regional markets for energy, capacity and ancillary services. A primary objective of any RTO is to separate the operation of, and access to, the transmission grid from market participants that buy or sell electricity in the same markets. Electric utilities continue to own the transmission assets and to receive their share of transmission revenues, but the RTO directs the control and operation of the transmission facilities. Certain types of transmission investments are subject to competitive processes outlined in the PJM tariff.

As a transmission owner, PPL Electric's transmission revenues are recovered through PJM and billed in accordance with a FERC-approved Open Access Transmission Tariff that allows recovery of incurred transmission costs, a return on transmission-related plant and an automatic annual update based on a formula-based rate recovery mechanism. Under this formula, rates are put into effect in June of each year based upon prior year actual expenditures and current year forecasted capital additions. Rates are then adjusted the following year to reflect actual annual expenses and capital additions, as reported in PPL Electric’s annual FERC Form 1, filed under the FERC’s Uniform System of Accounts. Any difference between the revenue requirement in effect for the prior year and actual expenditures incurred for that year is recorded as a regulatory asset or regulatory liability. Any change in the prior year PPL zonal peak load billing factor applied on January 1 of each year will result in an increase or decrease in revenue until the next annual rate update is effective on June 1 of that same year.

As a PLR, PPL Electric also purchases transmission services from PJM. See "PLR" below.

See Note 7 to the Financial Statements for additional information on rate mechanisms.

Distribution

PPL Electric's distribution base rates are calculated based on a return on rate base (net utility plant plus a cash working capital allowance less plant-related deferred taxes and other miscellaneous additions and deductions). All regulatory assets and liabilities are excluded from the return on rate base. Therefore, no return is earned on the related assets unless specifically provided for by the PUC. Currently, PPL Electric's Smart Meter rider and the DSIC are the only riders authorized to earn a return. Certain operating expenses are also included in PPL Electric's distribution base rates including wages and benefits, other operation and maintenance expenses, depreciation and taxes.

Pennsylvania's Alternative Energy Portfolio Standard (AEPS) requires electricity distribution companies and electricity generation suppliers to obtain from alternative energy resources a portion of the electricity sold to retail customers in Pennsylvania. Under the default service procurement plans approved by the PUC, PPL Electric purchases all of the alternative energy generation supply it needs to comply with the AEPS.

Act 129 created an energy efficiency and conservation program, a demand side management program, smart metering technology requirements, new PLR generation supply procurement rules, remedies for market misconduct and changes to the existing AEPS.

Act 11 authorizes the PUC to approve two specific ratemaking mechanisms: the use of a fully projected future test year in base rate proceedings and, subject to certain conditions, the use of a DSIC. Such alternative ratemaking procedures and mechanisms provide opportunity for accelerated cost-recovery and, therefore, are important to PPL Electric as it is in a period of significant capital investment to maintain and enhance the reliability of its delivery system, including the replacement of aging assets. PPL Electric utilized the fully projected future test year mechanism in its 2015 base rate proceeding. PPL has had the ability to utilize the DSIC recovery mechanism since July 2013.

See "Financial and Operational Developments" in "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 7 to the Financial Statements for additional information on legislative and regulatory matters.

PLR

The Customer Choice Act requires electric distribution companies, including PPL Electric, or an alternative supplier approved by the PUC, to act as a PLR of electricity supply for customers who do not choose to shop for supply with a competitive supplier and provides that electricity supply costs will be recovered by the PLR pursuant to PUC regulations. In 2020, the following average percentages of PPL Electric's customer load were provided by competitive suppliers: 42% of residential, 81% of small commercial and industrial and 98% of large commercial and industrial customers. The PUC continues to favor expanding the competitive market for electricity.

PPL Electric's cost of electricity generation is based on a competitive solicitation process. The PUC approved PPL Electric's default service plan for the period June 2017 through May 2021, which included a total of eight semi-annual solicitations for electricity supply. Additionally, on December 17, 2020, the PUC approved PPL Electric's next default service plan for the period of June 2021 through May 2025, which includes a total of eight solicitations for electricity supply held semiannually in April and October. The new plan also includes eight solicitations for alternative energy credits held semiannually in January and July with the first solicitation being in July 2021 and the final solicitation being in January 2025.

Pursuant to the plans, PPL Electric contracts for all of the electricity supply for residential, commercial and industrial customers who elect to take default service from PPL Electric. These solicitations contain a mix of products including 5-year block energy contracts for residential customers, 6- and 12-month fixed-price load-following contracts for residential and small commercial and industrial customers, 12-month real-time pricing contracts for large commercial and industrial customers, and alternative energy credit contracts for residential, commercial and industrial customers. These contracts fulfill PPL Electric's obligation to provide customer electricity supply as a PLR.

Numerous alternative suppliers have offered to provide generation supply in PPL Electric's service area. As the cost of generation supply is a pass-through cost for PPL Electric, its financial results are not impacted if its customers purchase electricity supply from these alternative suppliers.

Corporate and Other *(PPL)*

PPL Services provides PPL subsidiaries with administrative, management and support services. The costs of these services are charged directly to the respective recipients for the services provided or indirectly charged to applicable recipients based on an average of the recipients' relative invested capital, operation and maintenance expenses and number of employees or a ratio of overall direct and indirect costs.

PPL Capital Funding, PPL's financing subsidiary, provides financing for the operations of PPL and certain subsidiaries. PPL's growth in rate-regulated businesses provides the organization with an enhanced corporate level financing alternative, through PPL Capital Funding, that enables PPL to cost effectively support targeted credit profiles across all of PPL's rated companies. As a result, PPL plans to utilize PPL Capital Funding as a source of capital in future financings, in addition to continued direct financing by the operating companies.

Unlike PPL Services, PPL Capital Funding's costs are not generally charged to PPL subsidiaries. Costs are charged directly to PPL. However, PPL Capital Funding participated significantly in the financing for the acquisitions of LKE and WPD Midlands and certain associated financing costs were allocated to the Kentucky Regulated and U.K. Regulated segments. The associated financing costs, as well as the financing costs associated with prior issuances of certain other PPL Capital Funding securities, have been assigned to the appropriate segments for purposes of PPL management's assessment of segment performance. The financing costs associated primarily with PPL Capital Funding's securities issuances beginning in 2013, with certain exceptions, have not been directly assigned or allocated to any segment.

During the second quarter of 2018, PPL completed the acquisition of all the outstanding membership interests of Safari Energy, a privately held provider of solar energy solutions for commercial customers in the U.S. The acquisition is not material to PPL and the financial results of Safari Energy are reported within Corporate and Other.

ENVIRONMENTAL MATTERS

(All Registrants)

The Registrants are subject to certain existing and developing federal, regional, state and local laws and regulations with respect to air and water quality, land use and other environmental matters. The EPA and other federal agencies with jurisdiction over environmental matters have issued numerous environmental regulations relating to air, water and waste that directly affect the electric power industry. Due to these environmental issues, it may be necessary for the Registrants to modify or cease certain operations or operation of certain facilities to comply with statutes, regulations and other requirements of regulatory bodies or courts. In addition, legal challenges to environmental permits or rules add uncertainty to estimating future costs of complying with such permits and rules. The new U.S. presidential administration is expected to undertake an assessment of potential changes in a wide range of environmental programs.

See “Legal Matters” in Note 14 to the Financial Statements for a discussion of environmental commitments and contingencies. See "Financial Condition - Liquidity and Capital Resources - Forecasted Uses of Cash - Capital Expenditures" in "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" for information on projected environmental capital expenditures for 2021 through 2025.

LG&E and KU are entitled to recover, through the ECR mechanism, certain costs of complying with the Clean Air Act, as amended, and other federal, state and local environmental requirements applicable to coal combustion wastes and by-products from coal-fired generating facilities upon KPSC review. Costs not covered by the ECR mechanism for LG&E and KU and all such costs for PPL Electric are subject to rate recovery at the discretion of the companies' respective state regulatory authorities, or the FERC, if applicable. WPD's distribution businesses are subject to certain statutory and regulatory environmental requirements. It may be necessary for WPD to incur significant compliance costs, which may be recoverable through rates subject to Ofgem approval. Because neither WPD nor PPL Electric own any generating plants, their exposure to related environmental compliance costs is reduced. PPL, PPL Electric, LKE, LG&E and KU can provide no assurances as to the ultimate outcome of future proceedings before regulatory authorities.

Air

(PPL, LKE, LG&E and KU)

NAAQS

The Clean Air Act has a significant impact on the operation of fossil fuel generation plants. The Clean Air Act requires the EPA periodically to establish and review National Ambient Air Quality Standards, known as NAAQS, for six pollutants: carbon monoxide, lead, nitrogen dioxide, ozone (contributed to by nitrogen oxide emissions), particulate matter and sulfur dioxide. In December 2020, the EPA released final actions keeping the existing NAAQS standard for particulate matter and ozone without change. PPL, LKE, LG&E, and KU are unable to predict the outcome of future evaluations by the EPA and the states with respect to the NAAQS standards.

Applicable regulations require each state to identify areas within its boundaries that fail to meet the NAAQS, (known as nonattainment areas), and develop a state implementation plan to achieve and maintain compliance. States that are found to contribute significantly to another state's nonattainment with ozone standards are required to establish "good neighbor" state implementation plans. In addition, for attainment of ozone and fine particulates standards, certain states, including Kentucky, are subject to a regional EPA program known as the Cross-State Air Pollution Rule (CSAPR).

In January 2018, the EPA designated Jefferson County, Kentucky (Louisville) as being in nonattainment with the existing 2015 ozone standard. In 2020, LG&E entered into an agreement with the Louisville Metro Air Pollution Control District for temporary nitrogen oxide emission limits at LG&E's Mill Creek Station during 2020 to facilitate compliance with the ozone standard. If Jefferson County is unable to demonstrate attainment within the specified timeframes, it may be “bumped up” to the moderate nonattainment classification and thus subject to additional requirements including requirements for installation of reasonably available control technology on coal-fired generating units. Compliance with such requirements may require installation of additional pollution controls or other compliance actions. LKE and LG&E are unable to determine the impact on operations until certain compliance determinations are made by the EPA and Kentucky.

In December 2018, the EPA finalized the CSAPR "Close-Out Rule," determining that the existing CSAPR "Update Rule" for the 2008 ozone NAAQS fully addresses applicable states' interstate pollution transport obligations. Various states and others challenged the rule in the U.S. Court of Appeals for the D.C. Circuit (D.C. Circuit). In September 2019, the D.C. Circuit granted these petitions and remanded a portion of the CSAPR Update Rule to the EPA. In October 2020, the EPA released proposed revisions to the CSAPR Update Rule providing for rescission of Kentucky's approved good neighbor state implementation plan and additional 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.

Climate Change

There is continuing world-wide attention focused on issues related to climate change. In 2015, 195 nations, including the U.S., signed the Paris Agreement on Climate, establishing non-binding targets to reduce GHG emissions from both developed and developing nations. In 2017, the President announced a U.S. withdrawal from the Paris Agreement, effective November 2020. In January 2021, the new U.S. presidential administration initiated the process to rejoin the Paris Agreement. The new U.S. presidential administration also issued executive orders directing agencies to conduct a general review of regulations and executive actions relating to the environment and reestablished a framework for considering the social cost of carbon as part of certain agency cost-benefit analyses for new regulations. The new U.S. presidential administration is considering a wide range of additional policies, executive orders, rules, legislation and other initiatives to address climate change. Some of these initiatives may include repeal of policies, executive orders or rules implemented by the prior administration. Additionally, there are ongoing efforts by various state and local governments to assess potential changes to legislation, rules, policies, directives, and other requirements applicable to greenhouse gas emissions. PPL, LKE, LG&E and KU cannot predict the outcome of ongoing developments.

The U.K. has enacted binding carbon reduction requirements that are applicable to WPD. Under the U.K. law, WPD must purchase carbon allowances to offset emissions associated with WPD's operations. The cost of these allowances is not significant and is included in WPD's current operating expenses.

The EPA's Affordable Clean Energy Rule

In July 2019, the EPA repealed the Clean Power Plan and finalized the Affordable Clean Energy (ACE) Rule which gives states broad latitude to establish emission guidelines providing for plant-specific efficiency upgrades or "heat-rate improvements" to reduce GHG emissions per unit of electricity generated. States are generally allowed three years to submit plans establishing standards of performance, while the EPA anticipates that most facilities will be required to demonstrate compliance within two years of plan approval. The EPA intends to take additional action to finalize new criteria for determining whether efficiency projects will trigger New Source Review and thus be subject to more stringent emission controls. LG&E and KU are currently working with state agencies on submittal of compliance plans to the EPA. Various entities filed petitions for review and petitions for reconsideration. On January 19, 2021, the D.C. Circuit Court issued an opinion finding that the EPA had erroneously repealed the Clean Power Plan. The D.C Circuit Court's opinion also vacated and remanded the ACE Rule to the EPA. PPL, LKE, LG&E, and KU cannot predict the outcome of the pending litigation and regulatory proceedings or changes that may be pursued by the new U.S. presidential administration, but believe that the costs would be subject to rate recovery.

Water/Waste

(PPL, LKE, LG&E and KU)

Clean Water Act

Regulations under the federal Clean Water Act dictate permitting and mitigation requirements for facilities and construction projects that impact "Waters of the United States." Many other requirements relate to power plant operations, including the treatment of pollutants in effluents prior to discharge, the temperature of effluent discharges and the location, design and construction of cooling water intake structures at generating facilities, and standards intended to protect aquatic organisms that become trapped at or pulled through cooling water intake structures at generating facilities. These requirements could impose significant costs for LG&E and KU, which are expected to 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 14 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. In December 2020, the EPA published draft guidance addressing how the Supreme Court decision applies to the Clean Water Act National Pollutant Elimination System permit program. 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 regulatory developments and judicial rulings could potentially subject certain releases from CCR impoundments and landfills to additional permitting and remediation requirements, which could impose substantial costs. 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.

Seepages and Groundwater Infiltration

In addition to the actions described above, LG&E and KU have completed, or are completing, assessments of seepages or groundwater infiltration at various facilities and have completed, or are working with agencies to implement, further testing, monitoring or abatement measures, where applicable. Depending on the circumstances in each case, certain costs, which may be subject to rate recovery, could be significant.

Superfund and Other Remediation

(All Registrants)

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

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

See "Legal Matters" in Note 14 to the Financial Statements for additional information.

(All Registrants)

SEASONALITY

The demand for and market prices of electricity and natural gas are affected by weather. As a result, the Registrants' operating results in the future may fluctuate substantially on a seasonal basis, especially when unpredictable weather conditions make such fluctuations more pronounced. The pattern of this fluctuation may change depending on the type and location of the facilities owned. See "Item 1. Business - Environmental Matters - Air" for additional information regarding climate change.

FINANCIAL CONDITION

See "Financial Condition" in "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" for this information.

CAPITAL EXPENDITURE REQUIREMENTS

See "Financial Condition - Liquidity and Capital Resources - Forecasted Uses of Cash - Capital Expenditures" in "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" for information concerning projected capital expenditure requirements for 2021 through 2025. See "Item 1. Business - Environmental Matters" for additional information concerning the potential impact on capital expenditures from environmental matters.

HUMAN CAPITAL

PPL, together with its subsidiaries, is committed to fostering an exceptional workplace for employees. PPL pledges to enable success of its current and future workforce through a human capital management approach that cultivates a diverse, equitable and inclusive culture, fosters professional development and encourages employee engagement. Matters related to these priorities and corporate culture are overseen by PPL's senior management, which provides updates to the PPL Board of Directors (the Board). Three priorities of this commitment and their oversight are as follows:

- Diversity, equity and inclusion (DEI) – Foster an inclusive, respectful and diverse workplace. Senior management reviews demographic metrics, DEI objectives and associated programs semi-annually. The Director of Diversity, Inclusion and Talent Management also reports to the Board on the company’s DEI strategy.
- Employee engagement – Create a workplace that fosters an engaged, high-quality workforce. PPL’s operating companies regularly conduct assessments related to employee engagement, safety and culture. Senior management reviews corporate culture with the Board annually.
- Human capital – Invest in our current and future workforce through training and development, succession planning and creation of a pipeline for internal advancement. In addition to challenging careers and competitive salaries, PPL offers competitive benefits programs to attract and retain talent and support employees’ well-being. PPL offers competitive vacation time, expanded leave for new parents, retirement programs, and internal and external development opportunities, including tuition reimbursement offerings for undergraduate and certain graduate degrees. Senior management reviews succession planning with the Compensation Committee of the Board on an annual basis.

PPL is also committed to maintaining an ethical and safe workplace culture. Additional steps to ensure Board oversight in these areas include:

- Compliance – The Corporate Compliance Committee, including senior executives, meets quarterly to discuss metrics and other matters related to the compliance and ethics culture. Among the items discussed are statistics regarding Ethics Helpline reports and employee concerns. This information is also reviewed with the Audit Committee of the Board quarterly.
- Safety – PPL carries out programs focused on health and safety, including emergency preparedness, vehicle safety and accident prevention. Employees receive safety training and are encouraged to share best practices. Senior management receives monthly safety data to determine whether additional safety measures should be implemented. The Board annually reviews the company's safety programs and results. The Board is also immediately engaged in the event of a fatality.

PPL will continue to engage with employees and to assess these priorities as we work to best position individuals and the company for future success. As a result of our continued effort in these areas, we have a relatively low turnover rate of 5.8 % for the year ended December 31, 2020. Looking forward, we will maintain our strong focus on workforce planning to address future talent needs.

At December 31, 2020, PPL and its subsidiaries had the following full-time employees and employees represented by labor unions:

	Total Full-Time Employees	Number of Union Employees	Percentage of Total Workforce
PPL	12,318	5,692	46 %
PPL Electric	1,533	887	58 %
LKE	3,482	759	22 %
LG&E	1,016	640	63 %
KU	889	119	13 %

PPL's domestic workforce has 1,820 employees, or 32%, who are members of labor unions.

WPD has 3,872 employees who are members of labor unions (or 59% of PPL's U.K. workforce). WPD recognizes four unions, the largest of which represent 40% of its union workforce. WPD's Electricity Business Agreement, which covers 3,816 union employees, may be amended by agreement between WPD and the unions and can be terminated with 12 months' notice by either side.

CYBERSECURITY MANAGEMENT

The Registrants and their subsidiaries are subject to risks from cyber-attacks that have the potential to cause significant interruptions to the operation of their businesses. The frequency of these attempted intrusions has increased in recent years and the sources, motivations and techniques of attack continue to evolve and change rapidly. PPL has adopted a variety of measures to monitor and address cyber-related risks and continues to implement and explore additional cybersecurity measures. Cybersecurity and the effectiveness of PPL's cybersecurity strategy are regular topics of discussion at Board of Directors meetings. PPL's strategy for managing cyber-related risks is risk-based and, where appropriate, integrated within PPL's enterprise risk management processes. PPL's Chief Information Security Officer (CISO), who reports directly to the Chief Executive Officer, leads a dedicated cybersecurity team and is responsible for the design, implementation, and execution of cyber-risk management strategy. Among other things, the CISO and the cybersecurity team actively monitor the Registrants' systems, regularly review policies, compliance, regulations and best practices, perform penetration testing, lead response exercises and internal campaigns, and provide training and communication across the organization to strengthen secure behavior. The cybersecurity team also routinely participates in industry-wide programs to further information sharing, intelligence gathering, and unity of effort in responding to potential or actual attacks. In addition, in 2018, PPL revised and formalized its internal policy and procedures for communicating cybersecurity incidents on an enterprise-wide basis.

In addition to these enterprise-wide initiatives, PPL's Kentucky and Pennsylvania operations are subject to extensive and rigorous mandatory cybersecurity requirements that are developed and enforced by NERC and approved by the FERC to protect grid security and reliability. Finally, PPL purchases insurance to protect against a wide range of costs that could be incurred in connection with cyber-related incidents. There can be no assurance, however, that these efforts will be effective to prevent interruption of services or other damage to the Registrants' businesses or operations or that PPL's insurance coverage will cover all costs incurred in connection with any cyber-related incident.

AVAILABLE INFORMATION

PPL's Internet website is www.pplweb.com. Under the Investors heading of that website, PPL provides access to SEC filings of the Registrants (including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to these reports filed or furnished pursuant to Section 13(d) or 15(d)) free of charge, as soon as reasonably practicable after filing with the SEC. The information contained on, or available through, PPL's Internet website is not, and shall not be deemed to be, incorporated by reference into this report. Additionally, the Registrants' filings are available at the SEC's website (www.sec.gov).

ITEM 1A. RISK FACTORS

The Registrants face various risks associated with their businesses. Our businesses, financial condition, cash flows or results of operations could be materially adversely affected by any of these risks. In addition, this report also contains forward-looking and other statements about our businesses that are subject to numerous risks and uncertainties. See "Forward-Looking Information," "Item 1. Business," "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 14 to the Financial Statements for more information concerning the risks described below and for other risks, uncertainties and factors that could impact our businesses and financial results.

As used in this Item 1A., the terms "we," "our" and "us" generally refer to PPL and its consolidated subsidiaries taken as a whole, or PPL Electric and its consolidated subsidiaries taken as a whole within the Pennsylvania Regulated segment discussion, or LKE and its consolidated subsidiaries taken as a whole within the Kentucky Regulated segment discussion.

Order of Subsection Presentation

(PPL)

A. Risks Related to Our U.K. Regulated Segment

Our U.K. distribution business contributes a significant amount of PPL's earnings and exposes us to the following additional risks related to operating outside the U.S., including risks associated with changes in U.K. laws and regulations, taxes, economic conditions and political conditions and policies of the U.K. government and the European Union. These risks may adversely impact the results of operations of our U.K. distribution business or affect our ability to access U.K. revenues for payment of distributions or for other corporate purposes in the U.S.

- changes in laws or regulations relating to U.K. operations, including rate regulations beginning in April 2023 under RIIO-ED2, ability to recover previously incurred costs, operational performance and tax laws and regulations;
- changes in government policies, personnel or approval requirements;
- changes in general economic conditions affecting the U.K.;
- regulatory reviews of tariffs for DNOs;
- changes in labor relations;
- limitations on foreign investment or ownership of projects and returns or distributions to foreign investors;
- limitations on the ability of foreign companies to borrow money from foreign lenders and lack of local capital or loans;
- changes in U.S. tax law applicable to taxation of foreign earnings;
- compliance with U.S. foreign corrupt practices laws; and
- prolonged periods of low inflation or deflation.

PPL's earnings may be adversely affected by the U.K. withdrawal from the European Union.

The U.K. formally left the EU on January 31, 2020 and entered into a transition period that ended on December 31, 2020 through which the U.K. sought to negotiate a free trade agreement with the EU and new trade terms with countries outside of the EU. Successively, the EU-UK Trade and Cooperation Agreement was agreed on December 24, 2020 and ratified by the U.K. Parliament on December 30, 2020 and was provisionally applied by the EU from December 31, 2020. While significant progress has been made, uncertainty continues to surround the economic impact of Brexit. 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.

We are subject to foreign currency exchange rate risks because a significant portion of our cash flows and reported earnings are currently generated by our U.K. business operations.

These risks relate primarily to changes in the relative value of the British pound sterling and the U.S. dollar between the time we initially invest U.S. dollars in our U.K. businesses, and our strategy to hedge against such changes, and the time that cash is repatriated to the U.S. from the U.K., including cash flows from our U.K. businesses that may be distributed to PPL or used for repayments of intercompany loans or other general corporate purposes. In addition, PPL's consolidated reported earnings on a GAAP basis may be subject to earnings translation risk, which results from the conversion of earnings as reported in our U.K. businesses on a British pound sterling basis to a U.S. dollar basis in accordance with GAAP requirements.

Our U.K. segment's earnings are subject to variability based on fluctuations in RPI, which is a measure of inflation.

In RIIO-ED1, WPD's base revenue was established by Ofgem based on 2012/13 prices. Base revenue is subsequently adjusted to reflect any increase or decrease in RPI for each year to determine the amount of revenue WPD can collect in tariffs. The RPI is forecasted annually by HM Treasury and subject to true-up in subsequent years. Consequently, fluctuations between forecasted and actual RPI can result in variances in base revenue. Although WPD also has debt indexed to RPI and certain components of operations and maintenance expense are affected by inflation, these may not offset changes in base revenue and timing of such offsets would likely not be correlated precisely with the calendar year in which the variance in demand revenue was initially incurred. Further, as RAV is indexed to RPI under U.K. rate regulations, a reduction in RPI could adversely affect a borrower's debt-to-RAV ratio, potentially limiting future borrowings at WPD's holding company.

Our U.K. delivery business is subject to revenue variability based on operational performance.

Our U.K. delivery businesses operate under an incentive-based regulatory framework. Managing operational risk and delivering agreed-upon performance are critical to the U.K. Regulated segment's financial performance. Disruption to these distribution networks could reduce profitability both directly by incurring costs for network restoration and also through the system of penalties and rewards that Ofgem administers relating to customer service levels.

A failure by any of our U.K. regulated businesses to comply with the terms of a distribution license may lead to the issuance of an enforcement order by Ofgem that could have an adverse impact on PPL.

Ofgem has powers to levy fines of up to ten percent of revenue for any breach of a distribution license or, in certain circumstances, such as insolvency, the distribution license itself may be revoked. Ofgem also has formal powers to propose modifications to each distribution license and there can be no assurance that a restrictive modification will not be introduced in the future, which could have an adverse effect on the operations and financial condition of the U.K. regulated businesses and PPL.

(PPL and LKE)

B. Risk Related to Registrant Holding Companies

PPL and LKE are holding companies and their cash flows and ability to meet their obligations with respect to indebtedness and under guarantees, and PPL's ability to pay dividends, largely depends on the financial performance of their respective subsidiaries and, as a result, is effectively subordinated to all existing and future liabilities of those subsidiaries.

PPL and LKE are holding companies and conduct their operations primarily through subsidiaries. Substantially all of the consolidated assets of these Registrants are held by their subsidiaries. Accordingly, these Registrants' cash flows and ability to meet debt and guaranty obligations, as well as PPL's ability to pay dividends, are largely dependent upon the earnings of those subsidiaries and the distribution or other payment of such earnings in the form of dividends, distributions, loans, advances or repayment of loans and advances. The subsidiaries are separate legal entities and have no obligation to pay dividends or distributions to their parents or to make funds available for such a payment. The ability of the Registrants' subsidiaries to pay dividends or distributions in the future will depend on the subsidiaries' future earnings and cash flows and the needs of their businesses, and may be restricted by their obligations to holders of their outstanding debt and other creditors, as well as any contractual or legal restrictions in effect at such time, including the requirements of state corporate law applicable to payment of dividends and distributions, and regulatory requirements, including restrictions on the ability of PPL Electric, LG&E and KU to pay dividends under Section 305(a) of the Federal Power Act.

Because PPL and LKE are holding companies, their debt and guaranty obligations are effectively subordinated to all existing and future liabilities of their subsidiaries. Although certain agreements to which certain subsidiaries are parties limit their ability to incur additional indebtedness, PPL and LKE and their subsidiaries retain the ability to incur substantial additional indebtedness and other liabilities. Therefore, PPL's and LKE's rights and the rights of their creditors, including rights of debt holders, to participate in the assets of any of their subsidiaries, in the event that such a subsidiary is liquidated or reorganized, will be subject to the prior claims of such subsidiary's creditors.

(PPL Electric, LG&E and KU)

C. Risks Related to Domestic Regulated Utility Operations

Our domestic regulated utility businesses face many of the same risks, in addition to those risks that are unique to each of the Kentucky Regulated and Pennsylvania Regulated segments. Set forth below are risk factors common to both domestic regulated segments, followed by sections identifying separately the risks specific to each of these segments.

Our profitability is highly dependent on our ability to recover the costs of providing energy and utility services to our customers and earn an adequate return on our capital investments. Regulators may not approve the rates we request and existing rates may be challenged.

The rates we charge our utility customers must be approved by one or more federal or state regulatory commissions, including the FERC, KPSC, VSCC and PUC. Although rate regulation is generally premised on the recovery of prudently incurred costs and a reasonable rate of return on invested capital, there can be no assurance that regulatory authorities will consider all of our costs to have been prudently incurred or that the regulatory process by which rates are determined will always result in rates that achieve full or timely recovery of our costs or an adequate return on our capital investments. Federal or state agencies, intervenors and other permitted parties may challenge our current or future rate requests, structures or mechanisms, and ultimately reduce, alter or limit the rates we receive. Although our rates are generally regulated based on an analysis of our costs incurred in a base year or on future projected costs, the rates we are allowed to charge may or may not match our costs at any given time. Our domestic regulated utility businesses are subject to substantial capital expenditure requirements over the next several years, which will likely require rate increase requests to the regulators. If our costs are not adequately recovered through rates, it could have an adverse effect on our business, results of operations, cash flows and financial condition.

Our domestic utility businesses are subject to significant and complex governmental regulation.

In addition to regulating the rates we charge, various federal and state regulatory authorities regulate many aspects of our domestic utility operations, including:

- the terms and conditions of our service and operations;
- financial and capital structure matters;
- siting, construction and operation of facilities;
- mandatory reliability and safety standards under the Energy Policy Act of 2005 and other standards of conduct;
- accounting, depreciation and cost allocation methodologies;
- tax matters;
- affiliate transactions;
- acquisition and disposal of utility assets and issuance of securities; and
- various other matters, including energy efficiency.

Such regulations or changes thereto may subject us to higher operating costs or increased capital expenditures and failure to comply could result in sanctions or possible penalties which may not be recoverable from customers.

Our domestic regulated businesses undertake significant capital projects and these activities are subject to unforeseen costs, delays or failures, as well as risk of inadequate recovery of resulting costs.

The domestic regulated utility businesses are capital intensive and require significant investments in energy generation (in the case of LG&E and KU) and transmission, distribution and other infrastructure projects, such as projects for environmental compliance and system reliability. The completion of these projects without delays or cost overruns is subject to risks in many areas, including:

- approval, licensing and permitting;
- land acquisition and the availability of suitable land;
- skilled labor or equipment shortages;
- construction problems or delays, including disputes with third-party intervenors;
- increases in commodity prices or labor rates; and
- contractor performance.

Failure to complete our capital projects on schedule or on budget, or at all, could adversely affect our financial performance, operations and future growth if such expenditures are not granted rate recovery by our regulators.

We are or may be subject to costs of remediation of environmental contamination at facilities owned or operated by our former subsidiaries.

We may be subject to liability for the costs of environmental remediation of property now or formerly owned by us with respect to substances that we may have generated regardless of whether the liabilities arose before, during or after the time we owned or operated the facilities. We also have current or previous ownership interests in sites associated with the production of manufactured gas for which we may be liable for additional costs related to investigation, remediation and monitoring of these sites. Remediation activities associated with our former manufactured gas plant operations are one source of such costs. Citizen groups or others may bring litigation regarding environmental issues including claims of various types, such as property damage, personal injury and citizen challenges to compliance decisions on the enforcement of environmental requirements, which could subject us to penalties, injunctive relief and the cost of litigation. We cannot predict the amount and timing of future expenditures (including the potential or magnitude of fines or penalties) related to such environmental matters, although they could be material.

D. Risks Specific to Kentucky Regulated Segment

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

We are subject to financial, operational, regulatory and other risks related to requirements, developments and uncertainties in environmental regulation, including those affecting coal-fired generation facilities.

Extensive federal, state and local environmental laws and regulations are applicable to LG&E's and KU's generation supply, including its air emissions, water discharges (ELGs) and the management of hazardous and solid wastes (CCRs), among other business-related activities, and the costs of compliance or alleged non-compliance cannot be predicted and could be material. In addition, our costs may increase significantly if the requirements or scope of environmental laws, regulations or similar rules are expanded or changed as the environmental standards governing LG&E's and KU's businesses, particularly as applicable to coal-fired generation and related activities, continue to be subject to uncertainties due to rulemaking and other regulatory developments, legislative activities and litigation, administrative and permit challenges. The new U.S. presidential administration is considering a wide range of potential policies, executive orders, rules, legislation and other initiatives in connection with climate change that may affect these costs. Depending on the extent, frequency and timing of such changes, the companies may face higher risks of unsuccessful implementation of environmental-related business plans, noncompliance with applicable environmental rules, delayed or incomplete rate recovery or increased costs of implementation. Costs may take the form of increased capital expenditures or operating and maintenance expenses, monetary fines, penalties or forfeitures, operational changes, permit limitations or other restrictions. At some of our older generating facilities it may be uneconomic for us to install necessary pollution control equipment, which could cause us to retire those units. Market prices for energy and capacity also affect this cost-effectiveness analysis. Many of these environmental law considerations are also applicable to the operations of our key suppliers or customers, such as coal producers, power producers and industrial power users, and may impact the costs of their products and demand for our services.

(*PPL, LKE and LG&E*)

We are subject to operational, regulatory and other risks regarding natural gas supply infrastructure.

A natural gas pipeline explosion or associated incident could have a significant impact on LG&E's natural gas operations or result in significant damages and penalties that could have an adverse impact on LG&E's financial position and results of operations. The Pipeline and Hazardous Materials Safety Administration enforces regulations that govern the design, construction, operation and maintenance of pipeline facilities. Failure to comply with these regulations could result in the assessment of fines or penalties against LG&E. These regulations require, among other things, that pipeline operators take certain measures with respect to pipeline integrity. Depending on the results of integrity tests and other integrity program activities, we could incur significant and unexpected costs to perform remedial activities on our natural gas infrastructure to ensure our continued safe and reliable operation. Recent pipeline incidents in the U.S. have also led to the introduction of proposed rules and possible federal legislative actions which could impose restrictions on LG&E's operations or require more stringent testing to ensure pipeline integrity. Implementation of these regulations could increase our costs to comply with pipeline integrity and safety regulations.

E. Risks Specific to Pennsylvania Regulated Segment

(*PPL and PPL Electric*)

We face competition for transmission projects, which could adversely affect our rate base growth.

FERC Order 1000, issued in July 2011, establishes certain procedural and substantive requirements relating to participation, cost allocation and non-incumbent developer aspects of regional and inter-regional electricity transmission planning activities.

The PPL Electric transmission business, operating under a FERC-approved PJM Open Access Transmission Tariff, is subject to competition pursuant to FERC Order 1000 from entities that are not incumbent PJM transmission owners with respect to the construction and ownership of transmission facilities within PJM. Increased competition can result in lower rate base growth.

We could be subject to higher costs and/or penalties related to Pennsylvania Conservation and Energy Efficiency Programs.

PPL Electric is subject to Act 129, which contains requirements for energy efficiency and conservation programs and for the use of smart metering technology, imposes PLR electricity supply procurement rules, provides remedies for market misconduct, and made changes to the existing Alternative Energy Portfolio Standard. The law also requires electric utilities to meet specified goals for reduction in customer electricity usage and peak demand. Utilities not meeting these Act 129 requirements are subject to significant penalties that cannot be recovered in rates. Numerous factors outside of our control could prevent compliance with these requirements and result in penalties to us.

F. Risks Related to All Segments

(*All Registrants*)

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 the COVID-19 virus is contained, it 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, and continue to 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 Annual Report on Form 10-K, especially to the extent that the COVID-19 pandemic may exacerbate or increase those risks.

The operation of our businesses is subject to cyber-based security and data integrity risks.

Numerous functions affecting the efficient operation of our businesses are dependent on the secure and reliable storage, processing and communication of electronic data and the use of sophisticated computer hardware and software systems. The operation of our transmission and distribution systems, as well as our generation plants, are all reliant on cyber-based technologies and, therefore, subject to the risk that these systems could be the target of disruptive actions by terrorists or criminals or otherwise be compromised by unintentional events. As a result, operations could be interrupted, property could be damaged and sensitive customer information lost or stolen, causing us to incur significant losses of revenues, other substantial liabilities and damages, costs to replace or repair damaged equipment and damage to our reputation. In addition, under the Energy Policy Act of 2005, users, owners and operators of the bulk power transmission system, including PPL Electric, LG&E and KU, are subject to mandatory reliability standards promulgated by NERC and enforced by the FERC. As an operator of natural gas distribution systems, LG&E is also subject to mandatory reliability standards of the U.S. Department of Transportation. Failure to comply with these standards could result in the imposition of fines or civil penalties, and potential exposure to third party claims for alleged violations of the standards.

We are subject to risks associated with federal and state tax laws and regulations.

Changes in tax law as well as the inherent difficulty in quantifying potential tax effects of business decisions could negatively impact our results of operations and cash flows. We are required to make judgments in order to estimate our obligations to taxing authorities. These tax obligations include income, property, gross receipts, franchise, sales and use, employment-related and other taxes. We also estimate our ability to utilize deferred tax assets and tax credits. Dependent upon the revenue needs of the jurisdictions in which our businesses operate, various tax and fee increases may be proposed or considered. We cannot predict changes in tax law or regulation or the effect of any such changes on our businesses. Any such changes could increase tax expense and could have a significant negative impact on our results of operations and cash flows. The effects of the TCJA have been reflected in our financial statements, and we continue to evaluate the application of the law in calculating income tax expense.

Increases in electricity prices and/or a weak economy, can lead to changes in legislative and regulatory policy, including the promotion of energy efficiency, conservation and distributed generation or self-generation, which may adversely impact our business.

Energy consumption is significantly impacted by overall levels of economic activity and costs of energy supplies. Economic downturns or periods of high energy supply costs can lead to changes in or the development of legislative and regulatory policy designed to promote reductions in energy consumption and increased energy efficiency, alternative and renewable energy sources, and distributed or self-generation by customers. This focus on conservation, energy efficiency and self-generation may result in a decline in electricity demand, which could adversely affect our business.

We could be negatively affected by rising interest rates, downgrades to our credit ratings, adverse credit market conditions or other negative developments in our ability to access capital markets.

Our businesses are capital-intensive and, in the ordinary course of business, we are reliant upon adequate long-term and short-term financing to fund our significant capital expenditures, debt service and operating needs. As a result, we are sensitive to developments in interest rates, credit rating considerations, insurance, security or collateral requirements, market liquidity and credit availability and refinancing opportunities necessary or advisable to respond to credit market changes. Changes in these conditions could result in increased costs and decreased availability of credit. In addition, certain sources of debt and equity capital have expressed reservations about investing in companies that rely on fossil fuels. If sources of our capital are reduced, capital costs could increase materially.

A downgrade in our credit ratings could negatively affect our ability to access capital and increase the cost of maintaining our credit facilities and any new debt.

Credit ratings assigned by Moody's and S&P to our businesses and their financial obligations have a significant impact on the cost of capital incurred by our businesses. A ratings downgrade could increase our short-term borrowing costs and negatively affect our ability to fund liquidity needs and access new long-term debt at acceptable interest rates. See "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations - Financial Condition - Liquidity and Capital Resources - Ratings Triggers" for additional information on the financial impact of a downgrade in our credit ratings.

Our operating revenues could fluctuate on a seasonal basis, especially as a result of extreme weather conditions.

Our businesses are subject to seasonal demand cycles. For example, in some markets demand for, and market prices of, electricity peak during hot summer months, while in other markets such peaks occur in cold winter months. As a result, our overall operating results may fluctuate substantially on a seasonal basis if weather conditions diverge adversely from seasonal norms.

Operating expenses could be affected by weather conditions, including storms, as well as by significant man-made or accidental disturbances, including terrorism or natural disasters.

Weather and other factors can significantly affect our profitability or operations by causing outages, damaging infrastructure and requiring significant repair costs. Storm outages and damage often directly decrease revenues and increase expenses, due to reduced usage and restoration costs.

Our businesses are subject to physical, market and economic risks relating to potential effects of climate change.

Climate change may produce changes in weather or other environmental conditions, including temperature or precipitation levels, and thus may impact consumer demand for electricity. In addition, the potential physical effects of climate change, such as increased frequency and severity of storms, floods, and other climatic events, could disrupt our operations and cause us to incur significant costs to prepare for or respond to these effects. These or other meteorological changes could lead to increased operating costs, capital expenses or power purchase costs. Greenhouse gas regulation could increase the cost of electricity, particularly power generated by fossil fuels, and such increases could have a depressive effect on regional economies. Reduced economic and consumer activity in our service areas -- both generally and specific to certain industries and consumers accustomed to previously lower cost power -- could reduce demand for the power we generate, market and deliver. Also, demand for our energy-related services could be similarly lowered by consumers' preferences or market factors favoring energy efficiency, low-carbon power sources or reduced electricity usage.

We cannot predict the outcome of legal proceedings or investigations related to our businesses in which we are periodically involved. An unfavorable outcome or determination in any of these matters could have a material adverse effect on our financial condition, results of operations or cash flows.

We are involved in legal proceedings, claims and litigation and periodically are subject to state and federal investigations arising out of our business operations, the most significant of which are summarized in Item 1. Business and "Regulatory Matters" in Note 7 to the Financial Statements and in "Legal Matters" and "Regulatory Issues" in Note 14 to the Financial Statements. We cannot predict the ultimate outcome of these matters, nor can we reasonably estimate the costs or liabilities that could potentially result from a negative outcome in each case.

Significant increases in our operation and maintenance expenses, including health care and pension costs, could adversely affect our future earnings and liquidity.

We continually focus on limiting and reducing our operation and maintenance expenses. However, we expect to continue to face increased cost pressures in our operations. Increased costs of materials and labor may result from general inflation, increased regulatory requirements (especially in respect of environmental regulations), the need for higher-cost expertise in the workforce or other factors. In addition, pursuant to collective bargaining agreements, we are contractually committed to provide specified levels of health care and pension benefits to certain current employees and retirees. These benefits give rise to significant expenses. Due to general inflation with respect to such costs, the aging demographics of our workforce and other factors, we have experienced significant health care cost inflation in recent years, and we expect our health care costs, including prescription drug coverage, to continue to increase despite measures that we have taken and expect to take to require employees and retirees to bear a higher portion of the costs of their health care benefits. In addition, we expect to continue to incur significant costs with respect to the defined benefit pension plans for our employees and retirees. The measurement of our expected future health care and pension obligations, costs and liabilities is highly dependent on a variety of assumptions, most of which relate to factors beyond our control. These assumptions include investment returns, interest rates, health care cost trends, inflation rates, benefit improvements, salary increases and the demographics of plan participants. If our assumptions prove to be inaccurate, our future costs and cash contribution requirements to fund these benefits could increase significantly.

We may incur liabilities in connection with divestitures.

In connection with various divestitures, and certain other transactions, we have indemnified or guaranteed parties against certain liabilities. These indemnities and guarantees relate, among other things, to liabilities which may arise with respect to the period during which we or our subsidiaries operated a divested business, and to certain ongoing contractual relationships and entitlements with respect to which we or our subsidiaries made commitments in connection with the divestiture. See "Guarantees and Other Assurances" in Note 14 to the Financial Statements.

We are subject to liability risks relating to our generation, transmission and distribution operations.

The conduct of our physical and commercial operations subjects us to many risks, including risks of potential physical injury, property damage or other financial liability, caused to or by employees, customers, contractors, vendors, contractual or financial counterparties and other third parties.

Our facilities may not operate as planned, which may increase our expenses and decrease our revenues and have an adverse effect on our financial performance.

Operation of power plants, transmission and distribution facilities, information technology systems and other assets and activities subjects us to a variety of risks, including the breakdown or failure of equipment, accidents, security breaches, viruses or outages affecting information technology systems, labor disputes, obsolescence, delivery/transportation problems and disruptions of fuel supply and performance below expected levels. These events may impact our ability to conduct our businesses efficiently and lead to increased costs, expenses or losses. Operation of our delivery systems below our expectations may result in lost revenue and increased expense, including higher maintenance costs, which may not be recoverable from customers. Planned and unplanned outages at our power plants may require us to purchase power at then-current market prices to satisfy our commitments or, in the alternative, pay penalties and damages for failure to satisfy them.

Although we maintain insurance coverage for certain of these risks, we do not carry insurance for all of these risks and no assurance can be given that such insurance coverage will be sufficient to compensate us in the event losses occur.

We are required to obtain, and to comply with, government permits and approvals.

We are required to obtain, and to comply with, numerous permits, approvals, licenses and certificates from governmental agencies. The process of obtaining and renewing necessary permits can be lengthy and complex and sometimes result in the establishment of permit conditions that make the project or activity for which a permit was sought unprofitable or otherwise unattractive. In addition, such permits or approvals may be subject to denial, revocation or modification under circumstances. Failure to obtain or comply with the conditions of permits or approvals, or failure to comply with any applicable laws or regulations, may result in delay or temporary suspension of our operations and electricity sales or the curtailment of our power delivery and may subject us to penalties and other sanctions. Although various regulators routinely renew existing licenses, renewal could be denied or jeopardized by various factors, including failure to provide adequate financial assurance for closure; failure to comply with environmental, health and safety laws and regulations or permit conditions; local community, political or other opposition; and executive, legislative or regulatory action.

Our cost or inability to obtain and comply with the permits and approvals required for our operations could have a material adverse effect on our operations and cash flows. In addition, new environmental legislation or regulations, if enacted, or changed interpretations of existing laws may elicit claims that historical routine modification activities at our facilities violated applicable laws and regulations. In addition to the possible imposition of fines in such cases, we may be required to undertake significant capital investments in pollution control technology and obtain additional operating permits or approvals, which could have an adverse impact on our business, results of operations, cash flows and financial condition.

War, other armed conflicts or terrorist attacks could have a material adverse effect on our business.

War, terrorist attacks and unrest have caused and may continue to cause instability in the world's financial and commercial markets. In addition, unrest could lead to acts of terrorism in the United States, the United Kingdom or elsewhere, and acts of terrorism could be directed against companies such as ours. Armed conflicts and terrorism and their effects on us or our markets may significantly affect our business and results of operations in the future. In addition, we may incur increased costs for security, including additional physical plant security and security personnel or increased capability following a terrorist incident.

We are subject to counterparty performance, credit or other risk in the provision of goods or services to us, which could adversely affect our ability to operate our facilities or conduct business activities.

We purchase from a variety of suppliers energy, capacity, fuel, natural gas, transmission service and certain commodities used in the physical operation of our businesses, as well as goods or services, including information technology rights and services, used in the administration of our businesses. Delivery of these goods and services is dependent on the continuing operational performance and financial viability of our contractual counterparties and also the markets, infrastructure or third parties they use to provide such goods and services to us. As a result, we are subject to risks of disruptions, curtailments or increased costs in the operation of our businesses if such goods or services are unavailable or become subject to price spikes or if a counterparty fails to perform. Such disruptions could adversely affect our ability to operate our facilities or deliver services and collect revenues, which could result in lower sales and/or higher costs and thereby adversely affect our results of operations. The performance of coal markets and producers may be the subject of increased counterparty risk to LKE, LG&E and KU currently due to weaknesses in such markets and suppliers. The coal industry is subject to increasing competitive pressures from natural gas markets, political pressures and new or more stringent environmental regulation, including regulation of combustion byproducts and water inputs or discharges.

We are subject to the risk that our workforce and its knowledge base may become depleted in coming years.

We experience attrition due primarily to retiring employees, with the risk that critical knowledge will be lost and that it may be difficult to replace departed personnel, and to attract and retain new personnel, with appropriate skills and experience.

ITEM 1B. UNRESOLVED STAFF COMMENTS

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

None.

ITEM 2. PROPERTIES

U.K. Regulated Segment *(PPL)*

For a description of WPD's service territory, see "Item 1. Business - General - Segment Information - U.K. Regulated Segment." WPD has electric distribution lines in public streets and highways pursuant to legislation and rights-of-way secured from property owners. At December 31, 2020, WPD's distribution system in the U.K. includes 1,895 substations with a total capacity of 74 million kVA, 55,637 circuit miles of overhead lines and 85,333 underground cable miles.

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

LG&E's and KU's properties consist primarily of regulated generation facilities, electricity transmission and distribution assets and natural gas transmission and distribution assets in Kentucky. The capacity of generation units is based on a number of factors, including the operating experience and physical condition of the units, and may be revised periodically to reflect changed circumstances. The electricity generating capacity at December 31, 2020 was:

		LKE	LG&E		KU	
Primary Fuel/Plant	Total MW Capacity Summer	Ownership or Other Interest in MW	% Ownership or Other Interest	Ownership or Other Interest in MW	% Ownership or Other Interest	Ownership or Other Interest in MW
Coal						
Ghent - Units 1- 4	1,919	1,919			100.00	1,919
Mill Creek - Units 1- 4	1,465	1,465	100.00	1,465		
E.W. Brown - Unit 3	412	412			100.00	412
Trimble County - Unit 1 (a)	493	370	75.00	370		
Trimble County - Unit 2 (a)	732	549	14.25	104	60.75	445
	5,021	4,715		1,939		2,776
Natural Gas/Oil						
E.W. Brown Unit 5 (b)	130	130	53.00	69	47.00	61
E.W. Brown Units 6 - 7	292	292	38.00	111	62.00	181
E.W. Brown Units 8 - 11 (b)	484	484			100.00	484
Trimble County Units 5 - 6	318	318	29.00	92	71.00	226
Trimble County Units 7 - 10	636	636	37.00	235	63.00	401
Paddy's Run Units 11 - 12	35	35	100.00	35		
Paddy's Run Unit 13	147	147	53.00	78	47.00	69
Haefling - Units 1 - 2	24	24			100.00	24
Zorn Unit	14	14	100.00	14		
Cane Run Unit 7	662	662	22.00	146	78.00	516
	2,742	2,742		780		1,962
Hydro						
Ohio Falls - Units 1-8	64	64	100.00	64		
Dix Dam - Units 1-3	32	32			100.00	32
	96	96		64		32
Solar						
E.W. Brown Solar (c)	8	8	39.00	3	61.00	5
Total	7,867	7,561		2,786		4,775

(a) Trimble County Unit 1 and Trimble County Unit 2 are jointly owned with Illinois Municipal Electric Agency and Indiana Municipal Power Agency. Each owner is entitled to its proportionate share of the units' total output and funds its proportionate share of capital, fuel and other operating costs. See Note 13 to the Financial Statements for additional information.

(b) There is an inlet air cooling system attributable to these units. This inlet air cooling system is not jointly owned; however, it is used to increase production on the units to which it relates, resulting in an additional 12 MW of capacity for LG&E and an additional 86 MW of capacity for KU.

(c) This unit is a 10 MW facility and achieves such production. The 8 MW solar facility summer capacity rating is reflective of an average expected output across the peak hours during the summer period based on average weather conditions at the solar facility.

For a description of LG&E's and KU's service areas, see "Item 1. Business - General - Segment Information - Kentucky Regulated Segment." At December 31, 2020, LG&E's and KU's electricity transmission and distribution systems and LG&E's natural gas transmission and distribution systems were:

	LKE		LG&E		KU	
	Distribution	Transmission	Distribution	Transmission	Distribution	Transmission
Electricity System						
Substations (a)	556	289	96	76	460	213
Capacity (in millions of kVA)	13	22	5	8	8	14
Overhead lines (circuit miles)	17,892	4,728	3,883	669	14,009	4,059
Underground lines (circuit miles)	5,354	—	2,706	—	2,648	—
Natural Gas System						
Distribution mains (miles)	4,398	—	4,398	—	—	—
Transmission pipeline (miles)	—	234	—	234	—	—
Transmission storage lines (miles)	—	117	—	117	—	—
Combustion turbine lines (miles)	—	30	—	19	—	11
Storage fields	—	5	—	5	—	—
Storage field capacity (Bcf)	—	15	—	15	—	—

(a) 192 substations (62 at LG&E and 130 at KU) are shared between the distribution and transmission systems.

Substantially all of LG&E's and KU's respective real and tangible personal property located in Kentucky and used or to be used in connection with the generation, transmission and distribution of electricity and, in the case of LG&E, the storage and distribution of natural gas, is subject to the lien of either the LG&E 2010 Mortgage Indenture or the KU 2010 Mortgage Indenture. See Note 8 to the Financial Statements for additional information.

LG&E and KU continuously reexamine development projects based on market conditions and other factors to determine whether to proceed with the projects, sell, cancel or expand them or pursue other options. See Item 1. Business for a discussion related to LG&E's and KU's Solar Share program.

Pennsylvania Regulated Segment *(PPL and PPL Electric)*

For a description of PPL Electric's service area, see "Item 1. Business - General - Segment Information - Pennsylvania Regulated Segment." PPL Electric has electric transmission and distribution lines in public streets and highways pursuant to franchises and rights-of-way secured from property owners. At December 31, 2020, PPL Electric's transmission system includes 51 substations with a total capacity of 31 million kVA and 5,470 circuit miles in service. PPL Electric's distribution system includes 352 substations with a total capacity of 14 million kVA, 36,453 circuit miles of overhead lines and 8,610 underground circuit miles. All of PPL Electric's facilities are located in Pennsylvania. Substantially all of PPL Electric's distribution properties and certain transmission properties are subject to the lien of the PPL Electric 2001 Mortgage Indenture. See Note 8 to the Financial Statements for additional information.

ITEM 3. LEGAL PROCEEDINGS

See Notes 6, 7 and 14 to the Financial Statements for information regarding legal, tax and regulatory matters and proceedings.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

See "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations - Financial Condition - Liquidity and Capital Resources - Forecasted Uses of Cash" for information regarding certain restrictions on the ability to pay dividends for all Registrants.

PPL Corporation

Additional information for this item is set forth in the sections entitled "Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" and "Shareowner and Investor Information" of this report. At January 31, 2021, there were 50,548 common stock shareowners of record.

There were no purchases by PPL of its common stock during the fourth quarter of 2020.

PPL Electric Utilities Corporation

There is no established public trading market for PPL Electric's common stock, as PPL owns 100% of the outstanding common shares. Dividends paid to PPL on those common shares are determined by PPL Electric's Board of Directors. PPL Electric paid common stock dividends to PPL of $400 million in 2020 and $486 million in 2019.

LG&E and KU Energy LLC

There is no established public trading market for LKE's membership interests. PPL owns all of LKE's outstanding membership interests. Distributions on the membership interests are paid as determined by LKE's Board of Directors. LKE made cash distributions to PPL of $283 million in 2020 and $308 million in 2019.

Louisville Gas and Electric Company

There is no established public trading market for LG&E's common stock, as LKE owns 100% of the outstanding common shares. Dividends paid to LKE on those common shares are determined by LG&E's Board of Directors. LG&E paid common stock dividends to LKE of $161 million in 2020 and $182 million in 2019.

Kentucky Utilities Company

There is no established public trading market for KU's common stock, as LKE owns 100% of the outstanding common shares. Dividends paid to LKE on those common shares are determined by KU's Board of Directors. KU paid common stock dividends to LKE of $200 million in 2020 and $229 million in 2019.

ITEM 6. SELECTED FINANCIAL AND OPERATING DATA

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

Omitted as permitted in SEC Release No. 33-10890.

Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations

(All Registrants)

This "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" is separately filed by PPL, 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' Consolidated Financial Statements and the accompanying Notes. Capitalized terms and abbreviations are defined in the glossary. Dollars are in millions, except per share data, unless otherwise noted.

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

- "Overview" provides a description of each Registrant's business strategy 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 2020 with 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 forecasted sources and uses of cash and rating agency actions.

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

- "Application of Critical Accounting Policies" provides an overview of the accounting policies that are particularly important to the results of operations and financial condition of the Registrants and that require their management to make significant estimates, assumptions and other judgments of inherently uncertain matters.

For comparison of the Registrants' results of operations and cash flows for the years ended December 31, 2019 to December 31, 2018, refer to "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" in the 2019 Form 10-K, filed with the SEC on February 14, 2020.

Overview

For a description of the Registrants and their businesses, see "Item 1. Business."

Business Strategy

(All Registrants)

PPL operates seven fully regulated high-performing utilities. These utilities are located in the U.K., Pennsylvania and Kentucky, constructive regulatory jurisdictions with distinct regulatory structures and customer classes.

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 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.

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 initiated a formal process to sell its U.K. utility business. 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 probability-weighted undiscounted cash flow estimates as of December 31, 2020 and 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 analyses 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, including accumulated other comprehensive losses related to the U.K. utility business, for impairment purposes. The resulting measurement may result in a loss. In addition, PPL will reassess its assertion of the indefinite reinvestment of the unremitted earnings of the U.K. utility business. See Note 21 to the Financial Statements for additional information on accumulated other comprehensive income and losses. See Note 6 to the Financial Statements for additional information on income taxes.

Outbreak of COVID-19 (All Registrants)

The continued spread of COVID-19 has disrupted the U. S. and global economies and continues to present extraordinary challenges to businesses, communities, workforces and 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 rapidly evolving situation could lead to continued 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' 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 future results of operations.

The Registrants are committed to supporting their customers and communities and have followed federal and state mandates related to suspending disconnections for non-payment and new late fees, reconnecting service for customers who had previously been disconnected and developing late payment plans with customers, where appropriate. The Registrants have experienced an increase in aged accounts receivable, resulting in an increase in expected credit losses. See "Current Expected

Credit Losses" in Note 1 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 December 31, 2020, the Registrants had approximately $3.2 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 of 4.125% Senior Notes due 2030. 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 and the annual goodwill impairment tests performed in the fourth quarter of 2020 for all of PPL's reporting units.

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, various forms of aid and relief were enacted in 2020, including the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). The provisions of the CARES Act and other forms of aid and relief did not have a material impact on the Registrants' financial statements.

For the year ended December 31, 2020 the following estimated changes in revenue and incremental costs incurred resulted from the impact of COVID-19.

	Reduction in Revenue	Incremental Costs
PPL	$ (114)	$ 28
WPD	(82)	19
LKE	(32)	7
LG&E	(18)	3
KU	(14)	4

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." The impact on revenue and incremental COVID-19 related costs were not significant at PPL Electric.

To date, there has been no material impact on the Registrants' operations, financial condition, liquidity or on their supply chain as a result of COVID-19. 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)

During the three months ended March 31, 2020, PPL, LKE, LG&E and KU considered whether the impact of COVID-19 described above, resulting volatility and decrease in PPL's shares 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.

No impairments were recognized in conjunction with the annual goodwill impairment tests performed in the fourth quarter of 2020. See "Long-Lived and Intangible Assets - Asset Impairment (Excluding Investments)" in Note 1 to the Financial Statements for additional information. 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 the limitation on interest deductibility. The final regulations do not apply to the Registrants until the 2021 tax year. The new proposed regulations were finalized on January 5, 2021 and will apply to the Registrants in the 2022 tax year. The Registrants are evaluating the final regulations issued in 2021, but do not expect these regulations or the 2020 final 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 and entered into a transition period that ended on December 31, 2020 through which the U.K. sought to negotiate a free trade arrangement with the EU and new trade terms with countries outside of the EU. Successively, the EU-UK Trade and Cooperation Agreement was agreed on December 24, 2020 and ratified by the U.K. Parliament on December 30, 2020 and was provisionally applied by the EU beginning December 31, 2020. While significant progress has been made, uncertainty continues to surround the economic impact of Brexit. 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.

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" 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 "Item 1. Business" and Notes 7, 14 and 20 to the Financial Statements for a discussion of these significant environmental matters. These and other 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 network companies and system operators working 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 was made in December 2020 with the Regulatory finance decisions to be confirmed in the first quarter of 2021. 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 8.00% 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 8.50% 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. On November 16, 2020, PPL Electric filed a request for rehearing of the portion of the October 15, 2020 Order that set the May 21, 2020 refund effective date. On December 17, 2020, the FERC issued a Notice of Denial of Rehearing by Operation of Law and Providing for Further Consideration. On February 16, 2021, PPL Electric filed a Petition for Review with the United States Court of Appeals for the District of Columbia Circuit of the portion of the October 15, 2020 Order that set the May 21, 2020 refund effective date.

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, the 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. In November 2020, the FERC denied the parties' rehearing requests. In November 2020 and January 2021, LG&E and KU and other parties filed for appeal of the September 2020 and November 2020 orders with the D.C. Circuit Court of Appeals, where certain additional prior petitions for review relating to the proceedings are also pending. On January 15, 2021, LG&E and KU made a filing seeking FERC acceptance of a new proposal for a transition mechanism. LG&E and KU cannot predict the outcome of these proceedings. LG&E and KU currently receive recovery of the waivers and credits provided through other rate mechanisms.

Rate Case Proceedings

(PPL, LKE, LG&E and KU)

On November 25, 2020, LG&E and KU filed requests with the KPSC for an increase in annual electricity and gas revenues of approximately $331 million ($131 million and $170 million in electricity revenues at LG&E and KU and $30 million in gas revenues at LG&E). The revenue increases would be an increase of 11.6% and 10.4% in electricity revenues at LG&E and KU, and an increase of 8.3% in gas revenues at LG&E. LG&E and KU are also requesting approval of a one-year billing credit which will credit customers approximately $53 million ($41 million at LG&E and $12 million at KU). The billing credit represents the return to customers of certain regulatory liabilities on LG&E's and KU's balance sheets and serves to partially mitigate the rate increases during the first year in which the new rates are in effect.

LG&E's and KU's applications also include a request for a CPCN to deploy Advanced Metering Infrastructure across LG&E's and KU's service territories in Kentucky.

The applications are based on a forecasted test year of July 1, 2021 through June 30, 2022 and request an authorized return on equity of 10.0%. Subject to KPSC approval, the requested rates, decreased by the amount of the billing credit, are expected to become effective July 1, 2021. Certain counterparties have intervened in the proceedings. Data discovery and the filing of written testimony will continue through April 2021 and a hearing is expected to occur during the second quarter of 2021. PPL, LKE, LG&E and KU cannot predict the outcome of these 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 2020 with 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 2020 with 2019. The results of operations section for PPL Electric, LKE, LG&E and KU is presented in a reduced disclosure format in accordance with General Instructions (I)(2)(a) of Form 10-K.

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

Statement of Income Analysis

Net income for the years ended December 31 includes the following results:

	2020	2019	Change 2020 vs. 2019
Operating Revenues	$ 7,607	$ 7,769	$ (162)
Operating Expenses			
Operation			
Fuel	632	709	(77)
Energy purchases	634	723	(89)
Other operation and maintenance	1,944	1,985	(41)
Depreciation	1,287	1,199	88
Taxes, other than income	307	313	(6)
Total Operating Expenses	4,804	4,929	(125)
Other Income (Expense) - net	169	309	(140)
Interest Expense	1,001	994	7
Income Taxes	502	409	93
Net Income	$ 1,469	$ 1,746	$ (277)

Operating Revenues

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

	2020 vs. 2019
Domestic:	
PPL Electric Distribution price (a)	$ (27)
PPL Electric Distribution volume (b)	(16)
PPL Electric PLR (c)	(57)
PPL Electric Transmission Formula Rate (d)	82
LKE Volumes (b)	(95)
LKE Demand (e)	(42)
LKE Fuel and other energy prices (f)	(37)
LKE Municipal supply (g)	(28)
LKE Retail rates (h)	64
LKE ECR (i)	29
Other	(1)
Total Domestic	(128)
U.K.:	
Price	13
Volumes (e)	(67)
Foreign currency exchange rates	14
Engineering recharge income	7
Other	(1)
Total U.K.	(34)
Total	$ (162)

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

(b) The decrease was primarily due to unfavorable weather.

(c) The decrease was primarily the result of lower energy prices, unfavorable weather and lower usage, partially offset by higher volumes of non-shopping customers.

(d) The increase was primarily due to returns on additional capital investments.

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

Fuel

Fuel decreased $77 million in 2020 compared with 2019 at LKE, primarily due to a $46 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 $89 million in 2020 compared with 2019, primarily due to a $58 million decrease at PPL Electric due to lower PLR prices of $70 million, partially offset by higher transmission enhancement expenses of $13 million and a $31 million decrease at LKE primarily due to a $24 million decrease in commodity costs.

Other Operation and Maintenance

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

	2020 vs. 2019
Domestic:	
PPL Electric Act 129	$ (17)
PPL Electric storm costs	(11)
PPL Electric universal service programs	(10)
PPL Electric vegetation management	(8)
PPL Electric canceled projects	7
LKE administrative and general	(12)
LKE plant operations and maintenance	(11)
LKE distribution operations and maintenance	(9)
LKE COVID-19	7
Stock compensation expense	(7)
Other	(13)
U.K.:	
Pension	6
Third-party engineering	9
Engineering management	5
COVID-19 impact	19
Other	4
Total	$ (41)

Depreciation

The increase (decrease) in depreciation was due to:

	2020 vs. 2019
Additions to PP&E, net	$ 55
Depreciation rates (a)	26
Other	7
Total	$ 88

(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:

	2020 vs. 2019
Economic foreign currency exchange contracts (Note 18)	$ (84)
Defined benefit plans - non-service credits (Note 12)	(54)
Charitable contributions	14
Other	(16)
Total	$ (140)

Interest Expense

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

	2020 vs. 2019
Long-term debt interest	$ 23
Short-term debt interest	(18)
Other	2
Total	$ 7

Income Taxes

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

	2020 vs. 2019
Change in pre-tax income	$ (37)
Federal and state income tax return adjustments	(10)
U.S. income tax on foreign earnings net of foreign tax credit	9
Impact of the U.K. Finance Acts on deferred tax balances (a)	115
Kentucky recycling credit, net of federal income tax expense (b)	18
Other	(2)
Total	$ 93

(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% for financial years 2020 and 2021. The Finance Act 2020 was formally enacted on July 22, 2020. The impact of the cancellation of the corporation tax rate reduction resulted in an increase in deferred tax liabilities and a corresponding deferred tax cost of $106 million.

(b) In 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.

See Note 6 to the Financial Statements for additional information on income taxes.

Segment Earnings

PPL's net income by reportable segments were as follows:

	2020	2019	Change 2020 vs. 2019
U.K. Regulated	$ 686	$ 977	$ (291)
Kentucky Regulated	418	436	(18)
Pennsylvania Regulated	497	458	39
Corporate and Other (a)	(132)	(125)	(7)
Net Income	$ 1,469	$ 1,746	$ (277)

(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 and anticipated proceeds from the potential sale of PPL's U.K. utility business. 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 18 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 were as follows:

	2020	2019	Change 2020 vs. 2019
U.K. Regulated	$ 1,027	$ 1,032	$ (5)
Kentucky Regulated	423	436	(13)
Pennsylvania Regulated	498	458	40
Corporate and Other	(101)	(120)	19
Earnings from Ongoing Operations	$ 1,847	$ 1,806	$ 41

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 47% of PPL's Net Income for 2020 and 40% of PPL's assets at December 31, 2020.

Net Income and Earnings from Ongoing Operations include the following results:

	2020	2019	Change 2020 vs. 2019
Operating revenues	$ 2,133	$ 2,167	$ (34)
Other operation and maintenance	549	510	39
Depreciation	265	250	15
Taxes, other than income	127	127	—
Total operating expenses	941	887	54
Other Income (Expense) - net	166	294	(128)
Interest Expense	400	405	(5)
Income Taxes	272	192	80
Net Income	686	977	(291)
Less: Special Items	(341)	(55)	(286)
Earnings from Ongoing Operations	$ 1,027	$ 1,032	$ (5)

The following after-tax gains (losses), which management considers special items, impacted the U.K. Regulated segment's results and are excluded from Earnings from Ongoing Operations:

	Income Statement Line Item	2020	2019
Foreign currency economic hedges, net of tax of $57, $13 (a)	Other Income (Expense) - net	$ (216)	$ (51)
COVID-19 impact, net of tax of $4, $0 (b)	Other operation and maintenance	(15)	—
U.K. tax rate change (c)	Income Taxes	(102)	—
Strategic corporate initiatives (d)	Income Taxes	(8)	—
Other, net of tax of $0, $1 (e)	Other operation and maintenance	—	(4)
Total		$ (341)	$ (55)

(a) Unrealized gains (losses) on contracts that economically hedge anticipated GBP-denominated earnings and anticipated proceeds from the potential sale of the U.K. utility business.

(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, cancelled the reduction of the corporation tax rate from 19% to 17%. See Note 6 to the Financial Statements for additional information.

(d) U.S. tax on distribution of intercompany note receivable from the U.K. utility business related to the potential sale.
(e) Settlement of a contractual dispute.

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

	2020 vs. 2019
U.K.	
U.K. Adjusted Gross Margins	$ (57)
Other operation and maintenance	(15)
Depreciation	(14)
Other Income (Expense) - net	(45)
Interest expense	8
Income taxes	16
U.S.	
Income taxes	(6)
Operation and maintenance	2
Foreign currency exchange, after-tax	106
Earnings from Ongoing Operations	(5)
Special items, after-tax	(286)
Net Income	$ (291)

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

- Higher U.K. operation and maintenance expense in 2020 compared with 2019 primarily due to increases in various costs that were not individually significant in comparison to the prior year.

- Higher depreciation expense in 2020 compared with 2019 primarily due to additions to PP&E, net of retirements.

- Lower other income (expense) - net in 2020 compared with 2019 primarily due to lower pension income.

Kentucky Regulated Segment

The Kentucky Regulated segment consists primarily of LKE's regulated electricity generation, transmission and distribution operations conducted by LG&E and KU, as well as LG&E's regulated distribution and sale of natural gas. In addition, certain acquisition-related financing costs are allocated to the Kentucky Regulated segment. The Kentucky Regulated segment represents 28% of PPL's Net Income for 2020 and 33% of PPL's assets at December 31, 2020.

Net Income and Earnings from Ongoing Operations include the following results:

	2020	2019	Change 2020 vs. 2019
Operating revenues	$ 3,106	$ 3,206	$ (100)
Fuel	632	709	(77)
Energy purchases	143	174	(31)
Other operation and maintenance	834	861	(27)
Depreciation	606	547	59
Taxes, other than income	77	74	3
Total operating expenses	2,292	2,365	(73)
Other Income (Expense) - net	2	(13)	15
Interest Expense	300	298	2
Income Taxes	98	94	4
Net Income	418	436	(18)
Less: Special Items	(5)	—	(5)
Earnings from Ongoing Operations	$ 423	$ 436	$ (13)

The following after-tax gains (losses), which management considers special items, impacted the Kentucky Regulated segment's results and are excluded from Earnings from Ongoing Operations:

	Income Statement Line Item	2020	2019
COVID-19 impact, net of tax of $2, $0 (a)	Other operation and maintenance	$ (5)	$ —
Total		$ (5)	$ —

(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 item.

	2020 vs. 2019
Kentucky Adjusted Gross Margins	$ (30)
Other operation and maintenance	33
Depreciation	(21)
Taxes, other than income	(2)
Other Income (Expense) - net	15
Interest Expense	(2)
Income Taxes	(6)
Earnings from Ongoing Operations	(13)
Special Items, after-tax	(5)
Net Income	$ (18)

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

- Lower other operation and maintenance expense in 2020 compared with 2019 primarily due to a $12 million decrease in administrative and general expenses, a $9 million decrease in plant operations and maintenance and a $9 million decrease in distribution maintenance.

- Higher depreciation expense in 2020 compared with 2019 primarily due to a $14 million increase related to additional assets placed into service, net of retirements, and a $7 million increase related to higher depreciation rates effective May 1, 2019.

- Higher income taxes in 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 higher amortization of excess deferred federal and state income taxes of $5 million and an increase in income tax credits of $5 million.

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 34% of PPL's Net Income for 2020 and 26% of PPL's assets at December 31, 2020.

Net Income and Earnings from Ongoing Operations include the following results:

	2020	2019	Change 2020 vs. 2019
Operating revenues	$ 2,330	$ 2,358	$ (28)
Energy purchases	491	549	(58)
Other operation and maintenance	513	566	(53)
Depreciation	403	386	17
Taxes, other than income	107	112	(5)
Total operating expenses	1,514	1,613	(99)
Other Income (Expense) - net	20	31	(11)
Interest Expense	172	169	3
Income Taxes	167	149	18
Net Income	497	458	39
Less: Special Items	(1)	—	(1)
Earnings from Ongoing Operations	$ 498	$ 458	$ 40

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:

	Income Statement Line Item	2020	2019
COVID-19 impact, net of tax of $0, $0 (a)	Other operation and maintenance	$ (1)	$ —
Total		$ (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 were due to the factors set forth below, which reflect amounts classified as Pennsylvania Adjusted Gross Margins and the items that management considers special on separate lines and not in their respective Statement of Income line items.

	2020 vs. 2019
Pennsylvania Adjusted Gross Margins	$ 62
Other operation and maintenance	19
Depreciation	(14)
Taxes, other than income	5
Other Income (Expense) - net	(11)
Interest Expense	(3)
Income Taxes	(18)
Earnings from Ongoing Operations	40
Special Items, after-tax	(1)
Net Income	$ 39

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

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 years ended December 31:

	2020				
	U.K. Regulated	KY Regulated	PA Regulated	Corporate and Other	Total
Net Income	$ 686	$ 418	$ 497	$ (132)	$ 1,469
Less: Special Items (expense) benefit:					
Foreign currency economic hedges, net of tax of $57	(216)	—	—	—	(216)
Talen litigation costs, net of tax of $3 (a)	—	—	—	(13)	(13)
COVID-19 impact, net of tax of $4, $2, $0, $0	(15)	(5)	(1)	(1)	(22)
U.K. tax rate change	(102)	—	—	—	(102)
Strategic corporate initiatives, net of tax of $0, $0, $0, $3 (b)	(8)	—	—	(11)	(19)
Executive retirement benefits, net of tax of $2 (c)	—	—	—	(6)	(6)
Total Special Items	(341)	(5)	(1)	(31)	(378)
Earnings from Ongoing Operations	$ 1,027	$ 423	$ 498	$ (101)	$ 1,847

	2019				
	U.K. Regulated	KY Regulated	PA Regulated	Corporate and Other	Total
Net Income	$ 977	$ 436	$ 458	$ (125)	$ 1,746
Less: Special Items (expense) benefit:					
Foreign currency economic hedges, net of tax of $13	(51)	—	—	—	(51)
Talen litigation costs, net of tax of $1 (a)	—	—	—	(5)	(5)
Other, net of tax of $1	(4)	—	—	—	(4)
Total Special Items	(55)	—	—	(5)	(60)
Earnings from Ongoing Operations	$ 1,032	$ 436	$ 458	$ (120)	$ 1,806

(a) Legal expenses related to litigation with a former affiliate, Talen Montana. See Note 14 to the Financial Statements for additional information.
(b) Costs related to the process to sell the U.K. utility business, announced on August 10, 2020. Similar costs of $4 million, after-tax, were incurred in 2019, but not treated as a special item.
(c) Settlement charge from the remeasurement of the projected benefit obligation for the PPL Supplemental Executive Retirement Plan related to a lump-sum payment made to a former PPL executive.

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 year ended December 31 as well as the changes between periods. The factors that gave rise to the changes are described following the table.

	2020	2019	Change 2020 vs. 2019
U.K. Regulated			
U.K. Adjusted Gross Margins	$ 1,954	$ 1,998	$ (44)
Impact of changes in foreign currency exchange rates			13
U.K. Adjusted Gross Margins excluding impact of foreign currency exchange rates			$ (57)
Kentucky Regulated			
Kentucky Adjusted Gross Margins	$ 2,081	$ 2,111	$ (30)
Pennsylvania Regulated			
Pennsylvania Adjusted Gross Margins			
Distribution	$ 907	$ 927	$ (20)
Transmission	682	600	82
Total Pennsylvania Adjusted Gross Margins	$ 1,589	$ 1,527	$ 62

U.K. Adjusted Gross Margins

U.K. Adjusted Gross Margins, excluding the impact of changes in foreign currency exchange rates, decreased in 2020 compared with 2019 primarily due to $67 million of lower volumes, of which $82 million was due to the COVID-19 lockdown restrictions that were effective beginning the latter half of March 2020 and $11 million from the April 1, 2020 price decrease, driven by lower true-up mechanisms mainly offset by higher base demand revenue, partially offset by $24 million from the April 1, 2019 price increase.

Kentucky Adjusted Gross Margins

Kentucky Adjusted Gross Margins decreased in 2020 compared with 2019 due to $42 million of lower commercial and industrial demand revenue primarily due to impacts of COVID-19, $39 million of decreased sales volumes primarily due to weather, and a $17 million decrease due to the termination of eight supply contracts with Kentucky municipalities on April 30, 2019, partially offset by $64 million due to higher retail rates approved by the KPSC effective May 1, 2019, inclusive of the termination of the TCJA bill credit mechanism.

Pennsylvania Adjusted Gross Margins

Distribution

Distribution Adjusted Gross Margins decreased in 2020 compared with 2019. No items were individually significant in comparison to the prior year.

Transmission

Transmission Adjusted Gross Margins increased in 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 years ended December 31:

	2020					
	U.K. Adjusted Gross Margins		Kentucky Adjusted Gross Margins	Pennsylvania Adjusted Gross Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 2,095	(c)	$ 3,106	$ 2,331	$ 75	$ 7,607
Operating Expenses						
Fuel	—		632	—	—	632
Energy purchases	—		143	491	—	634
Other operation and maintenance	141		91	91	1,621	1,944
Depreciation	—		154	53	1,080	1,287
Taxes, other than income	—		5	107	195	307
Total Operating Expenses	141		1,025	742	2,896	4,804
Total	$ 1,954		$ 2,081	$ 1,589	$ (2,821)	$ 2,803

	2019						
	U.K. Adjusted Gross Margins		Kentucky Adjusted Gross Margins	Pennsylvania Adjusted Gross Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 2,129	(c)	$ 3,206	$ 2,358	$ 76	$ 7,769
Operating Expenses						
Fuel	—		709	—	—	709
Energy purchases	—		174	549	—	723
Other operation and maintenance	131		92	125	1,637	1,985
Depreciation	—		116	50	1,033	1,199
Taxes, other than income	—		4	107	202	313
Total Operating Expenses	131		1,095	831	2,872	4,929
Total	$ 1,998		$ 2,111	$ 1,527	$ (2,796)	$ 2,840

(a) Represents amounts excluded from Adjusted Gross Margins.
(b) As reported on the Statements of Income.
(c) 2020 and 2019 exclude $38 million of ancillary revenues.

2021 Outlook

(All Registrants)

As a result of the initiation of PPL's formal process to sell its U.K. utility business, PPL is not providing future earnings guidance at this time.

Earnings in future periods are subject to various risks and uncertainties. See "Forward-Looking Information," "Item 1. Business," "Item 1A. Risk Factors," the rest of this Item 7, and Notes 1, 7 and 14 to the Financial Statements (as applicable) for a discussion of the risks, uncertainties and factors that may impact future earnings.

PPL Electric: Statement of Income Analysis

Net income for the years ended December 31 includes the following results:

	2020	2019	Change 2020 vs. 2019
Operating Revenues	$ 2,331	$ 2,358	$ (27)
Operating Expenses			
Operation			
Energy purchases	491	549	(58)
Other operation and maintenance	513	566	(53)
Depreciation	403	386	17
Taxes, other than income	107	112	(5)
Total Operating Expenses	1,514	1,613	(99)
Other Income (Expense) - net	18	25	(7)
Interest Income from Affiliate	2	6	(4)
Interest Expense	173	170	3
Income Taxes	167	149	18
Net Income	$ 497	$ 457	$ 40

Operating Revenues

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

	2020 vs. 2019
Distribution price (a)	$ (27)
Distribution volume (b)	(16)
PLR (c)	(57)
Transmission Formula Rate (d)	82
Other	(9)
Total	$ (27)

(a) Distribution price variance was primarily due to reconcilable cost recovery mechanisms approved by the PUC.
(b) The decrease was primarily due to unfavorable weather.
(c) The decrease was primarily the result of lower energy prices, unfavorable weather and lower usage, partially offset by higher volumes of non-shopping customers.
(d) The increase was primarily due to returns on additional capital investments.

Energy Purchases

Energy purchases decreased $58 million in 2020 compared with 2019. This decrease was primarily due to lower PLR prices of $70 million, partially offset by higher transmission enhancement expenses of $13 million.

Other Operation and Maintenance

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

	2020 vs. 2019
Act 129	$ (17)
Storm costs	(11)
Universal service programs	(10)
Vegetation management	(8)
Bad debts	(4)
Contractor-related expenses	(4)
Canceled projects	7
Other	(6)
Total	$ (53)

LKE: Statement of Income Analysis

Net income for the years ended December 31 includes the following results:

	2020	2019	Change 2020 vs. 2019
Operating Revenues	$ 3,106	$ 3,206	$ (100)
Operating Expenses			
Operation			
Fuel	632	709	(77)
Energy purchases	143	174	(31)
Other operation and maintenance	834	861	(27)
Depreciation	606	547	59
Taxes, other than income	77	74	3
Total Operating Expenses	2,292	2,365	(73)
Other Income (Expense) - net	2	(13)	15
Interest Expense	223	226	(3)
Interest Expense with Affiliate	37	31	6
Income Taxes	106	103	3
Net Income	$ 450	$ 468	$ (18)

Operating Revenues

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

	2020 vs. 2019
Volumes (a)	$ (95)
Demand (b)	(42)
Fuel and other energy prices (c)	(37)
Municipal supply (d)	(28)
Retail rates (e)	64
ECR (f)	29
Other	9
Total	$ (100)

(a) The decrease was primarily due to unfavorable weather.
(b) The decrease was primarily due to COVID-19.
(c) The decrease was primarily due to lower recoveries of fuel and energy purchases due to lower commodity costs.
(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 $77 million in 2020 compared with 2019 at LKE, primarily due to a $46 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 $31 million in 2020 compared with 2019, primarily due to lower commodity costs.

Other Operation and Maintenance

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

	2020 vs. 2019
Administrative and general	$ (12)
Plant operations and maintenance	(11)
Distribution operations and maintenance	(9)
COVID-19	7
Other	(2)
Total	$ (27)

Depreciation

Depreciation increased $59 million in 2020 compared with 2019, primarily due to a $30 million increase related to additional assets placed into service, net of retirements and a $26 million increase related to higher depreciation rates effective May 1, 2019.

LG&E: Statement of Income Analysis

Net income for the years ended December 31 includes the following results:

	2020	2019	Change 2020 vs. 2019
Operating Revenues			
Retail and wholesale	$ 1,435	$ 1,473	$ (38)
Electric revenue from affiliate	21	27	(6)
Total Operating Revenues	1,456	1,500	(44)
Operating Expenses			
Operation			
Fuel	246	289	(43)
Energy purchases	125	154	(29)
Energy purchases from affiliates	19	7	12
Other operation and maintenance	373	387	(14)
Depreciation	259	231	28
Taxes, other than income	40	39	1
Total Operating Expenses	1,062	1,107	(45)
Other Income (Expense) - net	(1)	(11)	10
Interest Expense	87	87	—
Income Taxes	62	63	(1)
Net Income	$ 244	$ 232	$ 12

Operating Revenues

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

	2020 vs. 2019
Volumes (a)	$ (52)
Fuel and other energy prices (b)	(22)
Demand (c)	(18)
Retail rates (d)	27
ECR (e)	13
Other	8
Total	$ (44)

(a) The decrease was primarily due to unfavorable weather.

(b) The decrease was primarily due to lower recoveries of fuel and energy purchases due to lower commodity costs.

(c) The decrease was 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 was primarily due to higher recoverable depreciation expense as a result of higher depreciation rates effective May 1, 2019.

Fuel

Fuel decreased $43 million in 2020 compared with 2019, primarily due to a $38 million decrease in volumes driven by weather and a $7 million decrease in commodity costs.

Energy Purchases

Energy purchases decreased $29 million in 2020 compared with 2019, primarily due to lower commodity costs.

Other Operation and Maintenance

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

	2020 vs. 2019
Plant operations and maintenance	$ (6)
Distribution operations and maintenance	(5)
Administrative and general	(4)
COVID-19	3
Other	(2)
Total	$ (14)

Depreciation

Depreciation increased $28 million in 2020 compared with 2019, due to a $15 million increase related to additional assets placed into service, net of retirements and a $13 million increase related to higher depreciation rates effective May 1, 2019.

KU: Statement of Income Analysis

Net income for the years ended December 31 includes the following results:

	2020	2019	Change 2020 vs. 2019
Operating Revenues			
Retail and wholesale	$ 1,671	$ 1,733	$ (62)
Electric revenue from affiliate	19	7	12
Total Operating Revenues	1,690	1,740	(50)
Operating Expenses			
Operation			
Fuel	386	420	(34)
Energy purchases	18	20	(2)
Energy purchases from affiliates	21	27	(6)
Other operation and maintenance	429	438	(9)
Depreciation	346	315	31
Taxes, other than income	37	35	2
Total Operating Expenses	1,237	1,255	(18)
Other Income (Expense) - net	3	(4)	7
Interest Expense	113	109	4
Income Taxes	63	79	(16)
Net Income	$ 280	$ 293	$ (13)

Operating Revenue

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

	2020 vs. 2019
Volumes (a)	$ (35)
Municipal supply (b)	(28)
Demand (c)	(24)
Fuel and other energy prices (d)	(15)
Retail rates (e)	37
ECR (f)	16
Other	(1)
Total	$ (50)

(a) The decrease was primarily due to unfavorable weather.
(b) The decrease was primarily due to the termination of eight supply contracts with Kentucky municipalities on April 30, 2019.
(c) The decrease was primarily due to COVID-19.
(d) The decrease was primarily due to lower recoveries of fuel due to lower commodity costs.
(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 $34 million in 2020 compared with 2019, primarily due to a $20 million decrease in commodity costs, a $9 million decrease in volumes driven by the termination of eight supply contracts with Kentucky municipalities on April 30, 2019 and an $8 million decrease in volumes driven by weather.

Depreciation

Depreciation increased $31 million in 2020 compared with 2019, primarily due to a $15 million increase related to additional assets placed into service, net of retirements and a $13 million increase related to higher depreciation rates effective May 1, 2019.

Income Taxes

Income taxes decreased $16 million in 2020 compared to 2019, primarily due to a $7 million decrease due to lower pre-tax income, $4 million due to increased amortization of excess deferred federal and state income taxes and $4 million due to an increase in income tax credits in 2020. See Note 6 to the Financial Statements for additional information on income taxes.

Financial Condition

The remainder of this Item 7 in this Form 10-K is presented on a combined basis, providing information, as applicable, for all Registrants.

Liquidity and Capital Resources

(All Registrants)

The Registrants' cash flows from operations and access to cost effective bank and capital markets are subject to risks and uncertainties. See "Item 1A. Risk Factors" for a discussion of risks and uncertainties that could affect the Registrants' cash flows.

The Registrants had the following at:

	PPL (a)	PPL Electric	LKE	LG&E	KU
December 31, 2020					
Cash and cash equivalents	$ 708	$ 40	$ 29	$ 7	$ 22
Short-term debt	1,662	—	465	262	203
Long-term debt due within one year	1,574	400	674	292	132
Notes payable with affiliates		—	251	—	—
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 December 31, 2020, $261 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 for additional information on undistributed earnings of WPD.

(All Registrants)

Net cash provided by (used in) operating, investing and financing activities for the years ended December 31 and the changes between periods were as follows:

	PPL	PPL Electric	LKE	LG&E	KU
2020					

	PPL	PPL Electric	LKE	LG&E	KU
Operating activities	$ 2,746	$ 884	$ 1,003	$ 483	$ 543
Investing activities	(3,258)	(1,151)	(963)	(456)	(507)
Financing activities	386	43	(38)	(35)	(26)
2019					
Operating activities	$ 2,427	$ 913	$ 938	$ 492	$ 553
Investing activities	(3,080)	(1,117)	(1,094)	(482)	(610)
Financing activities	836	199	159	(5)	55
2020 vs. 2019 Change					
Operating activities	$ 319	$ (29)	$ 65	$ (9)	$ (10)
Investing activities	(178)	(34)	131	26	103
Financing activities	(450)	(156)	(197)	(30)	(81)

Operating Activities

The components of the change in cash provided by (used in) operating activities were as follows:

	PPL	PPL Electric	LKE	LG&E	KU
2020 vs. 2019					
Change - Cash Provided (Used):					
Net income	$ (277)	$ 40	$ (18)	$ 12	$ (13)
Non-cash components	444	25	38	(31)	13
Working capital	132	(50)	42	(6)	(1)
Defined benefit plan funding	(40)	—	(20)	(5)	—
Other operating activities	60	(44)	23	21	(9)
Total	$ 319	$ (29)	$ 65	$ (9)	$ (10)

(PPL)

PPL cash provided by operating activities in 2020 decreased $319 million compared with 2019.

- Net income decreased $277 million between periods and included an increase in net non-cash charges of $444 million. The increase in net non-cash charges was primarily due to an increase in depreciation expense (primarily due to additional assets placed into service, net of retirements, increased cost of removal and salvage amortization and higher depreciation rates), 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 $132 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) and a decrease in regulatory assets and liabilities, net primarily due to the timing of rate recovery mechanisms), partially offset by an increase in accounts receivable (primarily due to timing of receipts).

- The $60 million increase in cash provided by other operating activities was driven by an increase in other non-current assets (primarily related to non-current regulatory assets) and an increase in other non-current liabilities (primarily related to an increase in non-current regulatory liabilities partially offset by a decrease in accrued retirement obligations).

(PPL Electric)

PPL Electric's cash provided by operating activities in 2020 decreased $29 million compared with 2019.

- Net income increased $40 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 (primarily due to additional assets placed in service, net of retirements and increased cost of removal and salvage amortization) and an increase in other expenses (primarily due to an increase in canceled projects).

- The $50 million decrease in cash from changes in working capital was primarily due to an increase in accounts receivable (primarily due to timing of receipts), partially offset by a decrease in unbilled revenues (primarily due to reduced prices and volume).

- The $44 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 $65 million compared with 2019.

- Net income decreased $18 million between the periods and included an increase in non-cash components of $38 million. The increase in non-cash components was primarily driven by an increase in depreciation expense (primarily due to additional assets placed into service, net of retirements and higher depreciation rates), partially offset by a decrease in deferred income tax expense (primarily due to book versus tax plant timing differences, partially offset by increased benefit from net operating losses).

- The increase in cash from changes in working capital was primarily driven by a decrease in net regulatory assets (primarily due to the timing of rate recovery mechanisms), an increase in taxes payable (primarily due to timing of payments) and an increase in accounts payable (primarily due to timing of payments), partially offset by an increase in unbilled revenue (primarily due to weather).

(LG&E)

LG&E's cash provided by operating activities in 2020 decreased $9 million compared with 2019.

- Net income increased $12 million between the periods and included a decrease in non-cash components of $31 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 additional assets placed into service, net of retirements and higher depreciation rates).

- Cash from changes in working capital was consistent primarily due to a decrease in accounts payable (primarily due to timing of payments) and a decrease in taxes payable (primarily due to timing of payments), partially offset by a decrease in net regulatory assets (primarily due to the timing of rate recovery mechanisms).

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

(KU)

KU's cash provided by operating activities in 2020 decreased $10 million compared with 2019.

- Net income decreased $13 million between the periods and included an increase in non-cash components of $13 million. The increase in non-cash components was driven by an increase in depreciation expense (primarily due to additional assets placed into service, net of retirements and higher depreciation rates), partially offset by a decrease in deferred income tax expense (primarily due to book versus tax plant timing differences).

- Cash from changes in working capital was consistent primarily due to an increase in unbilled revenue (primarily due to weather), offset by an increase in accounts payable (primarily due to timing of payments).

Investing Activities

(All Registrants)

The components of the change in cash provided by (used in) investing activities were as follows:

	PPL	PPL Electric	LKE	LG&E	KU
2020 vs. 2019					
Change - Cash Provided (Used):					
Expenditures for PP&E	$ (166)	$ (31)	$ 128	$ 26	$ 100
Purchase of investments	55	—	—	—	—
Proceeds from sale of investments	(60)	—	—	—	—
Other investing activities	(7)	(3)	3	—	3
Total	$ (178)	$ (34)	$ 131	$ 26	$ 103

For PPL, in 2020 compared with 2019, the increase in expenditures was due to higher project expenditures at WPD and PPL Electric, partially offset by lower 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 for PPL Electric was primarily due to timing differences on capital spending projects related to 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, and decreased spending at LG&E and KU's Trimble County landfill, 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.

See "Forecasted Uses of Cash" for detail regarding projected capital expenditures for the years 2021 through 2025.

Financing Activities

(All Registrants)

The components of the change in cash provided by (used in) financing activities were as follows:

	PPL	PPL Electric	LKE	LG&E	KU
2020 vs. 2019					
Change - Cash Provided (Used):					
Debt issuance/retirement, net	$ (170)	$ (43)	$ (982)	$ (199)	$ (308)
Debt issuance/retirement, affiliate		—	550	—	—
Proceeds from project financing	173	—	—	—	—
Stock issuances/redemptions, net	(1,133)	—	—	—	—
Dividends	(83)	86	—	21	29
Capital contributions/distributions, net	—	(205)	(38)	78	60
Issuance of term loan	300	—	—	—	—
Issuance of commercial paper	73	—	73	41	32
Changes in net short-term debt	405	—	130	24	106
Note payable with affiliate		—	64	—	—
Other financing activities	(15)	6	6	5	—
Total	$ (450)	$ (156)	$ (197)	$ (30)	$ (81)

(All Registrants)

In 2020 compared with 2019, cash provided by financing activities decreased primarily as a result of a decrease in cash required to fund capital and general expenditures.

See "Long-term Debt and Equity Securities" below for additional information on current year activity. See "Forecasted Sources of Cash" for a discussion of the Registrants' plans to issue debt and equity securities, as well as a discussion of credit facility capacity available to the Registrants. Also see "Forecasted Uses of Cash" for a discussion of PPL's plans to pay dividends on common securities in the future, as well as the Registrants' maturities of long-term debt.

Long-term Debt and Equity Securities

Long-term debt and equity securities activity for 2020 included:

	Debt		Net Stock
	Issuances (a)	Retirements	Issuances
Cash Flow Impact:			
PPL	$ 2,167	$ 1,172	$ 34
PPL Electric	250	—	
LKE	1,048	975	
LG&E	—	—	
KU	498	500	

(a) Issuances are net of pricing discounts, where applicable, and exclude the impact of debt issuance costs. Includes debt issuances with affiliates.

See Note 8 to the Financial Statements for additional long-term debt information.

(PPL)

Equity Securities Activities

See Note 8 to the Financial Statements for additional information.

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 twelve months ended December 31, 2020 and 2019. PPL issued 42 million shares of common stock and received proceeds of $119 million for the year ended December 31, 2018. The ATM program expires in February 2021.

Forecasted Sources of Cash

(All Registrants)

The Registrants expect to continue to have adequate liquidity available from operating cash flows, cash and cash equivalents, credit facilities and commercial paper issuances. Additionally, subject to market conditions, the Registrants and their subsidiaries may access the capital markets, and PPL Electric, LG&E and KU anticipate receiving equity contributions from their parent or member in 2021.

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 December 31, 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	$ 402	$ 1,098
PPL Electric Credit Facility	650	—	1	649
LG&E Credit Facilities	500	—	262	238
KU Credit Facilities	400	—	203	197
Total LKE	900	—	465	435
Total U.S. Credit Facilities (a) (b)	$ 3,450	$ 400	$ 868	$ 2,182
Total U.K. Credit Facilities (b) (c)	£ 1,055	£ 311	£ —	£ 744

(a) The syndicated credit facilities and PPL Capital Funding's bilateral facility, each contain a financial covenant requiring debt to total capitalization not to exceed 70% for PPL Capital Funding, PPL Electric, LKE, LG&E and KU, as calculated in accordance with the facility, and other customary covenants.

The commitments under the domestic credit facilities are provided by a diverse bank group, with no one bank and its affiliates providing an aggregate commitment of more than the following percentages of the total committed capacity: PPL - 12%, PPL Electric - 6%, LKE - 7%, LG&E - 7% and KU - 7%.

(b) Each company pays customary fees under its respective syndicated credit facility. Borrowings generally bear interest at LIBOR-based rates plus an applicable margin.

(c) The facilities contain financial covenants to maintain an interest coverage ratio of not less than 3.0 times consolidated earnings before income taxes, depreciation and amortization and total net debt not in excess of 85% of its RAV, calculated in accordance with the credit facility.

The amounts borrowed at December 31, 2020, include USD-denominated borrowings of $249 million and GBP-denominated borrowings of £124 million, which equated to $165 million. At December 31, 2020, the USD equivalent of unused capacity under the U.K. committed credit facilities was approximately $991 million.

The commitments under the U.K.'s credit facilities are provided by a diverse bank group with no one bank providing more than 14% of the total committed capacity.

In addition to the financial covenants noted in the table above, the credit agreements governing the above credit facilities contain various other covenants. Failure to comply with the covenants after applicable grace periods could result in acceleration of repayment of borrowings and/or termination of the agreements. The Registrants monitor compliance with the covenants on a regular basis. At December 31, 2020, the Registrants were in compliance with these covenants. At this time, the Registrants believe that these covenants and other borrowing conditions will not limit access to these funding sources.

See Note 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	$ 251	$ —	$ 124
LG&E Money Pool (a)	750	—	262	488
KU Money Pool (a)	650	—	203	447

(a) LG&E and KU participate in an intercompany 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 authorized a maximum aggregate short-term debt limit for each utility at $750 million for LG&E and $650 million for KU from all covered sources.

See Note 15 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 facilities. The following commercial paper programs were in place at:

	December 31, 2020		
	Capacity	Commercial Paper Issuances	Unused Capacity
PPL Capital Funding	$ 1,500	$ 402	$ 1,098
PPL Electric	650	—	650
LG&E	350	262	88
KU	350	203	147
Total LKE	700	465	235
Total PPL	$ 2,850	$ 867	$ 1,983

Long-term Debt and Equity Securities

(PPL)

PPL and its subsidiaries are authorized to issue, at the discretion of management and subject to market conditions, up to $4.0 billion of long-term debt and equity securities, the proceeds of which would be used to fund capital expenditures and for general corporate purposes.

(PPL Electric)

PPL Electric is authorized to issue, at the discretion of management and subject to market conditions and regulatory approvals, up to $650 million of long-term debt securities, the proceeds of which would be used to fund capital expenditures and for general corporate purposes.

(LKE, LG&E and KU)

LG&E is authorized to issue, at the discretion of management and subject to market conditions and regulatory approvals, up to $400 million of long-term debt securities, the proceeds of which would be used to repay short-term debt incurred to fund capital expenditures and for general corporate purposes.

KU is authorized to issue, at the discretion of management and subject to market conditions and regulatory approvals, up to $300 million of long-term debt securities, the proceeds of which would be used to repay short-term debt incurred to fund capital expenditures and for general corporate purposes.

Contributions from Parent/Member (PPL Electric, LKE, LG&E and KU)

From time to time, LKE's member or the parents of PPL Electric, LG&E and KU make capital contributions to subsidiaries. The proceeds from these contributions are used to fund capital expenditures and for other general corporate purposes and, in the case of LKE, to make contributions to its subsidiaries.

Forecasted Uses of Cash

(All Registrants)

In addition to expenditures required for normal operating activities, such as purchased power, payroll, fuel and taxes, the Registrants currently expect to incur future cash outflows for capital expenditures, various contractual obligations, payment of dividends on its common stock, distributions by LKE to its member, and possibly the purchase or redemption of a portion of debt securities.

Capital Expenditures

The table below shows the Registrants' current capital expenditure projections for the years 2021 through 2025. Expenditures for the domestic regulated utilities are expected to be recovered through rates, pending regulatory approval.

		Projected				
	Total	2021 (b)	2022	2023	2024	2025
PPL						
Construction expenditures (a)						
Generating facilities	$ 811	$ 239	$ 104	$ 119	$ 171	$ 178
Distribution facilities	9,629	2,030	1,823	1,826	1,984	1,966
Transmission facilities	2,408	648	523	403	420	414
Environmental	567	201	154	130	63	19
Other	1,276	235	262	288	251	240
Total Capital Expenditures	$ 14,691	$ 3,353	$ 2,866	$ 2,766	$ 2,889	$ 2,817
PPL Electric (a)						
Distribution facilities	$ 1,802	$ 437	$ 409	$ 315	$ 327	$ 314
Transmission facilities	1,738	419	407	292	312	308
Total Capital Expenditures	$ 3,540	$ 856	$ 816	$ 607	$ 639	$ 622
LKE (a)						
Generating facilities	$ 811	$ 239	$ 104	$ 119	$ 171	$ 178
Electricity Distribution facilities	1,145	266	224	223	218	214
Natural Gas Distribution facilities	379	143	52	42	101	41
Transmission facilities	670	229	116	111	108	106
Environmental	567	201	154	130	63	19
Other	687	125	122	155	148	137
Total Capital Expenditures	$ 4,259	$ 1,203	$ 772	$ 780	$ 809	$ 695
LG&E (a)						
Generating facilities	$ 348	$ 115	$ 51	$ 51	$ 60	$ 71
Electricity Distribution facilities	532	127	97	102	104	102
Natural Gas Distribution facilities	379	143	52	42	101	41

	Total	Projected 2021 (b)	2022	2023	2024	2025
Transmission facilities	103	44	11	16	12	20
Environmental	193	60	48	47	28	10
Other	320	51	57	77	71	64
Total Capital Expenditures	$ 1,875	$ 540	$ 316	$ 335	$ 376	$ 308
KU (a)						
Generating facilities	$ 463	$ 124	$ 53	$ 68	$ 111	$ 107
Electricity Distribution facilities	613	139	127	121	114	112
Transmission facilities	567	185	105	95	96	86
Environmental	374	141	106	83	35	9
Other	357	73	64	76	74	70
Total Capital Expenditures	$ 2,374	$ 662	$ 455	$ 443	$ 430	$ 384

(a) Construction expenditures include capitalized interest and AFUDC, which are expected to total approximately $138 million for PPL, $92 million for PPL Electric, $35 million for LKE, $19 million for LG&E and $16 million for KU over the five-year period.

(b) The 2021 total excludes amounts included in accounts payable as of December 31, 2020.

Capital expenditure plans are revised periodically to reflect changes in operational, market and regulatory conditions. For the years presented, this table includes PPL Electric's asset optimization program to replace aging transmission and distribution assets.

Contractual Obligations

The Registrants have assumed various financial obligations and commitments in the ordinary course of conducting business. At December 31, 2020, estimated contractual cash obligations were as follows:

	Total	2021	2022-2023	2024-2025	After 2026
PPL					
Long-term Debt (a)	$ 23,249	$ 1,574	$ 3,926	$ 1,833	$ 15,916
Interest on Long-term Debt (b)	15,016	914	1,689	1,441	10,972
Operating Leases (c)	110	27	40	23	20
Purchase Obligations (d)	2,437	940	877	251	369
Pension Benefit Plan Funding Obligations (e)	452	153	152	147	—
Total Contractual Cash Obligations	$ 41,264	$ 3,608	$ 6,684	$ 3,695	$ 27,277
PPL Electric					
Long-term Debt (a)	$ 4,289	$ 400	$ 814	$ —	$ 3,075
Interest on Long-term Debt (b)	3,269	162	291	278	2,538
Unconditional Power Purchase Obligations	9	9	—	—	—
Total Contractual Cash Obligations	$ 7,567	$ 571	$ 1,105	$ 278	$ 5,613
LKE					
Long-term Debt (a)	$ 6,116	$ 674	$ 13	$ 550	$ 4,879
Interest on Long-term Debt (b)	4,006	235	440	439	2,892
Operating Leases (c)	57	17	23	14	3
Coal and Natural Gas Purchase Obligations (f)	1,471	526	757	178	10
Unconditional Power Purchase Obligations (g)	525	34	68	64	359
Construction Obligations (h)	169	145	23	1	—
Other Obligations	184	147	29	8	—
Total Contractual Cash Obligations	$ 12,528	$ 1,778	$ 1,353	$ 1,254	$ 8,143

LG&E

	Total	2021	2022-2023	2024-2025	After 2026
Long-term Debt (a)	$ 2,024	$ 292	$ —	$ 300	$ 1,432
Interest on Long-term Debt (b)	1,439	74	142	142	1,081
Operating Leases (c)	22	6	9	6	1
Coal and Natural Gas Purchase Obligations (f)	842	271	466	98	7
Unconditional Power Purchase Obligations (g)	364	23	47	44	250
Construction Obligations (h)	55	50	5	—	—
Other Obligations	42	42	—	—	—
Total Contractual Cash Obligations	$ 4,788	$ 758	$ 669	$ 590	$ 2,771
KU					
Long-term Debt (a)	$ 2,642	$ 132	$ 13	$ 250	$ 2,247
Interest on Long-term Debt (b)	2,189	103	205	204	1,677
Operating Leases (c)	33	10	14	7	2
Coal and Natural Gas Purchase Obligations (f)	629	255	291	80	3
Unconditional Power Purchase Obligations (g)	161	11	21	20	109
Construction Obligations (h)	74	66	8	—	—
Other Obligations	79	59	13	7	—
Total Contractual Cash Obligations	$ 5,807	$ 636	$ 565	$ 568	$ 4,038

(a) Reflects principal maturities based on stated maturity or earlier put dates. See Note 8 to the Financial Statements for a discussion of variable-rate remarketable bonds issued on behalf of PPL Electric, LG&E and KU. The Registrants do not have any significant finance lease obligations.

(b) Assumes interest payments through stated maturity or earlier put dates. The payments herein are subject to change, as payments for debt that is or becomes variable-rate debt have been estimated and for PPL, payments denominated in British pounds sterling have been translated to U.S. dollars at a current foreign currency exchange rate.

(c) See Note 10 to the Financial Statements for additional information.

(d) The amounts include agreements to purchase goods or services that are enforceable and legally binding and specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Primarily includes, as applicable, the purchase obligations of electricity, coal, natural gas and limestone, as well as certain construction expenditures, which are also included in the Capital Expenditures table presented above.

(e) The amounts for PPL include WPD's contractual deficit pension funding requirements arising from actuarial valuations performed in March 2019. The U.K. electricity regulator currently allows a recovery of a substantial portion of the contributions relating to the plan deficit. The amounts also include contributions made or committed to be made in 2021 for PPL's U.S. pension plans. Based on the current funded status of these plans, except for WPD's plans, no cash contributions are required. See Note 12 to the Financial Statements for a discussion of expected contributions.

(f) Represents contracts to purchase coal, natural gas and natural gas transportation. See Note 14 to the Financial Statements for additional information.

(g) Represents future minimum payments under OVEC power purchase agreements through June 2040. See Note 14 to the Financial Statements for additional information.

(h) Represents construction commitments, which are also reflected in the Capital Expenditures table presented above.

Dividends/Distributions

(PPL)

PPL views dividends as an integral component of shareowner return and expects to continue to pay dividends in amounts intended to maintain a capitalization structure that supports investment grade credit ratings. In November 2020, PPL declared its quarterly common stock dividend, payable January 4, 2021, at 41.50 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.

Subject to certain exceptions, PPL may not declare or pay any cash dividend or distribution on its capital stock during any period in which PPL Capital Funding defers interest payments on its 2007 Series A Junior Subordinated Notes due 2067 or 2013 Series B Junior Subordinated Notes due 2073. At December 31, 2020, no interest payments were deferred.

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

From time to time, as determined by their respective Board of Directors, the Registrants pay dividends, distributions or return capital, as applicable, to their respective shareholders or members. Certain of the credit facilities of PPL Electric, LKE, LG&E and KU include minimum debt covenant ratios that could effectively restrict the payment of dividends or distributions.

(All Registrants)

See Note 8 to the Financial Statements for these and other restrictions related to distributions on capital interests for the Registrants and their subsidiaries.

Purchase or Redemption of Debt Securities

The Registrants will continue to evaluate outstanding debt securities and may decide to purchase or redeem these securities in open market or privately negotiated transactions, in exchange transactions or otherwise, depending upon prevailing market conditions, available cash and other factors, and may be commenced or suspended at any time. The amounts involved may be material.

Rating Agency Actions

Moody's 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 following table sets forth the Registrants' and their subsidiaries' credit ratings for outstanding debt securities or commercial paper programs as of December 31, 2020.

Issuer	Senior Unsecured		Senior Secured		Commercial Paper	
	Moody's	S&P	Moody's	S&P	Moody's	S&P
PPL						
PPL Capital Funding	Baa2	BBB+			P-2	A-2
WPD plc	Baa3	BBB+				
WPD (East Midlands)	Baa1	A-				
WPD (West Midlands)	Baa1	A-				
WPD (South Wales)	Baa1	A-				
WPD (South West)	Baa1	A-				
PPL and PPL Electric						
PPL Electric			A1	A	P-2	A-2
PPL and LKE						
LKE	Baa1	BBB+				
LG&E			A1	A	P-2	A-2
KU			A1	A	P-2	A-2

The rating agencies have taken the following actions related to the Registrants and their subsidiaries.

(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 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.

(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.

Ratings Triggers

(PPL)

As discussed in Note 8 to the Financial Statements, certain of WPD's senior unsecured notes may be put by the holders to the issuer for redemption if the long-term credit ratings assigned to the notes are withdrawn by any of the rating agencies (Moody's or S&P) or reduced to a non-investment grade rating of Ba1 or BB+ or lower in connection with a restructuring event. A restructuring event includes the loss of, or a material adverse change to, the distribution licenses under which WPD (East Midlands), WPD (South West), WPD (South Wales) and WPD (West Midlands) operate and would be a trigger event for each company. These notes totaled £5.8 billion (approximately $7.7 billion) nominal value at December 31, 2020.

(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 18 to the Financial Statements for a discussion of "Credit Risk-Related Contingent Features," including a discussion of the potential additional collateral requirements for PPL, LKE and LG&E for derivative contracts in a net liability position at December 31, 2020.

Guarantees for Subsidiaries *(PPL)*

PPL guarantees certain consolidated affiliate financing arrangements. Some of the guarantees contain financial and other covenants that, if not met, would limit or restrict the consolidated affiliates' access to funds under these financing arrangements, accelerate maturity of such arrangements or limit the consolidated affiliates' ability to enter into certain transactions. At this time, PPL believes that these covenants will not limit access to relevant funding sources. See Note 14 to the Financial Statements for additional information about guarantees.

Off-Balance Sheet Arrangements *(All Registrants)*

The Registrants have entered into certain agreements that may contingently require payment to a guaranteed or indemnified party. See Note 14 to the Financial Statements for a discussion of these agreements.

Risk Management

Market Risk

(All Registrants)

See Notes 1, 17 and 18 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 December 31:

	2020				2019		
	Exposure Hedged	Fair Value, Net - Asset (Liability) (a)	Effect of a 10% Adverse Movement in Rates (b)	Maturities Ranging Through	Exposure Hedged	Fair Value, Net - Asset (Liability) (a)	Effect of a 10% Adverse Movement in Rates (b)
PPL							
Cash flow hedges							
Cross-currency swaps (c)	$ 702	$ 148	$ (69)	2028	$ 702	$ 156	$ (71)
Economic hedges							
Interest rate swaps (d)	64	(24)	—	2033	147	(22)	(1)
LKE							
Economic hedges							
Interest rate swaps (d)	64	(24)	—	2033	147	(22)	(1)
LG&E							
Economic hedges							
Interest rate swaps (d)	64	(24)	—	2033	147	(22)	(1)

(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 December 31, 2020 and 2019 was insignificant for PPL, PPL Electric, LKE, LG&E and KU. The estimated impact of a 10% adverse movement in interest rates on the fair value of debt at December 31 is shown below.

	10% Adverse Movement in Rates	
	2020	2019
PPL	$ 582	$ 655
PPL Electric	175	197
LKE	199	198
LG&E	74	84
KU	118	104

Foreign Currency Risk (PPL)

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

The following foreign currency hedges were outstanding at December 31:

	2020				2019		
	Exposure Hedged	Fair Value, Net - Asset (Liability)	Effect of a 10% Adverse Movement in Foreign Currency Exchange Rates (a)	Maturities Ranging Through	Exposure Hedged	Fair Value, Net - Asset (Liability)	Effect of a 10% Adverse Movement in Foreign Currency Exchange Rates (a)
Economic hedges (b)	£ 3,880	$ (137)	$ (326)	2021	£ 859	$ 137	$ (89)

(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 of expected earnings and anticipated transactions, including the previously announced potential sale of the U.K. utility business, 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 to the Financial Statements 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.

Defined Benefit Plans - Equity Securities Price Risk

See "Application of Critical Accounting Policies - Defined Benefits" for additional information regarding the effect of equity securities price risk on plan assets.

Credit Risk

(All Registrants)

Credit risk is the risk that the Registrants would incur a loss as a result of nonperformance by counterparties of their contractual obligations. The Registrants maintain credit policies and procedures with respect to counterparty credit (including requirements that counterparties maintain specified credit ratings) and require other assurances in the form of credit support or collateral in certain circumstances in order to limit counterparty credit risk. However, the Registrants, as applicable, have concentrations of suppliers and customers among electric utilities, financial institutions and energy marketing and trading companies. These concentrations may impact the Registrants' overall exposure to credit risk, positively or negatively, as counterparties may be similarly affected by changes in economic, regulatory or other conditions.

(PPL and PPL Electric)

In January 2017, the PUC issued a Final Order approving PPL Electric's default service plan for the period June 2017 through May 2021, which included a total of eight semi-annual solicitations for electricity supply. Additionally, on December 17, 2020, the PUC approved PPL Electric's next default service plan for the period of June 2021 through May 2025, which includes a total of eight solicitations for electricity supply held semiannually in April and October. The new plan also includes eight solicitations for alternative energy credits held semiannually in January and July with the first solicitation being in July 2021 and the final solicitation being in January 2025.

Under the standard Supply Master Agreement (the Agreement) for the competitive solicitation process, PPL Electric requires all suppliers to post collateral if their credit exposure exceeds an established credit limit. In the event a supplier defaults on its obligation, PPL Electric would be required to seek replacement power in the market. All incremental costs incurred by PPL Electric would be recoverable from customers in future rates. At December 31, 2020, most of the successful bidders under all of the solicitations had an investment grade credit rating from S&P and were not required to post collateral under the Agreement. A small portion of bidders were required to post an insignificant amount of collateral under the Agreement. There is no instance under the Agreement in which PPL Electric is required to post collateral to its suppliers.

See Note 18 to the Financial Statements for additional information on credit risk.

Foreign Currency Translation *(PPL)*

The value of the British pound sterling fluctuates in relation to the U.S. dollar. In 2020, changes in this exchange rate resulted in a foreign currency translation gain of $267 million, which reflected a $433 million increase to PP&E and a $76 million increase to goodwill partially offset by a $214 million increase to long-term debt and a $28 million increase to other net liabilities. In 2019, changes in this exchange rate resulted in a foreign currency translation gain of $106 million, which reflected a $181 million increase to PP&E, $34 million increase to goodwill and $12 million decrease to other net liabilities partially offset by a $121 million increase to long-term debt. In 2018, changes in this exchange rate resulted in a foreign currency translation loss of $453 million, which reflected a $754 million decrease to PP&E and $150 million decrease to goodwill partially offset by a $445 million decrease to long-term debt and a decrease of $6 million to other net liabilities.

(All Registrants)

Related Party Transactions

The Registrants are not aware of any material ownership interests or operating responsibility by senior management in outside partnerships, including leasing transactions with variable interest entities, or other entities doing business with the Registrants. See Note 15 to the Financial Statements for additional information on related party transactions for PPL Electric, LKE, LG&E and KU.

Acquisitions, Development and Divestitures

The Registrants from time to time evaluate opportunities for potential acquisitions, divestitures and development projects. Development projects are reexamined based on market conditions and other factors to determine whether to proceed with, modify or terminate the projects. Any resulting transactions may impact future financial results.

(PPL)

On August 10, 2020, PPL announced that it initiated a formal process to sell its U.K. utility business. 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. See Note 9 to the Financial Statements for additional information on the potential sale of the U.K. utility business.

(All Registrants)

Environmental Matters

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 "Legal Matters" in Note 14 to the Financial Statements for a discussion of the more 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" for information on projected environmental capital expenditures for 2021 through 2025. See Note 20 to the Financial Statements for information related to the impacts of CCRs on AROs. See "Item 1. Business - Environmental Matters" for additional information regarding climate change, NAAQS and other environmental matters.

Sustainability

Increasing attention has been focused on a broad range of corporate activities under the heading of "sustainability", which has resulted in a significant increase in the number of requests from interested parties for information on sustainability topics. These parties range from investor groups focused on environmental, social, governance and other matters to non-investors concerned with a variety of public policy matters. Often the scope of the information sought is very broad and not necessarily relevant to an issuer's business or industry. As a result, a number of private groups have proposed to standardize the subject matter constituting sustainability, either generally or by industry. Those efforts remain ongoing. In addition, certain of these private groups have advocated that the SEC promulgate regulations requiring specific sustainability reporting under the Securities Exchange Act of 1934, as amended (the "'34 Act"), or that issuers voluntarily include certain sustainability disclosure in their '34 Act reports. To date, no new reporting requirements have been adopted or proposed by the SEC.

As has been PPL's practice, to the extent sustainability issues have or may have a material impact on the Registrants' financial condition or results of operation, PPL discloses such matters in accordance with applicable securities law and SEC regulations.

With respect to other sustainability topics that PPL deems relevant to investors but that are not required to be reported under applicable securities law and SEC regulation, PPL will continue each spring to publish its annual sustainability report including tracking reductions related to the company's goal to reduce carbon emissions and post that report on its corporate website at www.pplweb.com and on www.pplsustainability.com. Neither the information in such annual sustainability report nor the information at such websites is incorporated in this Form 10-K by reference, and it should not be considered a part of this Form 10-K. In preparing its sustainability report, PPL is guided by the framework established by the Global Reporting Initiative, which identifies environmental, social, governance and other subject matter categories. PPL also participates in efforts by the Edison Electric Institute to provide the appropriate subset of sustainability information that can be applied consistently across the electric utility industry. Additionally, PPL publicly discloses its corporate political contributions and responds to the CDP climate survey.

Cybersecurity

See “Cybersecurity Management” in “Item 1. Business” and “Item 1A. Risk factors” for a discussion of cybersecurity risks affecting the Registrants and the related strategies for managing these risks.

Competition

See "Competition" under each of PPL's reportable segments in "Item 1. Business - General - Segment Information" and "Item 1A. Risk Factors" for a discussion of competitive factors affecting the Registrants.

New Accounting Guidance

See Note 1 to the Financial Statements for a discussion of new accounting guidance adopted.

Application of Critical Accounting Policies

Financial condition and results of operations are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. The following accounting policies are particularly important to an understanding of the reported financial condition or results of operations and require management to make estimates or other judgments of matters that are inherently uncertain. Changes in the estimates or other judgments included within these accounting policies could result in a significant change to the information presented in the Financial Statements (these accounting policies are also discussed in Note 1 to the Financial Statements). Senior management has reviewed with PPL's Audit Committee these critical accounting policies, the following disclosures regarding their application, and the estimates and assumptions regarding them.

Defined Benefits

(All Registrants)

Certain of the Registrants and/or their subsidiaries sponsor or participate in certain qualified funded and non-qualified unfunded defined benefit pension plans and both funded and unfunded other postretirement benefit plans. See Notes 1, 7 and 12 to the Financial Statements for additional information about the plans and the accounting for defined benefits.

A summary of plan sponsors by Registrant and whether a Registrant or its subsidiaries sponsor (S) or participate in and receives allocations (P) from those plans is shown in the table below.

Plan Sponsor	PPL	PPL Electric	LKE	LG&E	KU
PPL Services	S	P			
WPD (a)	S				
LKE			S	P	P

(a) Does not sponsor or participate in other postretirement benefits plans.

Management makes certain assumptions regarding the valuation of benefit obligations and the performance of plan assets. As such, annual net periodic defined benefit costs are recorded in current earnings or regulatory assets and liabilities based on estimated results. Any differences between actual and estimated results are recorded in AOCI or, in the case of PPL Electric, LG&E and KU, regulatory assets and liabilities for amounts that are expected to be recovered through regulated customer rates. These amounts in AOCI or regulatory assets and liabilities are amortized to income over future periods. The significant assumptions are:

- Discount Rate - In selecting the discount rates for U.S. defined benefit plans, the plan sponsors start with a cash flow analysis of the expected benefit payment stream for their plans. The plan-specific cash flows are matched against the coupons and expected maturity values of Aa-rated non-callable (or callable with make-whole provisions) bonds that could be purchased for a hypothetical settlement portfolio. The plan sponsors then use the single discount rate derived from matching the discounted benefit payment stream to the market value of the selected bond portfolio.

  In selecting the discount rate for its U.K. pension plans, WPD starts with a cash flow analysis of the expected benefit payment stream for its plans. These plan-specific cash flows are matched against a spot-rate yield curve to determine the assumed discount rate. The spot-rate yield curve uses an iBoxx British pounds sterling denominated corporate bond index as its base. From this base, those bonds with the lowest and highest yields are eliminated to develop an appropriate subset of bonds. WPD uses the single weighted-average discount rate derived from the spot rates to discount the benefit obligation. In addition, the spot rates that match the cash flows associated with the service cost and interest cost are used to discount those components of net periodic defined benefit cost.

- Expected Return on Plan Assets - The expected long-term rates of return for pension and other postretirement benefits are based on management's projections using a best-estimate of expected returns, volatilities and correlations for each asset class. Each plan's specific current and expected asset allocations are also considered in developing a reasonable return assumption.

- Rate of Compensation Increase - Management projects employees' annual pay increases, which are used to project employees' pension benefits at retirement. In selecting a rate of compensation increase, plan sponsors consider past experience, the potential impact of movements in inflation rates and expectations of ongoing compensation practices.

See Note 12 to the Financial Statements for details of the assumptions selected for pension and other postretirement benefits. A variance in the assumptions could significantly impact accrued defined benefit liabilities or assets, reported annual net periodic defined benefit costs and AOCI or regulatory assets and liabilities.

The following tables reflect changes in certain assumptions based on the Registrants' primary defined benefit plans. The inverse of this change would have the opposite impact on accrued defined benefit liabilities or assets, reported annual net periodic defined benefit costs and AOCI or regulatory assets and liabilities. The sensitivities below reflect an evaluation of the change based solely on a change in that assumption.

	Increase (Decrease)
Actuarial assumption	
Discount Rate	(0.25%)
Expected Return on Plan Assets	(0.25%)
Rate of Compensation Increase	0.25 %

Actuarial assumption	Increase (Decrease) Defined Benefit Asset	Increase (Decrease) Defined Benefit Liabilities	(Increase) Decrease AOCI (pre-tax)	Increase (Decrease) Net Regulatory Assets	Increase (Decrease) Defined Benefit Costs
PPL					
Discount rates	$ (424)	$ 155	$ 480	$ 99	$ 47
Expected return on plan assets	n/a	n/a	n/a	n/a	32
Rate of compensation increase	(62)	14	68	8	13
PPL Electric					
Discount rates		61	—	61	6
Expected return on plan assets		n/a	—	n/a	4
Rate of compensation increase		4	—	4	1
LKE					
Discount rates	—	68	30	38	9
Expected return on plan assets	n/a	n/a	n/a	n/a	3
Rate of compensation increase	n/a	8	4	4	2
LG&E					
Discount rates	(18)	2	n/a	20	3
Expected return on plan assets	n/a	n/a	n/a	n/a	1
Rate of compensation increase	(2)	—	n/a	2	—
KU					
Discount rates	(16)	2	n/a	18	3
Expected return on plan assets	n/a	n/a	n/a	n/a	1
Rate of compensation increase	(2)	—	n/a	2	—

Income Taxes *(All Registrants)*

Significant management judgment is required in developing the Registrants' provision for income taxes, primarily due to the uncertainty related to tax positions taken or expected to be taken on tax returns, valuation allowances on deferred tax assets, as well as whether the undistributed earnings of WPD are considered indefinitely reinvested.

Additionally, significant management judgment is required to determine the amount of benefit recognized related to an uncertain tax position. On a quarterly basis, uncertain tax positions are reassessed by considering information known as of the reporting date. Based on management's assessment of new information, a tax benefit may subsequently be recognized for a previously unrecognized tax position, a previously recognized tax position may be derecognized, or the benefit of a previously recognized tax position may be remeasured. The amounts ultimately paid upon resolution of issues raised by taxing authorities may differ materially from the amounts accrued and may materially impact the financial statements in the future.

The need for valuation allowances to reduce deferred tax assets also requires significant management judgment. Valuation allowances are initially recorded and reevaluated each reporting period by assessing the likelihood of the ultimate realization of a deferred tax asset. Management considers several factors in assessing the expected realization of a deferred tax asset, including the reversal of temporary differences, future taxable income and ongoing prudent and feasible tax planning strategies. Any tax planning strategy utilized in this assessment must meet the recognition and measurement criteria utilized to account for an uncertain tax position. When evaluating the need for valuation allowances, the uncertainty posed by political risk on such factors is also considered by management. The amount of deferred tax assets ultimately realized may differ materially from the estimates utilized in the computation of valuation allowances and may materially impact the financial statements in the future.

See Note 6 to the Financial Statements for income tax disclosures, including the impact of the TCJA and management's conclusion that the undistributed earnings of WPD are considered indefinitely reinvested. Based on the conclusion of indefinite reinvestment, PPL Global has not recorded deferred U.S. federal income taxes associated with the outside book-tax basis difference on its investment in WPD.

Regulatory Assets and Liabilities

(All Registrants)

PPL Electric, LG&E and KU are subject to cost-based rate regulation. As a result, the effects of regulatory actions are required to be reflected in the financial statements. Assets and liabilities are recorded that result from the regulated ratemaking process that may not be recorded under GAAP for non-regulated entities. Regulatory assets generally represent incurred costs that have been deferred because such costs are probable of future recovery in regulated customer rates. Regulatory liabilities are recognized for amounts expected to be returned through future regulated customer rates. In certain cases, regulatory liabilities are recorded based on an understanding or agreement with the regulator that rates have been set to recover costs that are expected to be incurred in the future, and the regulated entity is accountable for any amounts charged pursuant to such rates and not yet expended for the intended purpose.

Management continually assesses whether the regulatory assets are probable of future recovery by considering factors such as changes in the applicable regulatory and political environments, the ability to recover costs through regulated rates, recent rate orders to the Registrants and other regulated entities, and the status of any pending or potential deregulation legislation. Based on this continual assessment, management believes the existing regulatory assets are probable of recovery. This assessment reflects the current political and regulatory climate at the state and federal levels and is subject to change in the future. If future recovery of costs ceases to be probable, the regulatory asset would be written-off. Additionally, the regulatory agencies can provide flexibility in the manner and timing of recovery of regulatory assets.

See Note 7 to the Financial Statements for regulatory assets and regulatory liabilities recorded at December 31, 2020 and 2019, as well as additional information on those regulatory assets and liabilities. All regulatory assets are either currently bein g recovered under specific rate orders, represent amounts that are expected to be recovered in future rates or benefit future periods based upon established regulatory practices.

(PPL)

WPD's operations are regulated by Ofgem. Ofgem has adopted a price control regulatory framework focused on outputs and performance in contrast to traditional U.S. utility ratemaking that operates under a cost recovery model. Because the regulatory model is incentive-based, WPD is not subject to accounting for the effects of certain types of regulation as prescribed by GAAP for entities subject to cost-based rate regulation and does not record regulatory assets and liabilities. See "General - Regulation" in Note 1 to the Financial Statements for additional information.

Price Risk Management *(PPL)*

See "Financial Condition - Risk Management" above.

Asset Impairment (Excluding Investments)

Goodwill Impairment *(PPL, LKE, LG&E and KU)*

Goodwill is tested for impairment at the reporting unit level. PPL has determined its reporting units to be primarily at the same level as its reportable segments. LKE, LG&E and KU are individually single operating and reportable segments. A goodwill impairment test is performed annually or more frequently if events or changes in circumstances indicate that the carrying amount of the reporting unit may be greater than the reporting unit's fair value. Additionally, goodwill is tested for impairment after a portion of goodwill has been allocated to a business to be disposed of.

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. 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.

PPL, LKE, LG&E and KU may elect either to initially make a qualitative evaluation about the likelihood of an impairment of goodwill or to bypass the qualitative evaluation and test goodwill for impairment using a quantitative test. See "Long-Lived and Intangible Assets - Asset Impairment (Excluding Investments)" in Note 1 to the Financial Statements for further discussion of goodwill impairment tests. See Note 19 to the Financial Statements for information on goodwill balances at December 31, 2020.

During the three months 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. 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 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 as of March 31, 2020.

In the fourth quarter of 2020, PPL, for its U.K. Regulated and Kentucky Regulated segments, and individually for LKE, LG&E and KU, elected to perform qualitative step zero evaluations for their annual goodwill impairment tests as of October 1, 2020. PPL further updated the qualitative step zero evaluation for the U.K. Regulated segment as of December 31, 2020. Based on these evaluations, management concluded it was not more likely than not that the fair value of these reporting units was less than their carrying values. As such, quantitative impairment tests were not performed.

Impairment of Long-lived Assets *(PPL, LKE, LG&E and KU)*

Impairment analyses are performed for long-lived assets that are subject to depreciation or amortization whenever events or changes in circumstances indicate that a long-lived asset's carrying amount may not be recoverable. For these long-lived assets classified as held and used, such events or changes in circumstances are:

- a significant decrease in the market price of an asset;
- a significant adverse change in the extent or manner in which an asset is being used or in its physical condition;
- a significant adverse change in legal factors or in the business climate;
- an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of an asset;
- a current period operating or cash flow loss combined with a history of losses or a forecast that demonstrates continuing losses; or
- a current expectation that, more likely than not, an asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life.

For a long-lived asset classified as held and used, an impairment is recognized when the carrying amount of the asset is not recoverable and exceeds its fair value. The carrying amount is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. If the asset is impaired, an impairment loss is recorded to adjust the asset's carrying amount to its estimated fair value. Management must make significant judgments to estimate future cash flows, including the useful lives of the assets, the amount of revenue, the amount of capital and operations and maintenance spending and management's intended use of the assets. Alternate courses of action are considered to recover the carrying amount of a long-lived asset, and estimated cash flows from the "most likely" alternative are used to assess impairment whenever one alternative is clearly the most likely outcome. If no alternative is clearly the most likely, then a probability-weighted approach is used taking into consideration estimated cash flows from the alternatives. For assets tested for impairment as of the balance sheet date, the estimates of future cash flows used in that test consider the likelihood of possible outcomes that existed at the balance sheet date, including an assessment of the likelihood of a future sale of the assets. That assessment is not revised based on events that occur after the balance sheet date. Changes in assumptions and estimates could result in materially different results than those identified and recorded in the financial statements.

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

As discussed in Note 9 to the Financial Statements, on August 10, 2020, PPL announced that it initiated 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. PPL prepared probability-weighted undiscounted cash flow estimates as of December 31, 2020 and 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 analyses 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 recoverability test was performed assuming estimates of selling price, expected forecasted cash flows from the operations of the U.K. utility business (which included significant assumptions made by management to estimate projected operating and capital cash flows, RAV and the finalization of RIIO-ED2) and weighted average probability of sale. A decrease in the expected selling price of 10%, a decrease in the forecasted cash flows from the operations of the U.K. utility business of 10%, or a change in the probability of a sale occurring of 10% would not have resulted in the carrying value of the assets of the U.K. utility business not being recoverable.

Asset Retirement Obligations *(PPL, LKE, LG&E and KU)*

ARO liabilities are required to be recognized for legal obligations associated with the retirement of long-lived assets. Initial obligations are measured at estimated fair value. An ARO must be recognized when incurred if the fair value of the ARO can be reasonably estimated. An equivalent amount is recorded as an increase in the value of the capitalized asset and amortized to expense over the asset's useful life.

In determining AROs, management must make significant judgments and estimates to calculate fair value. Fair value is developed using an expected present value technique based on assumptions of market participants that consider estimated retirement costs in current period dollars, inflated to the anticipated retirement date and discounted back to the date the ARO was incurred. Changes in assumptions and estimates included within the calculations of the fair value of AROs could result in significantly different results than those identified and recorded in the financial statements. Estimated ARO costs and settlement dates, which affect the carrying value of the ARO and the related capitalized asset, are reviewed periodically to ensure that any material changes are incorporated into the ARO estimate. Any change to the capitalized asset is generally amortized over the remaining life of the associated long-lived asset.

See “Long-Lived and Intangible Assets - Asset Retirement Obligations” in Note 1, Note 7 and Note 20 to the Financial Statements for additional information on AROs.

At December 31, 2020, the total recorded balances and information on the most significant recorded AROs were as follows.

	Total ARO Recorded	Most Significant AROs: Amount Recorded	% of Total	Description
PPL	$ 250	$ 147	59	Ponds, landfills and natural gas mains
LKE	182	147	81	Ponds, landfills and natural gas mains
LG&E	67	49	73	Ponds, landfills and natural gas mains
KU	115	98	85	Ponds and landfills

The most significant assumptions surrounding AROs are the forecasted retirement costs (including settlement dates and the timing of cash flows), discount and inflation rates. At December 31, 2020, a 10% increase to retirement cost would increase these ARO liabilities by $32 million. A 0.25% decrease in the discount rate would increase these ARO liabilities by $3 million and a 0.25% increase in the inflation rate would increase these ARO liabilities by $3 million. There would be no significant change to the annual depreciation expense of the ARO asset or the annual accretion expense of the ARO liability as a result of these changes in assumptions.

Revenue Recognition - Unbilled Revenues *(LKE, LG&E and KU)*

Revenues related to the sale of energy are recorded when service is rendered or when energy is delivered to customers. Because customers are billed on cycles which vary based on the timing of actual meter reads taken throughout the month, estimates are recorded for unbilled revenues at the end of each reporting period. For LG&E and KU, such unbilled revenue amounts reflect estimates of deliveries to customers since the date of the last reading of their meters. The unbilled revenue estimates reflect consideration of factors including daily load models, estimated usage for each customer class, the effect of current and different rate schedules, the meter read schedule, the billing schedule, actual weather data, and, where applicable, the impact of weather normalization or other regulatory provisions of rate structures. See "Unbilled revenues" on the Registrants' Balance Sheets for balances at December 31, 2020 and 2019.

Other Information *(All Registrants)*

PPL's Audit Committee has approved the independent auditor to provide audit and audit-related services, tax services and other services permitted by Sarbanes-Oxley and SEC rules. The audit and audit-related services include services in connection with statutory and regulatory filings, reviews of offering documents and registration statements, and internal control reviews.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Reference is made to "Risk Management" for the Registrants in "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations."

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareowners and the Board of Directors of PPL Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of PPL Corporation and subsidiaries (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, equity, and cash flows, for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 18, 2021, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Regulatory Assets and Liabilities – Impact of Rate-Regulation on Various Account Balances and Disclosures – Refer to Notes 1 and 7 to the Financial Statements

Critical Audit Matter Description

As discussed in Note 1 to the financial statements, PPL Corporation owns and operates three cost-based rate-regulated utilities in the United States (U.S.) for which rates are set by the Federal Energy Regulatory Commission (FERC), the Kentucky Public Service Commission (KPSC), the Virginia State Corporation Commission (VSCC) and the Pennsylvania Public Utility Commission (PUC) to enable the regulated utilities to recover the costs of providing electric or gas service, as applicable, and to provide a reasonable return to shareholders. Base rates are generally established based on a future test period. As a result, the financial statements are subject to the accounting for certain types of regulation as prescribed by accounting principles generally accepted in the United States of America and reflect the effects of regulatory actions. Regulatory assets are recognized for the effect of transactions or events where future recovery of underlying costs is probable in regulated customer rates. The effect of such accounting is to defer certain or qualifying costs that would otherwise currently be charged to expense. Regulatory liabilities are recognized for amounts expected to be returned through future regulated customer rates. The accounting for regulatory assets and regulatory liabilities is based on specific ratemaking decisions or precedent for each transaction or event as prescribed by the FERC, KPSC, VSCC and PUC. The accounting for the economics of rate regulation also impacts other financial statement line items, including regulated utility plant, operating revenues, depreciation, and income taxes and impacts multiple note disclosures. As of December 31, 2020, PPL Corporation had a recorded regulatory assets balance of $1,361 million and regulatory liabilities balance of $2,609 million.

PPL Corporation's U.S. regulated utilities' rates are subject to cost-based rate-setting processes and annual earnings oversight. Rates are established based on an analysis of the costs incurred and the regulated utility's capital structure and must be approved by one or more federal or state regulatory commissions, including the FERC, KPSC, VSCC and PUC. Regulatory decisions can have an impact on the recovery of costs, the rate earned on invested capital, and the timing and amount of assets to be recovered by rates. The FERC, KPSC, VSCC and PUC regulation of rates is premised on the full recovery of prudently incurred costs and an adequate return on capital investments. Decisions to be made by the FERC, KPSC, VSCC and PUC in the future will impact the accounting for regulated operations, including decisions about the amount of allowable costs and return on invested capital included in rates and any refunds that may be required. While PPL Corporation's U.S. utilities have indicated that they expect to recover costs from customers through regulated rates, there is a risk that the FERC, KPSC, VSCC or PUC will not approve full recovery of such costs or approve recovery on a timely basis in future regulatory decisions.

We identified the impact of rate regulation as a critical audit matter due to the significant judgments made by management in continually assessing whether the regulatory assets are probable of future recovery by considering factors, such as changes in the applicable regulatory and political environments, the ability to recover costs through regulated rates, recent rate orders and the status of any pending legislation. Auditing these judgments required specialized knowledge of accounting for rate regulation and the rate-setting process due to its inherent complexities.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the uncertainty of future decisions by the FERC, KPSC, VSCC and PUC included the following, among others:

- We tested the effectiveness of management's internal controls over evaluating the likelihood of recovery in future rates of costs deferred as regulatory assets. We tested the effectiveness of management's controls over the recognition of amounts as regulated utility plant, regulatory assets or liabilities, operating revenues, depreciation expense, income tax expense, and note disclosures. We tested the effectiveness of management's internal controls over the monitoring and evaluation of regulatory developments that may affect the likelihood of recovering costs in future rates or of a future reduction in rates.

- We obtained and read relevant regulatory orders issued by the FERC, KPSC, VSCC and PUC for PPL Corporation's U.S. regulated utilities and other public utilities, regulatory statutes, interpretations, procedural memorandums, filings made by interveners, and other publicly available information to assess the likelihood of recovery in future rates or of a future reduction in rates based on precedents of the treatment of similar costs under similar circumstances. We evaluated the external information and compared to management's recorded regulatory asset and liability balances for completeness.

- We inquired of management about regulated utility plant that may be abandoned. We inspected minutes of the Board of Directors, regulatory orders and other filings with the FERC, KPSC, VSCC and PUC to identify any evidence that may contradict management's assertion regarding probability of an abandonment.

- We evaluated PPL Corporation's disclosures related to the impacts of rate-regulation, including the balances recorded and regulatory developments.

Impairment of Long-lived Assets – Recoverability of U.K. Utility Business - Refer to Notes 1 and 9 to the Financial Statements

Critical Audit Matter Description

As discussed in Note 9 to the financial statements, on August 10, 2020, PPL announced that it initiated a formal process to sell its U.K. utility business. As a result of the potential sale, PPL assessed the recoverability of the long-lived assets of the U.K. utility business as of September 30, 2020 and December 31, 2020.

To test recoverability of long-lived assets of the U.K. utility business, PPL Corporation prepared probability-weighted undiscounted cash flow estimates that assumed estimates of selling price, expected forecasted cash flows from the operations of the U.K. utility business (which included significant assumptions made by management to estimate projected operating and capital cash flows, regulatory asset value (RAV) and the finalization of RIIO-ED2) and weighted average probability of sale. The resulting cash flow analyses exceeded the carrying value of the assets of the U.K. utility business.

We identified PPL Corporation's impairment evaluation of long-lived assets of the U.K. utility business as a critical audit matter because of significant judgments made by management to estimate selling price, expected forecasted cash flows from the operations of the U.K. utility business and weighted average probability of sale. The significant judgments and assumptions made by management to estimate probabilities and future cash flows, include management's intended use of the assets, estimates of selling price, RAV, the finalization of RIIO-ED2, and projected operating and capital cash flows. A high degree of auditor judgment and an increased effort was required when performing audit procedures to evaluate the reasonableness of management's estimates and judgments related to each of these assumptions.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the significant judgments and assumptions made by management to estimate selling price, expected forecasted cash flows from the operations of the U.K. utility business and weighted average probability of sale included the following, among others:

- We tested the effectiveness of management's internal controls over their long-lived asset recoverability test, including the significant judgments and assumptions made by management in determining management's intended use of the assets, estimates of selling price, RAV, the finalization of RIIO-ED2 and projected operating and capital cash flows.
- We evaluated the reasonableness of management's projected operating and capital cash flows by:

    - Comparing current year forecasts to prior year forecasts to understand if any significant changes occurred and why they are appropriate.

    - Comparing information included in communications to the Board of Directors.

- ◦ Comparing information from the Office of Gas and Electricity Markets (Ofgem), including total expenditures assumptions in RIIO-ED2.

- ◦ Comparing information included in PPL Corporation's press releases as well as in analyst and industry reports for PPL Corporation.

- We evaluated the reasonableness of the RAV by:
  - Comparing information to the Ofgem Price Control Finance Model.
  - Recalculating projected RAV and understanding changes in the RAV for each period.
- We evaluated management's assumptions related to values assigned to each probability-weighted outcome.
- We evaluated estimates of selling price by evaluating sector market performance and comparable market transactions.
- We evaluated the related disclosures for consistency with our understanding.

Goodwill – U.K. Regulated Segment Reporting Unit – Refer to Notes 1 and 19 to the Financial Statements

Critical Audit Matter Description

PPL Corporation's balance sheet includes $3,274 million of goodwill as of December 31, 2020, of which $2,559 million was allocated to the U.K. Regulated segment reporting unit. The fair value of the U.K. Regulated segment reporting unit exceeded the carrying value as of the measurement date and, therefore, no impairment was recognized. PPL Corporation identified a triggering event during the quarter ended March 31, 2020 and performed a quantitative impairment test associated with the U.K. Regulated segment reporting unit. Additionally, PPL Corporation performed its annual impairment test of goodwill as of October 1, 2020 for the U.K. Regulated segment reporting unit and elected to perform a qualitative step zero evaluation. PPL updated the qualitative step zero evaluation for the U.K. Regulated segment reporting unit as of December 31, 2020.

We identified goodwill for the U.K. Regulated segment reporting unit as a critical audit matter because of the significant judgments made by management to estimate the fair value of the U.K. Regulated segment reporting unit. The significant judgments and assumptions made by management to estimate the fair value include RAV premiums, discount and growth rates, projected operating and capital cash flows, market multiples and the evaluation of changes to these assumptions that could affect the fair value of the U.K. Regulated segment reporting unit. A high degree of auditor judgment and an increased effort was required when performing audit procedures to evaluate the reasonableness of management's estimates and assumptions.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the RAV premiums, discount and growth rates, projected operating and capital cash flows and market multiples used by management to estimate the fair value of the U.K. Regulated segment reporting unit and the evaluation of changes to these assumptions and triggering events that could affect the fair value of the U.K. Regulated segment reporting unit included the following, among others:

- We tested the effectiveness of management's internal controls over their goodwill impairment evaluations, including those over the significant assumptions used in management's quantitative impairment test and qualitative step zero evaluations.

- We evaluated the reasonableness of management's projected operating and capital cash flows by:

- ◦ Performing a retrospective review of current year results compared to the projections used in the most recent quantitative impairment test.
- ◦ Comparing current year forecasts to prior year forecasts to understand if any significant changes occurred and why they are appropriate.
- ◦ Comparing information included in communications to the Board of Directors.
- ◦ Comparing information from Ofgem, including total expenditures assumptions in RIIO-ED2.
- ◦ Comparing information included in PPL Corporation's press releases as well as in analyst and industry reports for PPL Corporation.

- We evaluated the reasonableness of the (1) valuation methodology, (2) RAV premiums, (3) discount and growth rates and (4) market multiples by:
  - ◦ Evaluating historical data used in developing the assumptions to assess whether the data is comparable and consistent with data of the period under audit.
  - ◦ Performing a sensitivity analysis to assess whether there are any changes in the key drivers of the fair value since the prior year.
  - ◦ Evaluating sector market performance and comparable market transactions.
- We evaluated the Company's qualitative step zero evaluations, including consideration of macroeconomic factors that could change RAV premiums, discount and growth rates, and projected operating and capital cash flows.
- We evaluated the impact of internal and external factors from the October 1, 2020 annual measurement date to December 31, 2020.
- We evaluated the related disclosures for consistency with our understanding.

Income Taxes – Valuation Allowances – Estimates of future taxable income and management's determination of whether it is more likely than not that deferred tax assets will be realized – Refer to Note 1 and 6 to the Financial Statements

Critical Audit Matter Description

Deferred income taxes reflect the net future tax effects of temporary differences between the carrying amounts of assets and liabilities for accounting purposes and their basis for income tax purposes and the tax effects of net operating losses and tax credit carryforwards. Net deferred tax assets have been recognized based on management's estimates of future taxable income for the U.S. and the U.K. PPL Corporation files tax returns in multiple jurisdictions with complex tax laws and regulations. Valuation allowances have been established for the amounts that, more likely than not, will not be realized. PPL Corporation has $906 million of valuation allowances recorded on $1,455 million of deferred tax assets related to federal, state and foreign loss and credit carryforwards as of December 31, 2020.

Management considers a number of factors in assessing the realization of a deferred tax asset associated with net operating losses and tax credit carryforwards, including the reversal of temporary differences, future taxable income and ongoing prudent and feasible tax-planning strategies. Management also considers the uncertainty posed by political risk and the effect of this uncertainty on the various factors that management takes into account in evaluating the need for valuation allowances. The amount of deferred tax assets ultimately realized may differ materially from the estimates utilized in the computation of valuation allowances and may materially impact the financial statements in the future.

We identified management's estimation of the valuation allowances associated with loss and credit carryforwards as a critical audit matter because the need for valuation allowances to reduce deferred tax assets requires significant management judgment. A high degree of auditor judgment and an increased extent of effort, including the need to involve our income tax specialists, was required when performing audit procedures to evaluate the reasonableness of management's estimates of future taxable income and the determination of whether it is more likely than not that the deferred tax assets will be realized.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to estimated future taxable income and the determination of whether it is more likely than not that the deferred tax assets will be realized included the following, among others:

- We tested the effectiveness of management's internal controls over the valuation allowance for income taxes, including management's internal controls over the estimates of future taxable income and the determination of whether it is more likely than not that the deferred tax assets will be realized.

- We evaluated the reasonableness of the methods, assumptions, and judgments used by management to determine whether a valuation allowance was necessary.

- With the assistance of our income tax specialists, we evaluated whether the sources of management's estimated taxable income were of the appropriate character and sufficient to utilize the deferred tax assets under the relevant tax laws.

- We evaluated management's ability to accurately estimate taxable income by comparing actual results to management's historical estimates and evaluating whether there have been any changes that would affect management's ability to continue accurately estimating taxable income.

- We tested the reasonableness of management's estimates of future taxable income by comparing the estimates to:
    - Internal budgets.
    - Historical taxable income, as adjusted for nonrecurring items.
    - Internal communications to management and the Board of Directors.
    - Forecasted information included in PPL Corporation's press releases as well as in analyst and industry reports for PPL Corporation.

- We evaluated the related disclosures for consistency with our understanding.

/s/ Deloitte & Touche LLP

Parsippany, New Jersey
February 18, 2021

We have served as the Company's auditor since 2015.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareowners and the Board of Directors of PPL Corporation

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of PPL Corporation and subsidiaries (the "Company") as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2020, of the Company and our report dated February 18, 2021, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting at Item 9A. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Parsippany, New Jersey
February 18, 2021

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareowner and the Board of Directors of PPL Electric Utilities Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of PPL Electric Utilities Corporation and subsidiaries (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of income, equity, and cash flows, for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing a separate opinion on the critical audit matters or on the accounts or disclosures to which they relates.

Critical Audit Matter Description

Regulatory Assets and Liabilities – Impact of Rate-Regulation on Various Account Balances and Disclosures – Refer to Notes 1 and 7 to the consolidated financial statements

As discussed in Note 1 to the financial statements, PPL Electric Utilities Corporation (PPL Electric) is a cost-based rate-regulated utility for which rates are set by the Federal Energy Regulatory Commission (FERC) and the Pennsylvania Public Utility Commission (PUC) to enable the regulated utility to recover the costs of providing electric service and to provide a reasonable return to shareholders. Base rates are generally established based on a future test period. As a result, the consolidated financial statements are subject to the accounting for certain types of regulation as prescribed by generally accepted accounting principles and reflect the effects of regulatory actions. Regulatory assets are recognized for the effect of transactions or events where future recovery of underlying costs is probable in regulated customer rates. The effect of such accounting is to defer certain or qualifying costs that would otherwise currently be charged to expense. Regulatory liabilities are recognized for amounts expected to be returned through future regulated customer rates. The accounting for regulatory assets and regulatory liabilities is based on specific ratemaking decisions or precedent for each transaction or event as prescribed by the FERC and PUC. The accounting for the economics of rate-regulation also impacts other financial statement line items, including regulated utility plant, operating revenues, depreciation, and income taxes, and impacts multiple note disclosures. As of December 31, 2020, PPL Electric had a recorded consolidated regulatory assets balance of $581 million and regulatory liabilities balance of $646 million.

PPL Electric's U.S. regulated utility's rates are subject to cost-based rate-setting processes and annual earnings oversight. Rates are established based on an analysis of the costs incurred and the regulated utility's capital structure and must be approved by one or more federal or state regulatory commissions, including the FERC and PUC. Regulatory decisions can have an impact on the recovery of costs, the rate earned on invested capital and the timing and amount of assets to be recovered by rates. The FERC and PUC regulation of rates is premised on the full recovery of prudently incurred costs and an adequate return on capital investments. Decisions to be made by the FERC and PUC in the future will impact the accounting for regulated operations, including decisions about the amount of allowable costs and return on invested capital included in rates and any refunds that may be required. While PPL Electric has indicated that it expects to recover costs from customers through regulated rates, there is a risk that the FERC or PUC will not approve full recovery of such costs or approve recovery on a timely basis in future regulatory decisions.

We identified the impact of rate regulation as a critical audit matter due to the significant judgments made by management in continually assessing whether the regulatory assets are probable of future recovery by considering factors such as changes in the applicable regulatory and political environments, the ability to recover costs through regulated rates, recent rate orders, and the status of any pending legislation. Auditing these judgments required specialized knowledge of accounting for rate regulation and the rate setting process due to its inherent complexities.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the uncertainty of future decisions by the FERC and PUC, among others:

- We tested the effectiveness of management's internal controls over evaluating the likelihood of recovery in future rates of costs deferred as regulatory assets. We tested the effectiveness of management's controls over the initial recognition of amounts as regulated utility plant, regulatory assets or liabilities, operating revenues, depreciation expense, income tax expense, and note disclosures and the monitoring and evaluation of regulatory developments that may affect the likelihood of recovering costs in future rates or of a future reduction in rates.

- We obtained and read relevant regulatory orders issued by the FERC and PUC for PPL Electric and other public utilities in Pennsylvania, regulatory statutes, interpretations, procedural memorandums, filings made by interveners, and other publicly available information to assess the likelihood of recovery in future rates or of a future reduction in rates based on precedents of the treatment of similar costs under similar circumstances. We evaluated the external information and compared to management's recorded regulatory asset and liability balances for completeness.

- We inquired of management about regulated utility plant that may be abandoned. We inspected minutes of the Board of Directors and regulatory orders and other filings with the FERC and PUC to identify any evidence that may contradict management's assertion regarding probability of an abandonment.

- We evaluated PPL Electric's disclosures related to the impacts of rate-regulation, including the balances recorded and regulatory developments.

Regulatory Liabilities – Challenge to PPL Electric Transmission Formula Rate Return on Equity – Refer to Note 7 to the consolidated financial statements

Critical Audit Matter Description

As discussed in Note 7 to the financial statements, 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 compliant 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.

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. On October 15, 2020, the FERC issued an order which established hearing and settlement procedures.

PPL Electric believes 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.

We identified the analysis of accounting and disclosures associated with this complaint as a critical audit matter due to the significant judgments made by management in evaluating whether a potential refund to customers exists. A high degree of auditor judgment and an increased effort, including the involvement of individuals with specialized knowledge of accounting for rate regulation and the rate-setting process, was required.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to management's judgments regarding the ROE challenge included the following, among others:

- We tested the effectiveness of management's internal controls over the evaluation of the complaint and the related accounting and disclosure considerations. We tested the effectiveness of management's internal controls over the review of the work of management's specialist used in calculating a range of return on equity that the Company believes is just and reasonable used in the Company's response filed with the FERC.

- We obtained and read relevant regulatory orders issued by the FERC for other public utilities, regulatory statutes, interpretations, procedural memorandums, filings made by interveners, and other publicly available information to assess the reasonableness of management's estimated refund to customers in comparison to settlements reached between the FERC, other intervenors and other companies in the power and utilities industry.

- We requested and received written responses from internal counsel and external legal firms representing PPL Electric and evaluated the legal conclusions for consistency with those used in management's accounting judgments and disclosures.

- We tested the assumptions and the source data used in the calculation of the range of return on equity that the Company believes is just and reasonable utilized in the Company's accounting evaluation.

- We evaluated PPL Electric's disclosures for consistency with our understanding.

/s/ Deloitte & Touche LLP

Parsippany, New Jersey
February 18, 2021

We have served as the Company's auditor since 2015.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Sole Member and the Board of Directors of LG&E and KU Energy LLC

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of LG&E and KU Energy LLC and Subsidiaries (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, equity, and cash flows, for each of the three years in the period ended December 31, 2020, and the related notes and the schedule listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Regulatory Assets and Liabilities – Impact of Rate-Regulation on Various Account Balances and Disclosures – Refer to Notes 1 and 7 to the consolidated financial statements

Critical Audit Matter Description

As discussed in Note 1 to the financial statements, LG&E and KU Energy LLC (LKE) is a utility holding company with cost-based rate-regulated utility operations for which rates are set by the Kentucky Public Service Commission (KPSC), the

Virginia State Corporation Commission (VSCC) and the Federal Energy Regulatory Commission (FERC), to enable Louisville Gas and Electric Company (LG&E) and Kentucky Utilities Company (KU) to recover the costs of providing electric or gas services, as applicable, and to provide a reasonable return to shareholders. Base rates are generally established based on a future test period. As a result, the financial statements are subject to the accounting for certain types of regulation as prescribed by generally accepted accounting principles and reflect the effects of regulatory actions. Regulatory assets are recognized for the effect of transactions or events where future recovery of underlying costs is probable in regulated customer rates. The effect of such accounting is to defer certain or qualifying costs that would otherwise currently be charged to expense. Regulatory liabilities are recognized for amounts expected to be returned through future regulated customer rates. The accounting for regulatory assets and regulatory liabilities is based on specific ratemaking decisions or precedent for each transaction or event as prescribed by the KPSC, VSCC and FERC. The accounting for the economics of rate-regulation also impacts other financial statement line items, including regulated utility plant, operating revenues, depreciation, and income taxes, and impacts multiple note disclosures. As of December 31, 2020, LKE had a recorded consolidated regulatory assets balance of $780 million and regulatory liabilities balance of $1,963 million.

LKE's regulated utilities' rates are subject to cost-based rate-setting processes and annual earnings oversight. Rates are established based on an analysis of the costs incurred and the regulated utility's capital structure and must be approved by one or more federal or state regulatory commissions, including the KPSC, VSCC and FERC. Regulatory decisions can have an impact on the recovery of costs, the rate earned on invested capital and the timing and amount of assets to be recovered by rates. The KPSC, VSCC and FERC regulation of rates is premised on the full recovery of prudently incurred costs and an adequate return on capital investments. Decisions to be made by the KPSC, VSCC and FERC in the future will impact the accounting for regulated operations, including decisions about the amount of allowable costs and return on invested capital included in rates and any refunds that may be required. While LKE has indicated it expects to recover costs from customers through regulated rates, there is a risk that the KPSC, VSCC or FERC will not approve full recovery of such costs or approve recovery on a timely basis in future regulatory decisions.

We identified the impact of rate regulation as a critical audit matter due to the significant judgments made by management in continually assessing whether the regulatory assets are probable of future recovery by considering factors such as changes in the applicable regulatory and political environments, the ability to recover costs through regulated rates, recent rate orders, and the status of any pending legislation. Auditing these judgments required specialized knowledge of accounting for rate regulation and the rate setting process due to its inherent complexities.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the uncertainty of future decisions by the KPSC, VSCC, or FERC included the following, among others:

- We tested the effectiveness of management's internal controls over evaluating the likelihood of recovery in future rates of costs deferred as regulatory assets. We tested the effectiveness of management's controls over the initial recognition of amounts as regulated utility plant, regulatory assets or liabilities, operating revenues, depreciation expense, income tax expense, note disclosures and the monitoring and evaluation of regulatory developments that may affect the likelihood of recovering costs in future rates or of a future reduction in rates.

- We obtained and read relevant regulatory orders issued by the KPSC, VSCC and FERC for LG&E and KU and other public utilities in Kentucky and Virginia, regulatory statutes, interpretations, procedural memorandums, filings made by interveners, and other publicly available information to assess the likelihood of recovery in future rates or of a future reduction in rates based on precedents of the treatment of similar costs under similar circumstances. We evaluated the external information and compared to management's recorded regulatory asset and liability balances for completeness.

- We inquired of management about regulated utility plant that may be abandoned. We inspected minutes of the Board of Directors and regulatory orders and other filings with the Commission to identify any evidence that may contradict management's assertion regarding probability of an abandonment.

- We evaluated LKE's disclosures related to the impacts of rate-regulation, including the balances recorded and regulatory developments.

/s/ Deloitte & Touche LLP

Louisville, Kentucky
February 18, 2021

We have served as the Company's auditor since 2015.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholder and the Board of Directors of Louisville Gas and Electric Company

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Louisville Gas and Electric Company (the "Company") as of December 31, 2020 and 2019, the related statements of income, equity, and cash flows, for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Regulatory Assets and Liabilities – Impact of Rate-Regulation on Various Account Balances and Disclosures – Refer to Notes 1 and 7 to the financial statements

Critical Audit Matter Description

As discussed in Note 1 to the financial statements, Louisville Gas and Electric Company (LG&E) is a cost-based rate-regulated utility for which rates are set by the Kentucky Public Service Commission (KPSC) and the Federal Energy Regulatory Commission (FERC), to enable the regulated utility to recover the costs of providing electric or gas services, as applicable, and to provide a reasonable return to shareholders. Base rates are generally established based on a future test period. As a result, the financial statements are subject to the accounting for certain types of regulation as prescribed by generally accepted accounting principles and reflect the effects of regulatory actions. Regulatory assets are recognized for the effect of transactions or events where future recovery of underlying costs is probable in regulated customer rates. The effect of such accounting is to defer certain or qualifying costs that would otherwise currently be charged to expense. Regulatory liabilities are recognized for amounts expected to be returned through future regulated customer rates. The accounting for regulatory assets and regulatory liabilities is based on specific ratemaking decisions or precedent for each transaction or event as prescribed by the KPSC and FERC. The accounting for the economics of rate-regulation also impacts other financial statement line items, including regulated utility plant, operating revenues, depreciation, and income taxes, and impacts multiple note disclosures. As of December 31, 2020, LG&E had a recorded regulatory assets balance of $374 million and regulatory liabilities balance of $882 million.

LG&E's regulated utility's rates are subject to cost-based rate-setting processes and annual earnings oversight. Rates are established based on an analysis of the costs incurred and the regulated utility's capital structure and must be approved by one or more federal or state regulatory commissions, including the KPSC and FERC. Regulatory decisions can have an impact on the recovery of costs, the rate earned on invested capital and the timing and amount of assets to be recovered by rates. The KPSC and FERC regulation of rates is premised on the full recovery of prudently incurred costs and an adequate return on capital investments. Decisions to be made by the KPSC and FERC in the future will impact the accounting for regulated operations, including decisions about the amount of allowable costs and return on invested capital included in rates and any refunds that may be required. While LG&E has indicated it expects to recover costs from customers through regulated rates, there is a risk that the KPSC or FERC will not approve full recovery of such costs or approve recovery on a timely basis in future regulatory decisions.

We identified the impact of rate regulation as a critical audit matter due to the significant judgments made by management in continually assessing whether the regulatory assets are probable of future recovery by considering factors such as changes in the applicable regulatory and political environments, the ability to recover costs through regulated rates, recent rate orders, and the status of any pending legislation. Auditing these judgments required specialized knowledge of accounting for rate regulation and the rate setting process due to its inherent complexities.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the uncertainty of future decisions by the KPSC or FERC included the following, among others:

- We tested the effectiveness of management's internal controls over evaluating the likelihood of recovery in future rates of costs deferred as regulatory assets. We tested the effectiveness of management's controls over the initial recognition of amounts as regulated utility plant, regulatory assets or liabilities, operating revenues, depreciation expense, and income tax expense, note disclosures and the monitoring and evaluation of regulatory developments that may affect the likelihood of recovering costs in future rates or of a future reduction in rates.

- We obtained and read relevant regulatory orders issued by the KPSC and FERC for LG&E and other public utilities in Kentucky, regulatory statutes, interpretations, procedural memorandums, filings made by interveners, and other publicly available information to assess the likelihood of recovery in future rates or of a future reduction in rates based on precedents of the treatment of similar costs under similar circumstances. We evaluated the external information and compared to management's recorded regulatory asset and liability balances for completeness.

- We inquired of management about regulated utility plant that may be abandoned. We inspected minutes of the Board of Directors and regulatory orders and other filings with the Commission to identify any evidence that may contradict management's assertion regarding probability of an abandonment.

- We evaluated LG&E's disclosures related to the impacts of rate-regulation, including the balances recorded and regulatory developments.

/s/ Deloitte & Touche LLP

Louisville, Kentucky
February 18, 2021

We have served as the Company's auditor since 2015.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholder and the Board of Directors of Kentucky Utilities Company

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Kentucky Utilities Company (the "Company") as of December 31, 2020 and 2019, the related statements of income, equity, and cash flows, for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Regulatory Assets and Liabilities – Impact of Rate-Regulation on Various Account Balances and Disclosures – Refer to Notes 1 and 7 to the financial statements

Critical Audit Matter Description

As discussed in Note 1 to the financial statements, Kentucky Utilities Company (KU) is a cost-based rate-regulated utility for which rates are set by the Kentucky Public Service Commission (KPSC), the Virginia State Corporation Commission (VSCC) and the Federal Energy Regulatory Commission (FERC), to enable the regulated utility to recover the costs of providing electric or gas services, as applicable, and to provide a reasonable return to shareholders. Base rates are generally established based on a future test period. As a result, the financial statements are subject to the accounting for certain types of regulation as prescribed by generally accepted accounting principles and reflect the effects of regulatory actions. Regulatory assets are recognized for the effect of transactions or events where future recovery of underlying costs is probable in regulated customer rates. The effect of such accounting is to defer certain or qualifying costs that would otherwise currently be charged to expense. Regulatory liabilities are recognized for amounts expected to be returned through future regulated customer rates. The accounting for regulatory assets and regulatory liabilities is based on specific ratemaking decisions or precedent for each transaction or event as prescribed by the KPSC, VSCC and FERC. The accounting for the economics of rate-regulation also impacts other financial statement line items, including regulated utility plant, operating revenues, depreciation, and income taxes, and impacts multiple note disclosures. As of December 31, 2020, KU had a recorded regulatory assets balance of $406 million and regulatory liabilities balance of $1,081 million.

KU's regulated utility's rates are subject to cost-based rate-setting processes and annual earnings oversight. Rates are established based on an analysis of the costs incurred and the regulated utility's capital structure and must be approved by one or more federal or state regulatory commissions, including the KPSC, VSCC and FERC. Regulatory decisions can have an impact on the recovery of costs, the rate earned on invested capital and the timing and amount of assets to be recovered by rates. The KPSC, VSCC and FERC regulation of rates is premised on the full recovery of prudently incurred costs and an adequate return on capital investments. Decisions to be made by the KPSC, VSCC and FERC in the future will impact the accounting for regulated operations, including decisions about the amount of allowable costs and return on invested capital included in rates and any refunds that may be required. While KU has indicated it expects to recover costs from customers through regulated rates, there is a risk that the KPSC, VSCC or FERC will not approve full recovery of such costs or approve recovery on a timely basis in future regulatory decisions.

We identified the impact of rate regulation as a critical audit matter due to the significant judgments made by management in continually assessing whether the regulatory assets are probable of future recovery by considering factors such as changes in the applicable regulatory and political environments, the ability to recover costs through regulated rates, recent rate orders, and the status of any pending legislation. Auditing these judgments required specialized knowledge of accounting for rate regulation and the rate setting process due to its inherent complexities.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the uncertainty of future decisions by the KPSC, VSCC, or FERC included the following, among others:

- We tested the effectiveness of management's internal controls over evaluating the likelihood of recovery in future rates of costs deferred as regulatory assets. We tested the effectiveness of management's controls over the initial recognition of amounts as regulated utility plant, regulatory assets or liabilities, operating revenues, depreciation expense, and income tax expense, note disclosures and the monitoring and evaluation of regulatory developments that may affect the likelihood of recovering costs in future rates or of a future reduction in rates.

- We obtained and read relevant regulatory orders issued by the KPSC, VSCC and FERC for KU and other public utilities in Kentucky and Virginia, regulatory statutes, interpretations, procedural memorandums, filings made by interveners, and other publicly available information to assess the likelihood of recovery in future rates or of a future reduction in rates based on precedents of the treatment of similar costs under similar circumstances. We evaluated the external information and compared to management's recorded regulatory asset and liability balances for completeness.

- We inquired of management about regulated utility plant that may be abandoned. We inspected minutes of the Board of Directors and regulatory orders and other filings with the Commission to identify any evidence that may contradict management's assertion regarding probability of an abandonment.

- We evaluated KU's disclosures related to the impacts of rate-regulation, including the balances recorded and regulatory developments.

/s/ Deloitte & Touche LLP

Louisville, Kentucky
February 18, 2021

We have served as the Company's auditor since 2015.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31,
PPL Corporation and Subsidiaries

(Millions of Dollars, except share data)

	2020	2019	2018
Operating Revenues	**$ 7,607**	$ 7,769	$ 7,785
Operating Expenses			
Operation			
Fuel	**632**	709	799
Energy purchases	**634**	723	745
Other operation and maintenance	**1,944**	1,985	1,983
Depreciation	**1,287**	1,199	1,094
Taxes, other than income	**307**	313	312
Total Operating Expenses	**4,804**	4,929	4,933
Operating Income	**2,803**	2,840	2,852
Other Income (Expense) - net	**169**	309	396
Interest Expense	**1,001**	994	963
Income Before Income Taxes	**1,971**	2,155	2,285
Income Taxes	**502**	409	458
Net Income	**$ 1,469**	$ 1,746	$ 1,827
Earnings Per Share of Common Stock:			
Net Income Available to PPL Common Shareowners:			
Basic	**$ 1.91**	$ 2.39	$ 2.59
Diluted	**$ 1.91**	$ 2.37	$ 2.58
Weighted-Average Shares of Common Stock Outstanding (in thousands)			
Basic	**768,590**	728,512	704,439
Diluted	**769,384**	736,754	708,619

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31,
PPL Corporation and Subsidiaries

(Millions of Dollars)

	2020	2019	2018
Net income	**$ 1,469**	$ 1,746	$ 1,827
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, ($2)	**267**	108	(444)
Qualifying derivatives, net of tax of $5, 2, ($9)	**(19)**	(11)	36
Defined benefit plans:			
Prior service costs, net of tax of $0, $0, $3	**(1)**	(1)	(11)
Net actuarial gain (loss), net of tax of $74, $119, $44	**(341)**	(592)	(187)
Reclassifications from AOCI - (gains) losses, net of tax expense (benefit):			
Qualifying derivatives, net of tax of ($8), $(5), $6	**24**	13	(29)
Defined benefit plans:			
Prior service costs, net of tax of ($1), $(1), $0	**3**	2	2
Net actuarial (gain) loss, net of tax of ($51), $(22), ($36)	**205**	87	142
Total other comprehensive income (loss)	**138**	(394)	(491)
Comprehensive income	**$ 1,607**	$ 1,352	$ 1,336

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

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31,
PPL Corporation and Subsidiaries

(Millions of Dollars)

	2020	2019	2018
Cash Flows from Operating Activities			
Net income	**$ 1,469**	$ 1,746	$ 1,827
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	**1,287**	1,199	1,094
Amortization	**72**	81	78
Defined benefit plans - (income)	**(201)**	(263)	(192)
Deferred income taxes and investment tax credits	**402**	309	355
Unrealized (gains) losses on derivatives, and other hedging activities	**280**	73	(186)
Stock compensation expense	**29**	36	26
Other	**(12)**	(22)	(3)
Change in current assets and current liabilities			
Accounts receivable	**(82)**	4	28
Accounts payable	**10**	(77)	78
Unbilled revenues	**10**	(5)	41
Fuel, materials and supplies	**(17)**	(26)	17
Regulatory assets and liabilities, net	**(63)**	(88)	13
Other current liabilities	**(23)**	(73)	(22)
Other	**(1)**	(33)	(2)
Other operating activities			
Defined benefit plans - funding	**(390)**	(350)	(361)
Proceeds from transfer of excess benefit plan funds	**—**	—	65
Other assets	**(59)**	(100)	(75)
Other liabilities	**35**	16	40
Net cash provided by operating activities	**2,746**	2,427	2,821
Cash Flows from Investing Activities			
Expenditures for property, plant and equipment	**(3,249)**	(3,083)	(3,238)
Purchase of investments	**—**	(55)	(65)
Proceeds from the sale of investments	**9**	69	6
Other investing activities	**(18)**	(11)	(64)
Net cash used in investing activities	**(3,258)**	(3,080)	(3,361)
Cash Flows from Financing Activities			
Issuance of long-term debt	**2,167**	1,465	1,059
Retirement of long-term debt	**(1,172)**	(300)	(277)
Proceeds from project financing	**173**	—	—
Issuance of common stock	**34**	1,167	698
Payment of common stock dividends	**(1,275)**	(1,192)	(1,133)
Issuance of term loan	**300**	—	—
Issuance of commercial paper	**73**	—	—
Net increase (decrease) in short-term debt	**127**	(278)	363
Other financing activities	**(41)**	(26)	(20)
Net cash provided by financing activities	**386**	836	690
Effect of Exchange Rates on Cash, Cash Equivalents and Restricted Cash	**17**	10	(18)
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	**(109)**	193	132
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	**836**	643	511
Cash, Cash Equivalents and Restricted Cash at End of Period	**$ 727**	$ 836	$ 643
Supplemental Disclosures of Cash Flow Information			
Cash paid during the period for:			
Interest - net of amount capitalized	**$ 939**	$ 905	$ 910
Income taxes - net	**$ 95**	$ 93	$ 127
Significant non-cash transactions:			
Accrued expenditures for property, plant and equipment at December 31,	**$ 319**	$ 340	$ 345
Accrued expenditures for intangible assets at December 31,	**$ 85**	$ 79	$ 64

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

CONSOLIDATED BALANCE SHEETS AT DECEMBER 31,

PPL Corporation and Subsidiaries

(Millions of Dollars, shares in thousands)

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	$ **708**	$ 815
Accounts receivable (less reserve: 2020, $75; 2019, $58)		
Customer	**790**	687
Other	**91**	105
Unbilled revenues	**498**	504
Fuel, materials and supplies	**361**	332
Prepayments	**96**	79
Price risk management assets	**94**	147
Other current assets	**130**	98
Total Current Assets	**2,768**	2,767
Property, Plant and Equipment		
Regulated utility plant	**45,887**	42,709
Less: accumulated depreciation - regulated utility plant	**8,894**	8,055
Regulated utility plant, net	**36,993**	34,654
Non-regulated property, plant and equipment	**498**	357
Less: accumulated depreciation - non-regulated property, plant and equipment	**102**	109
Non-regulated property, plant and equipment, net	**396**	248
Construction work in progress	**1,503**	1,580
Property, Plant and Equipment, net	**38,892**	36,482
Other Noncurrent Assets		
Regulatory assets	**1,262**	1,492
Goodwill	**3,274**	3,198
Other intangibles	**764**	742
Pension benefit asset	**706**	464
Price risk management assets	**52**	149
Other noncurrent assets	**398**	386
Total Other Noncurrent Assets	**6,456**	6,431
Total Assets	$ **48,116**	$ 45,680

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

Table of Contents

CONSOLIDATED BALANCE SHEETS AT DECEMBER 31,
PPL Corporation and Subsidiaries

(Millions of Dollars, shares in thousands)

	2020	2019
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 1,662**	$ 1,151
Long-term debt due within one year	**1,574**	1,172
Accounts payable	**965**	956
Taxes	**91**	99
Interest	**303**	294
Dividends	**319**	317
Customer deposits	**300**	261
Regulatory liabilities	**79**	115
Other current liabilities	**684**	535
Total Current Liabilities	**5,977**	4,900
Long-term Debt	**21,553**	20,721
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**3,568**	3,088
Investment tax credits	**122**	124
Accrued pension obligations	**200**	587
Asset retirement obligations	**200**	212
Regulatory liabilities	**2,530**	2,572
Other deferred credits and noncurrent liabilities	**593**	485
Total Deferred Credits and Other Noncurrent Liabilities	**7,213**	7,068
Commitments and Contingent Liabilities (Notes 7 and 14)		
Equity		
Common stock - $0.01 par value (a)	**8**	8
Additional paid-in capital	**12,270**	12,214
Earnings reinvested	**5,315**	5,127
Accumulated other comprehensive loss	**(4,220)**	(4,358)
Total Equity	**13,373**	12,991
Total Liabilities and Equity	**$ 48,116**	$ 45,680

(a) 1,560,000 shares authorized; 768,907 and 767,233 shares issued and outstanding at December 31, 2020 and December 31, 2019.

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

CONSOLIDATED STATEMENTS OF EQUITY
PPL Corporation and Subsidiaries

(Millions of Dollars)

	PPL Shareowners					
	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Accumulated other comprehensive loss	Total
December 31, 2017	693,398	$ 7	$ 10,305	$ 3,871	$ (3,422)	$ 10,761
Common stock issued	26,925		718			718
Stock-based compensation			(2)			(2)
Net income				1,827		1,827
Dividends and dividend equivalents (b)				(1,156)		(1,156)
Other comprehensive income (loss)					(491)	(491)
Adoption of reclassification of certain tax effects from AOCI guidance cumulative effect adjustment				51	(51)	—
December 31, 2018	720,323	$ 7	$ 11,021	$ 4,593	$ (3,964)	$ 11,657
Common stock issued	46,910	1	1,184			1,185
Stock-based compensation			9			9
Net income				1,746		1,746
Dividends and dividend equivalents (b)				(1,212)		(1,212)
Other comprehensive income (loss)					(394)	(394)
December 31, 2019	767,233	$ 8	$ 12,214	$ 5,127	$ (4,358)	$ 12,991
Common stock issued	1,674		51			51
Stock-based compensation			5			5
Net income				1,469		1,469
Dividends and dividend equivalents (b)				(1,279)		(1,279)
Other comprehensive income (loss)					138	138
Adoption of financial instrument credit losses guidance cumulative effect adjustment (Note 1)				(2)		(2)
December 31, 2020	768,907	$ 8	$ 12,270	$ 5,315	$ (4,220)	$ 13,373

(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 at December 31, 2020, 2019 and 2018 were: $1.66, $1.65 and $1.64.

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

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CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31,
PPL Electric Utilities Corporation and Subsidiaries

(Millions of Dollars)

	2020	2019	2018
Operating Revenues	**$ 2,331**	$ 2,358	$ 2,277
Operating Expenses			
Operation			
Energy purchases	**491**	549	544
Other operation and maintenance	**513**	566	578
Depreciation	**403**	386	352
Taxes, other than income	**107**	112	109
Total Operating Expenses	**1,514**	1,613	1,583
Operating Income	**817**	745	694
Other Income (Expense) - net	**18**	25	23
Interest Income from Affiliate	**2**	6	8
Interest Expense	**173**	170	159
Income Before Income Taxes	**664**	606	566
Income Taxes	**167**	149	136
Net Income (a)	**$ 497**	$ 457	$ 430

(a) Net income equals comprehensive income.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31,
PPL Electric Utilities Corporation and Subsidiaries
(Millions of Dollars)

	2020	2019	2018
Cash Flows from Operating Activities			
Net income	**$ 497**	$ 457	$ 430
Adjustments to reconcile net income to net cash provided by (used in) operating activities			
Depreciation	**403**	386	352
Amortization	**26**	24	22
Deferred income taxes and investment tax credits	**83**	90	125
Other	**(6)**	(19)	(1)
Change in current assets and current liabilities			
Accounts receivable	**(47)**	33	47
Accounts payable	**21**	5	10
Unbilled revenues	**13**	(14)	7
Materials and supplies	**(18)**	(8)	9
Regulatory assets and liabilities	**(40)**	(43)	(19)
Other	**(9)**	(3)	6
Other operating activities			
Defined benefit plans - funding	**(21)**	(21)	(28)
Other assets	**(28)**	15	(37)
Other liabilities	**10**	11	55
Net cash provided by operating activities	**884**	913	978
Cash Flows from Investing Activities			
Expenditures for property, plant and equipment	**(1,145)**	(1,114)	(1,192)
Expenditures for intangible assets	**(9)**	(7)	(4)
Other investing activities	**3**	4	3
Net cash used in investing activities	**(1,151)**	(1,117)	(1,193)
Cash Flows from Financing Activities			
Issuance of long-term debt	**250**	393	398
Retirement of long-term debt	**—**	(100)	—
Contributions from PPL	**940**	400	429
Payment of common stock dividends to parent	**(400)**	(486)	(390)
Return of capital to parent	**(745)**	—	—
Other financing activities	**(2)**	(8)	(4)
Net cash provided by financing activities	**43**	199	433
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	**(224)**	(5)	218
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	**264**	269	51
Cash, Cash Equivalents and Restricted Cash at End of Period	**$ 40**	$ 264	$ 269
Supplemental Disclosures of Cash Flow Information			
Cash paid (received) during the period for:			
Interest - net of amount capitalized	**$ 158**	$ 154	$ 144
Income taxes - net	**$ 67**	$ 32	$ (20)
Significant non-cash transactions:			
Accrued expenditures for property, plant and equipment at December 31,	**$ 156**	$ 180	$ 158

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

CONSOLIDATED BALANCE SHEETS AT DECEMBER 31,
PPL Electric Utilities Corporation and Subsidiaries

(Millions of Dollars, shares in thousands)

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	**$ 40**	$ 262
Accounts receivable (less reserve: 2020, $41; 2019, $28)		
Customer	**311**	258
Other	**17**	22
Accounts receivable from affiliates	**10**	11
Unbilled revenues (less reserve: 2020, $2; 2019, $0)	**121**	134
Materials and supplies	**59**	33
Prepayments	**9**	6
Regulatory assets	**40**	26
Other current assets	**13**	9
Total Current Assets	**620**	761
Property, Plant and Equipment		
Regulated utility plant	**13,514**	12,589
Less: accumulated depreciation - regulated utility plant	**3,297**	3,078
Regulated utility plant, net	**10,217**	9,511
Construction work in progress	**592**	597
Property, Plant and Equipment, net	**10,809**	10,108
Other Noncurrent Assets		
Regulatory assets	**541**	726
Intangibles	**268**	263
Other noncurrent assets	**86**	43
Total Other Noncurrent Assets	**895**	1,032
Total Assets	**$ 12,324**	$ 11,901

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

CONSOLIDATED BALANCE SHEETS AT DECEMBER 31,
PPL Electric Utilities Corporation and Subsidiaries
(Millions of Dollars, shares in thousands)

	2020	2019
Liabilities and Equity		
Current Liabilities		
Long-term debt due within one year	**$ 400**	$ —
Accounts payable	**428**	438
Accounts payable to affiliates	**39**	32
Taxes	**17**	13
Interest	**39**	41
Regulatory liabilities	**68**	96
Other current liabilities	**105**	93
Total Current Liabilities	**1,096**	713
Long-term Debt	**3,836**	3,985
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**1,559**	1,447
Accrued pension obligations	**8**	179
Regulatory liabilities	**578**	599
Other deferred credits and noncurrent liabilities	**123**	146
Total Deferred Credits and Other Noncurrent Liabilities	**2,268**	2,371
Commitments and Contingent Liabilities (Notes 7 and 14)		
Equity		
Common stock - no par value (a)	**364**	364
Additional paid-in capital	**3,753**	3,558
Earnings reinvested	**1,007**	910
Total Equity	**5,124**	4,832
Total Liabilities and Equity	**$ 12,324**	$ 11,901

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

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

CONSOLIDATED STATEMENTS OF EQUITY
PPL Electric Utilities Corporation and Subsidiaries

(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Total
December 31, 2017	66,368	$ 364	$ 2,729	$ 899	$ 3,992
Net income				430	430
Capital contributions from parent			429		429
Dividends declared on common stock				(390)	(390)
December 31, 2018	66,368	$ 364	$ 3,158	$ 939	$ 4,461
Net income				457	457
Capital contributions from parent			400		400
Dividends declared on common stock				(486)	(486)
December 31, 2019	66,368	$ 364	$ 3,558	$ 910	$ 4,832
Net income				497	497
Capital contributions from parent			940		940
Return of capital to parent			(745)		(745)
Dividends declared on common stock				(400)	(400)
December 31, 2020	66,368	$ 364	$ 3,753	$ 1,007	$ 5,124

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

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

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31,
LG&E and KU Energy LLC and Subsidiaries

(Millions of Dollars)

	2020	2019	2018
Operating Revenues	**$ 3,106**	$ 3,206	$ 3,214
Operating Expenses			
Operation			
Fuel	**632**	709	799
Energy purchases	**143**	174	201
Other operation and maintenance	**834**	861	848
Depreciation	**606**	547	475
Taxes, other than income	**77**	74	70
Total Operating Expenses	**2,292**	2,365	2,393
Operating Income	**814**	841	821
Other Income (Expense) - net	**2**	(13)	(16)
Interest Expense	**223**	226	206
Interest Expense with Affiliate	**37**	31	25
Income Before Income Taxes	**556**	571	574
Income Taxes	**106**	103	129
Net Income	**$ 450**	$ 468	$ 445

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31,
LG&E and KU Energy LLC and Subsidiaries

(Millions of Dollars)

	2020	2019	2018
Net income	**$ 450**	$ 468	$ 445
Other comprehensive income (loss):			
Amounts arising during the period - gains (losses), net of tax (expense) benefit:			
Defined benefit plans:			
Prior service costs, net of tax of $0, $0, $0	**(1)**	(1)	—
Net actuarial gain (loss), net of tax of $2, $2, ($2)	**(7)**	(6)	7
Reclassifications to net income - (gains) losses, net of tax expense (benefit):			
Defined benefit plans:			
Prior service costs, net of tax of $0, $0, $0	**2**	1	2
Net actuarial (gain) loss, net of tax of ($4), ($1), ($3)	**13**	2	8
Total other comprehensive income (loss)	**7**	(4)	17
Comprehensive income	**$ 457**	$ 464	$ 462

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

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31,
LG&E and KU Energy LLC and Subsidiaries

(Millions of Dollars)

	2020	2019	2018
Cash Flows from Operating Activities			
Net income	**$ 450**	$ 468	$ 445
Adjustments to reconcile net income to net cash provided by (used in) operating activities			
Depreciation	**606**	547	475
Amortization	**19**	27	18
Defined benefit plans - expense	**15**	11	17
Deferred income taxes and investment tax credits	**64**	82	94
Other	**(2)**	(3)	(4)
Change in current assets and current liabilities			
Accounts receivable	**(17)**	(16)	1
Accounts payable	**(11)**	(26)	39
Accounts payable to affiliates	**5**	2	2
Unbilled revenues	**(12)**	5	34
Fuel, materials and supplies	**10**	—	7
Regulatory assets and liabilities, net	**(26)**	(45)	32
Taxes payable	**13**	(5)	(3)
Other	**(13)**	(8)	(24)
Other operating activities			
Defined benefit plans - funding	**(54)**	(34)	(131)
Expenditures for asset retirement obligations	**(84)**	(89)	(72)
Other assets	**(5)**	(3)	(24)
Other liabilities	**45**	25	9
Net cash provided by operating activities	**1,003**	938	915
Cash Flows from Investing Activities			
Expenditures for property, plant and equipment	**(966)**	(1,094)	(1,117)
Other investing activities	**3**	—	1
Net cash used in investing activities	**(963)**	(1,094)	(1,116)
Cash Flows from Financing Activities			
Net increase (decrease) in notes payable with affiliates	**101**	37	(112)
Issuance of long-term note with affiliate	**550**	—	250
Issuance of long-term debt	**498**	705	118
Retirement of long-term debt	**(975)**	(200)	(27)
Acquisition of outstanding bonds	**—**	(40)	—
Remarketing of reacquired bonds	**—**	40	—
Distributions to member	**(283)**	(308)	(302)
Contributions from member	**—**	63	—
Issuance of commercial paper	**73**	—	—
Net increase (decrease) in short-term debt	**4**	(126)	270
Other financing activities	**(6)**	(12)	(2)
Net cash provided by (used in) financing activities	**(38)**	159	195
Net Increase (Decrease) in Cash and Cash Equivalents	**2**	3	(6)
Cash and Cash Equivalents at Beginning of Period	**27**	24	30
Cash and Cash Equivalents at End of Period	**$ 29**	$ 27	$ 24
Supplemental Disclosures of Cash Flow Information			
Cash paid (received) during the period for:			
Interest - net of amount capitalized	**$ 248**	$ 237	$ 218
Income taxes - net	**$ 38**	$ 29	$ 46
Significant non-cash transactions:			
Accrued expenditures for property, plant and equipment at December 31,	**$ 100**	$ 113	$ 150

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

CONSOLIDATED BALANCE SHEETS AT DECEMBER 31,
LG&E and KU Energy LLC and Subsidiaries

(Millions of Dollars)

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	**$ 29**	$ 27
Accounts receivable (less reserve: 2020, $30; 2019, $28)		
Customer	**283**	260
Other	**69**	71
Unbilled revenues (less reserve: 2020, $2; 2019, $0)	**176**	164
Fuel, materials and supplies	**242**	250
Prepayments	**30**	30
Regulatory assets	**59**	41
Other current assets	**4**	2
Total Current Assets	**892**	845
Property, Plant and Equipment		
Regulated utility plant	**15,557**	14,646
Less: accumulated depreciation - regulated utility plant	**2,717**	2,356
Regulated utility plant, net	**12,840**	12,290
Construction work in progress	**640**	794
Property, Plant and Equipment, net	**13,480**	13,084
Other Noncurrent Assets		
Regulatory assets	**721**	766
Goodwill	**996**	996
Other intangibles	**61**	69
Other noncurrent assets	**127**	171
Total Other Noncurrent Assets	**1,905**	2,002
Total Assets	**$ 16,277**	$ 15,931

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

CONSOLIDATED BALANCE SHEETS AT DECEMBER 31,
LG&E and KU Energy LLC and Subsidiaries

(Millions of Dollars)

	2020	2019
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 465**	$ 388
Long-term debt due within one year	**674**	975
Notes payable with affiliates	**251**	150
Accounts payable	**294**	316
Accounts payable to affiliates	**16**	11
Customer deposits	**64**	62
Taxes	**71**	58
Price risk management liabilities	**2**	4
Regulatory liabilities	**11**	19
Interest	**37**	40
Asset retirement obligations	**50**	70
Other current liabilities	**162**	153
Total Current Liabilities	**2,097**	2,246
Long-term Debt		
Long-term debt	**4,200**	4,377
Long-term debt to affiliate	**1,200**	650
Total Long-term Debt	**5,400**	5,027
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**1,175**	1,069
Investment tax credits	**121**	124
Price risk management liabilities	**21**	17
Accrued pension obligations	**112**	233
Asset retirement obligations	**132**	145
Regulatory liabilities	**1,952**	1,973
Other deferred credits and noncurrent liabilities	**151**	155
Total Deferred Credits and Other Noncurrent Liabilities	**3,664**	3,716
Commitments and Contingent Liabilities (Notes 7 and 14)		
Member's equity	**5,116**	4,942
Total Liabilities and Equity	**$ 16,277**	$ 15,931

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

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

		Member's Equity
December 31, 2017	$	4,563
Net income		445
Distributions to member		(302)
Other comprehensive income (loss)		17
December 31, 2018	$	4,723
Net income	$	468
Contributions from member		63
Distributions to member		(308)
Other comprehensive income (loss)		(4)
December 31, 2019	$	4,942
Net income	$	450
Distributions to member		(283)
Other comprehensive income (loss)		7
December 31, 2020	$	5,116

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

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STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31,
Louisville Gas and Electric Company
(Millions of Dollars)

	2020	2019	2018
Operating Revenues			
Retail and wholesale	**$ 1,435**	$ 1,473	$ 1,467
Electric revenue from affiliate	**21**	27	29
Total Operating Revenues	**1,456**	1,500	1,496
Operating Expenses			
Operation			
Fuel	**246**	289	308
Energy purchases	**125**	154	183
Energy purchases from affiliate	**19**	7	13
Other operation and maintenance	**373**	387	376
Depreciation	**259**	231	195
Taxes, other than income	**40**	39	36
Total Operating Expenses	**1,062**	1,107	1,111
Operating Income	**394**	393	385
Other Income (Expense) – net	**(1)**	(11)	(12)
Interest Expense	**87**	87	76
Income Before Income Taxes	**306**	295	297
Income Taxes	**62**	63	64
Net Income (a)	**$ 244**	$ 232	$ 233

(a) Net income equals comprehensive income.

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

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31,
Louisville Gas and Electric Company

(Millions of Dollars)

	2020	2019	2018
Cash Flows from Operating Activities			
Net income	**$ 244**	$ 232	$ 233
Adjustments to reconcile net income to net cash provided by (used in) operating activities			
Depreciation	**259**	231	195
Amortization	**9**	15	14
Defined benefit plans - expense	**3**	3	3
Deferred income taxes and investment tax credits	**3**	56	60
Change in current assets and current liabilities			
Accounts receivable	**(3)**	(9)	4
Accounts receivable from affiliates	**4**	6	—
Accounts payable	**(18)**	(10)	10
Accounts payable to affiliates	**(5)**	5	1
Unbilled revenues	**(3)**	1	14
Fuel, materials and supplies	**4**	5	4
Regulatory assets and liabilities, net	**—**	(19)	5
Taxes payable	**(1)**	7	1
Other	**(3)**	(5)	(10)
Other operating activities			
Defined benefit plans - funding	**(11)**	(6)	(61)
Expenditures for asset retirement obligations	**(20)**	(30)	(22)
Other assets	**(2)**	(1)	(12)
Other liabilities	**23**	11	4
Net cash provided by operating activities	**483**	492	443
Cash Flows from Investing Activities			
Expenditures for property, plant and equipment	**(456)**	(482)	(554)
Net cash used in investing activities	**(456)**	(482)	(554)
Cash Flows from Financing Activities			
Issuance of long-term debt	**—**	399	100
Retirement of long-term debt	**—**	(200)	—
Acquisition of outstanding bonds	**—**	(40)	—
Remarketing of reacquired bonds	**—**	40	—
Payment of common stock dividends to parent	**(161)**	(182)	(156)
Contributions from parent	**103**	25	83
Issuance of commercial paper	**41**	—	—
Net increase (decrease) in short-term debt	**(17)**	(41)	80
Other financing activities	**(1)**	(6)	(1)
Net cash provided by (used in) financing activities	**(35)**	(5)	106
Net Increase (Decrease) in Cash and Cash Equivalents	**(8)**	5	(5)
Cash and Cash Equivalents at Beginning of Period	**15**	10	15
Cash and Cash Equivalents at End of Period	**$ 7**	$ 15	$ 10
Supplemental Disclosures of Cash Flow Information			
Cash paid (received) during the period for:			
Interest - net of amount capitalized	**$ 82**	$ 77	$ 71
Income taxes - net	**$ 63**	$ 2	$ 7
Significant non-cash transactions:			
Accrued expenditures for property, plant and equipment at December 31,	**$ 60**	$ 59	$ 61

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

BALANCE SHEETS AT DECEMBER 31,
Louisville Gas and Electric Company

(Millions of Dollars, shares in thousands)

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	$ **7**	$ 15
Accounts receivable (less reserve: 2020, $2; 2019, $1)		
Customer	**127**	121
Other	**35**	41
Unbilled revenues (less reserve: 2020, $1; 2019, $0)	**79**	76
Accounts receivable from affiliates	**16**	18
Fuel, materials and supplies	**119**	122
Prepayments	**14**	14
Regulatory assets	**23**	25
Other current assets	**1**	1
Total Current Assets	**421**	433
Property, Plant and Equipment		
Regulated utility plant	**6,735**	6,372
Less: accumulated depreciation - regulated utility plant	**1,020**	846
Regulated utility plant, net	**5,715**	5,526
Construction work in progress	**320**	297
Property, Plant and Equipment, net	**6,035**	5,823
Other Noncurrent Assets		
Regulatory assets	**351**	380
Goodwill	**389**	389
Other intangibles	**35**	41
Other noncurrent assets	**114**	67
Total Other Noncurrent Assets	**889**	877
Total Assets	$ **7,345**	$ 7,133

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

BALANCE SHEETS AT DECEMBER 31,
Louisville Gas and Electric Company

(Millions of Dollars, shares in thousands)

	2020	2019
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 262**	$ 238
Long-term debt due within one year	**292**	—
Accounts payable	**153**	172
Accounts payable to affiliates	**31**	31
Customer deposits	**32**	31
Taxes	**32**	33
Price risk management liabilities	**2**	4
Regulatory liabilities	**—**	2
Interest	**15**	15
Asset retirement obligations	**10**	24
Other current liabilities	**50**	47
Total Current Liabilities	**879**	597
Long-term Debt	**1,715**	2,005
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**716**	697
Investment tax credits	**33**	34
Price risk management liabilities	**21**	17
Asset retirement obligations	**57**	49
Regulatory liabilities	**882**	883
Other deferred credits and noncurrent liabilities	**94**	89
Total Deferred Credits and Other Noncurrent Liabilities	**1,803**	1,769
Commitments and Contingent Liabilities (Notes 7 and 14)		
Equity		
Common stock - no par value (a)	**424**	424
Additional paid-in capital	**1,923**	1,820
Earnings reinvested	**601**	518
Total Equity	**2,948**	2,762
Total Liabilities and Equity	**$ 7,345**	$ 7,133

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

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

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

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Total
December 31, 2017	21,294	$ 424	$ 1,712	$ 391	$ 2,527
Net income				233	233
Capital contributions from LKE			83		83
Cash dividends declared on common stock				(156)	(156)
December 31, 2018	21,294	$ 424	$ 1,795	$ 468	$ 2,687
Net income				232	232
Capital contributions from LKE			25		25
Cash dividends declared on common stock				(182)	(182)
December 31, 2019	21,294	$ 424	$ 1,820	$ 518	$ 2,762
Net income				244	244
Capital contributions from LKE			103		103
Cash dividends declared on common stock				(161)	(161)
December 31, 2020	21,294	$ 424	$ 1,923	$ 601	$ 2,948

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

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

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STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31,
Kentucky Utilities Company

(Millions of Dollars)

	2020	2019	2018
Operating Revenues			
Retail and wholesale	**$ 1,671**	$ 1,733	$ 1,747
Electric revenue from affiliate	**19**	7	13
Total Operating Revenues	**1,690**	1,740	1,760
Operating Expenses			
Operation			
Fuel	**386**	420	491
Energy purchases	**18**	20	18
Energy purchases from affiliate	**21**	27	29
Other operation and maintenance	**429**	438	441
Depreciation	**346**	315	279
Taxes, other than income	**37**	35	34
Total Operating Expenses	**1,237**	1,255	1,292
Operating Income	**453**	485	468
Other Income (Expense) – net	**3**	(4)	(6)
Interest Expense	**113**	109	100
Income Before Income Taxes	**343**	372	362
Income Taxes	**63**	79	76
Net Income (a)	**$ 280**	$ 293	$ 286

(a) Net income equals comprehensive income.

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

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31,
Kentucky Utilities Company
(Millions of Dollars)

	2020	2019	2018
Cash Flows from Operating Activities			
Net income	**$ 280**	$ 293	$ 286
Adjustments to reconcile net income to net cash provided by (used in) operating activities			
Depreciation	**346**	315	279
Amortization	**8**	10	3
Defined benefit plans - expense	**—**	(1)	—
Deferred income taxes and investment tax credits	**20**	39	48
Other	**(1)**	(3)	(4)
Change in current assets and current liabilities			
Accounts receivable	**(13)**	(3)	(4)
Accounts receivable from affiliates	**(1)**	—	—
Accounts payable	**9**	(15)	29
Accounts payable to affiliates	**(16)**	(2)	(3)
Unbilled revenues	**(9)**	4	20
Fuel, materials and supplies	**6**	(6)	3
Regulatory assets and liabilities, net	**(26)**	(26)	27
Taxes payable	**2**	2	5
Other	**(5)**	(6)	(3)
Other operating activities			
Defined benefit plans - funding	**(3)**	(3)	(54)
Expenditures for asset retirement obligations	**(64)**	(59)	(50)
Other assets	**(2)**	(2)	(12)
Other liabilities	**12**	16	11
Net cash provided by operating activities	**543**	553	581
Cash Flows from Investing Activities			
Expenditures for property, plant and equipment	**(510)**	(610)	(562)
Other investing activities	**3**	—	1
Net cash used in investing activities	**(507)**	(610)	(561)
Cash Flows from Financing Activities			
Issuance of long-term debt	**498**	306	18
Retirement of long-term debt	**(500)**	—	(27)
Payment of common stock dividends to parent	**(200)**	(229)	(246)
Contributions from parent	**128**	68	45
Issuance of commercial paper	**32**	—	—
Net increase (decrease) in short-term debt	**21**	(85)	190
Other financing activities	**(5)**	(5)	(1)
Net cash provided by (used in) financing activities	**(26)**	55	(21)
Net Increase (Decrease) in Cash and Cash Equivalents	**10**	(2)	(1)
Cash and Cash Equivalents at Beginning of Period	**12**	14	15
Cash and Cash Equivalents at End of Period	**$ 22**	$ 12	$ 14
Supplemental Disclosures of Cash Flow Information			
Cash paid (received) during the period for:			
Interest - net of amount capitalized	**$ 109**	$ 101	$ 95
Income taxes - net	**$ 44**	$ 39	$ 25
Significant non-cash transactions:			
Accrued expenditures for property, plant and equipment at December 31,	**$ 40**	$ 54	$ 88

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

BALANCE SHEETS AT DECEMBER 31,
Kentucky Utilities Company
(Millions of Dollars, shares in thousands)

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	**$ 22**	$ 12
Accounts receivable (less reserve: 2020, $1; 2019, $1)		
Customer	**156**	139
Other	**30**	27
Unbilled revenues (less reserve: 2020, $1; 2019, $0)	**97**	88
Accounts receivable from affiliates	**1**	—
Fuel, materials and supplies	**123**	128
Prepayments	**15**	14
Regulatory assets	**36**	16
Other current assets	**1**	1
Total Current Assets	**481**	425
Property, Plant and Equipment		
Regulated utility plant	**8,808**	8,262
Less: accumulated depreciation - regulated utility plant	**1,690**	1,507
Regulated utility plant, net	**7,118**	6,755
Construction work in progress	**321**	496
Property, Plant and Equipment, net	**7,439**	7,251
Other Noncurrent Assets		
Regulatory assets	**370**	386
Goodwill	**607**	607
Other intangibles	**26**	28
Other noncurrent assets	**149**	128
Total Other Noncurrent Assets	**1,152**	1,149
Total Assets	**$ 9,072**	$ 8,825

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

BALANCE SHEETS AT DECEMBER 31,
Kentucky Utilities Company
(Millions of Dollars, shares in thousands)

	2020	2019
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 203**	$ 150
Long-term debt due within one year	**132**	500
Accounts payable	**121**	121
Accounts payable to affiliates	**43**	52
Customer deposits	**32**	31
Taxes	**29**	26
Regulatory liabilities	**11**	17
Interest	**19**	20
Asset retirement obligations	**40**	46
Other current liabilities	**59**	51
Total Current Liabilities	**689**	1,014
Long-term Debt	**2,486**	2,123
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**835**	792
Investment tax credits	**88**	90
Asset retirement obligations	**75**	96
Regulatory liabilities	**1,070**	1,090
Other deferred credits and noncurrent liabilities	**47**	46
Total Deferred Credits and Other Noncurrent Liabilities	**2,115**	2,114
Commitments and Contingent Liabilities (Notes 7 and 14)		
Equity		
Common stock - no par value (a)	**308**	308
Additional paid-in capital	**2,857**	2,729
Earnings reinvested	**617**	537
Total Equity	**3,782**	3,574
Total Liabilities and Equity	**$ 9,072**	$ 8,825

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

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

STATEMENTS OF EQUITY
Kentucky Utilities Company
(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Accumulated other comprehensive income (loss)	Total
December 31, 2017	37,818	$ 308	$ 2,616	$ 433	$ —	$ 3,357
Net income				286		286
Capital contributions from LKE			45			45
Cash dividends declared on common stock				(246)		(246)
December 31, 2018	37,818	$ 308	$ 2,661	$ 473	$ —	$ 3,442
Net income				293		293
Capital contributions from LKE			68			68
Cash dividends declared on common stock				(229)		(229)
December 31, 2019	37,818	$ 308	$ 2,729	$ 537	$ —	$ 3,574
Net income				280		280
Capital contributions from LKE			128			128
Cash dividends declared on common stock				(200)		(200)
December 31, 2020	37,818	$ 308	$ 2,857	$ 617	$ —	$ 3,782

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

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

COMBINED NOTES TO FINANCIAL STATEMENTS

Index to Combined Notes to Consolidated Financial Statements

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

	Registrant				
	PPL	PPL Electric	LKE	LG&E	KU
1. Summary of Significant Accounting Policies	x	x	x	x	x
2. Segment and Related Information	x	x	x	x	x
3. Revenue from Contracts with Customers	x	x	x	x	x
4. Preferred Securities	x	x		x	x
5. Earnings Per Share	x				
6. Income and Other 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. Leases	x	x	x	x	x
11. Stock-Based Compensation	x	x	x		
12. Retirement and Postemployment Benefits	x	x	x	x	x
13. Jointly Owned Facilities	x		x	x	x
14. Commitments and Contingencies	x	x	x	x	x
15. Related Party Transactions		x	x	x	x
16. Other Income (Expense) - net	x	x			
17. Fair Value Measurements	x	x	x	x	x
18. Derivative Instruments and Hedging Activities	x	x	x	x	x
19. Goodwill and Other Intangible Assets	x	x	x	x	x
20. Asset Retirement Obligations	x	x	x	x	x
21. Accumulated Other Comprehensive Income (Loss)	x		x		

1. Summary of Significant Accounting Policies

(All Registrants)

General

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

Business and Consolidation

(PPL)

PPL is a utility holding company that, through its regulated subsidiaries, is primarily engaged in: 1) the distribution of electricity in the U.K.; 2) the generation, transmission, distribution and sale of electricity and the distribution and sale of natural gas, primarily in Kentucky; and 3) the transmission, distribution and sale of electricity in Pennsylvania. Headquartered in Allentown, PA, PPL's principal subsidiaries are PPL Global, LKE (including its principal subsidiaries, LG&E and KU) and PPL Electric. PPL's corporate level financing subsidiary is PPL Capital Funding.

WPD, a subsidiary of PPL Global, through wholly owned subsidiaries, operates distribution networks providing electricity service in the U.K. WPD serves end-users in South Wales and southwest and central England. Its principal subsidiaries are WPD (South Wales), WPD (South West), WPD (East Midlands) and WPD (West Midlands).

PPL consolidates WPD on a one-month lag. Material events, such as debt issuances that occur in the lag period, are recognized in the current period financial statements. Events that are significant but not material are disclosed.

(PPL and PPL Electric)

PPL Electric is a cost-based rate-regulated utility subsidiary of PPL. PPL Electric's principal business is the transmission and distribution of electricity to serve retail customers in its franchised territory in eastern and central Pennsylvania and the regulated supply of electricity to retail customers in that territory as a PLR.

(PPL, LKE, LG&E and KU)

LKE is a utility holding company with cost-based rate-regulated utility operations through its subsidiaries, LG&E and KU. LG&E and KU are engaged in the generation, transmission, distribution and sale of electricity. LG&E also engages in the distribution and sale of natural gas. LG&E and KU maintain their separate identities and serve customers in Kentucky under their respective names. KU also serves customers in Virginia under the Old Dominion Power name.

(All Registrants)

The financial statements of the Registrants include each company's own accounts as well as the accounts of all entities in which the company has a controlling financial interest. Entities for which a controlling financial interest is not demonstrated through voting interests are evaluated based on accounting guidance for Variable Interest Entities (VIEs). The Registrants consolidate a VIE when they are determined to have a controlling interest in the VIE and, as a result, are the primary beneficiary of the entity. Amounts consolidated under the VIE guidance are not material to the Registrants. Investments in entities in which a company has the ability to exercise significant influence but does not have a controlling financial interest are accounted for under the equity method. All other investments are carried at cost or fair value. All significant intercompany transactions have been eliminated.

The financial statements of PPL, LKE, LG&E and KU include their share of any undivided interests in jointly owned facilities, as well as their share of the related operating costs of those facilities. See Note 13 for additional information.

Regulation

(PPL)

WPD operates in an incentive-based regulatory structure under distribution licenses granted by Ofgem. Electricity distribution revenues are set by Ofgem for a given time period through price control reviews that are not directly based on cost recovery.

The price control formula that governs WPD's allowed revenue is designed to provide economic incentives to minimize operating, capital and financing costs. As a result, WPD is not subject to accounting for the effects of certain types of regulation as prescribed by GAAP and does not record regulatory assets and liabilities.

(All Registrants)

PPL Electric, LG&E and KU are cost-based rate-regulated utilities for which rates are set by regulators to enable PPL Electric, LG&E and KU to recover the costs of providing electric or gas service, as applicable, and to provide a reasonable return to shareholders. Base rates are generally established based on a future test period. As a result, the financial statements are subject to the accounting for certain types of regulation as prescribed by GAAP and reflect the effects of regulatory actions. Regulatory assets are recognized for the effect of transactions or events where future recovery of underlying costs is probable in regulated customer rates. The effect of such accounting is to defer certain or qualifying costs that would otherwise currently be charged to expense. Regulatory liabilities are recognized for amounts expected to be returned through future regulated customer rates. In certain cases, regulatory liabilities are recorded based on an understanding or agreement with the regulator that rates have been set to recover expected future costs, and the regulated entity is accountable for any amounts charged pursuant to such rates and not yet expended for the intended purpose. The accounting for regulatory assets and regulatory liabilities is based on specific ratemaking decisions or precedent for each transaction or event as prescribed by the FERC or the applicable state regulatory commissions. See Note 7 for additional details regarding regulatory matters.

Accounting Records

The system of accounts for domestic regulated entities is maintained in accordance with the Uniform System of Accounts prescribed by the FERC and adopted by the applicable state regulatory commissions.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Loss Accruals

Potential losses are accrued when (1) information is available that indicates it is "probable" that a loss has been incurred, given the likelihood of uncertain future events and (2) the amount of loss can be reasonably estimated. Accounting guidance defines "probable" as cases in which "the future event or events are likely to occur." The Registrants continuously assess potential loss contingencies for environmental remediation, litigation claims, regulatory penalties and other events. Loss accruals for environmental remediation are discounted when appropriate.

The accrual of contingencies that might result in gains is not recorded, unless realization is assured.

Earnings Per Share *(PPL)*

EPS is computed using the two-class method, which is an earnings allocation method for computing EPS that treats a participating security as having rights to earnings that would otherwise have been available to common shareowners. Share-based payment awards that provide recipients a non-forfeitable right to dividends or dividend equivalents are considered participating securities.

Price Risk Management

(All Registrants)

Interest rate contracts are used to hedge exposure to changes in the fair value of debt instruments and to hedge exposure to variability in expected cash flows associated with existing floating-rate debt instruments or forecasted fixed-rate issuances of debt. Foreign currency exchange contracts are used to hedge foreign currency exposures, primarily associated with PPL's investments in U.K. subsidiaries. Similar derivatives may receive different accounting treatment, depending on management's intended use and documentation.

Certain contracts may not meet the definition of a derivative because they lack a notional amount or a net settlement provision. In cases where there is no net settlement provision, markets are periodically assessed to determine whether market mechanisms have evolved to facilitate net settlement. Certain derivative contracts may be excluded from the requirements of derivative accounting treatment because NPNS has been elected. These contracts are accounted for using accrual accounting. Contracts that have been classified as derivative contracts are reflected on the balance sheets at fair value. The portion of derivative positions that deliver within a year are included in "Current Assets" and "Current Liabilities," while the portion of derivative positions that deliver beyond a year are recorded in "Other Noncurrent Assets" and "Deferred Credits and Other Noncurrent Liabilities."

Cash inflows and outflows related to derivative instruments are included as a component of operating, investing or financing activities on the Statements of Cash Flows, depending on the classification of the hedged items.

PPL and its subsidiaries have elected not to offset net derivative positions against the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) under master netting arrangements.

(PPL)

Processes exist that allow for subsequent review and validation of contract information as it relates to interest rate and foreign currency derivatives. The accounting department provides the treasury department with guidelines on appropriate accounting classifications for various contract types and strategies. Examples of accounting guidelines provided to the treasury department staff include, but are not limited to:

- Transactions to lock in an interest rate prior to a debt issuance can be designated as cash flow hedges, to the extent the forecasted debt issuances remain probable of occurring.

- Cross-currency transactions to hedge interest and principal repayments can be designated as cash flow hedges.

- Transactions to hedge fluctuations in the fair value of existing debt can be designated as fair value hedges.

- Transactions to hedge the value of a net investment of foreign operations can be designated as net investment hedges.

- Derivative transactions that do not qualify for cash flow or net investment hedge treatment are marked to fair value through earnings. These transactions generally include foreign currency forwards and options to hedge GBP-denominated earnings translation risk associated with PPL's U.K. subsidiaries that report their financial statements in GBP. As such, these transactions reduce earnings volatility due solely to changes in foreign currency exchange rates. PPL also hedges anticipated transactions, including the previously announced potential sale of its U.K utility business and net investments.

(All Registrants)

- Derivative transactions may be marked to fair value through regulatory assets/liabilities at PPL Electric, LG&E and KU, if approved by the appropriate regulatory body. These transactions generally include the effect of interest rate swaps that are included in customer rates.

(PPL and PPL Electric)

To meet its obligation as a PLR to its customers, PPL Electric has entered into certain contracts that meet the definition of a derivative. However, NPNS has been elected for these contracts.

See Notes 17 and 18 for additional information on derivatives.

Revenue

(All Registrants)

Operating revenues are primarily recorded based on energy deliveries through the end of each calendar month. Unbilled retail revenues result because customers' bills are rendered throughout the month, rather than bills being rendered at the end of the month. For LKE, LG&E and KU, unbilled revenues for a month are calculated by multiplying an estimate of unbilled kWh by the estimated average cents per kWh. Any difference between estimated and actual revenues is adjusted the following month when the previous unbilled estimate is reversed and actual billings occur. For PPL Electric, unbilled revenues for a month are calculated by multiplying the actual unbilled volumes by the price per tariff.

PPL Electric's, LG&E's and KU's base rates are determined based on cost of service. Some regulators have also authorized the use of additional alternative revenue programs, which enable PPL Electric, LG&E and KU to adjust future rates based on past activities or completed events. Revenues from alternative revenue programs are recognized when the specific events permitting future billings have occurred. Revenues from alternative revenue programs are required to be presented separately from revenues from contracts with customers. These amounts are, however, presented as revenues from contracts with customers, with an offsetting adjustment to alternative revenue program revenue, when they are billed to customers in future periods. See Note 3 for additional information.

(PPL)

WPD is currently operating under the eight-year price control period of RIIO-ED1, which commenced for electric distribution companies on April 1, 2015. Ofgem has adopted a price control mechanism that establishes the amount of base demand revenue WPD can earn, subject to certain true-ups, and provides for increased or reduced revenues based on incentives or penalties for performance relative to pre-established targets. WPD's allowed revenue primarily includes base demand revenue (adjusted for inflation using RPI), performance incentive revenues/penalties and adjustments for over or under-recovery from prior periods.

As the regulatory model is incentive based rather than a cost recovery model, WPD is not subject to accounting for the effects of certain types of regulation as prescribed by GAAP. Therefore, the accounting treatment of adjustments to base demand revenue and/or allowed revenue is evaluated based on revenue recognition accounting guidance.

Unlike prior price control reviews, base demand revenue under RIIO-ED1 is adjusted during the price control period. The most significant of those adjustments are:

- Inflation True-Up - The base demand revenue for the RIIO-ED1 period was set based on 2012/13 prices. Therefore, an inflation factor as determined by forecasted RPI, provided by HM Treasury, is applied to base demand revenue. Forecasted RPI is trued up to actuals and affects future base demand revenue two regulatory years later. This revenue change is called the "TRU" adjustment.

- Annual Iteration Process (AIP) - The RIIO-ED1 price control period also includes an AIP. This allows future base demand revenues agreed with Ofgem as part of the price control review, to be updated during the price control period for financial adjustments including tax, pensions, cost of debt, legacy price control adjustments from preceding price control periods and adjustments relating to actual and allowed total expenditure, together with the Totex Incentive Mechanism (TIM). Under the TIM, WPD's DNOs are able to retain 70% of any amounts not spent against the RIIO-ED1 plan and bear 70% of any over-spends. The AIP calculates an incremental change to base demand revenue, known as the "MOD" adjustment.

As both MOD and TRU are changes to future base demand revenues as determined by Ofgem, these adjustments are recognized as a component of revenues in future years in which service is provided and revenues are collected or returned to customers.

In addition to base demand revenue, certain other items are added or subtracted to arrive at allowed revenue. The most significant of these are:

- Incentives - Ofgem has established incentives to provide opportunities for DNO's to enhance overall returns by improving network efficiency, reliability and customer service. These incentives can result in an increase or reduction in revenues based on incentives or penalties for actual performance against pre-established targets based on past performance. The annual incentives and penalties are reflected in customers' rates on a two-year lag from the time they are earned and/or assessed. Incentive revenues and penalties are included in revenues when they are billed to customers.

- Correction Factor - During the current price control period, WPD sets its tariffs to recover allowed revenue. However, in any fiscal period, WPD's revenue could be negatively affected if its tariffs and the volume delivered do not fully recover the revenue allowed for a particular period. Conversely, WPD could also over-recover revenue. Over and under-recoveries are subtracted from or added to allowed revenue in future years when billed to customers, known as the "Correction Factor" or "K-factor." Over and under-recovered amounts arising for the period are refunded/recovered on a two year lag.

Financing Receivables

(All Registrants)

Accounts receivable are reported on the Balance Sheets at the gross outstanding amount adjusted for an allowance for doubtful accounts. Financing receivables include accounts receivable, with the exception of those items within accounts receivable that are not subject to the credit loss model.

Current Expected Credit Losses

Financing receivable collectibility 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 allowance for doubtful accounts 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 collectibility of the financing receivables to determine if adjustments to the allowance for doubtful accounts 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 changes in the allowance for doubtful accounts are included in the following table. Amounts relate to "accounts receivable-customer" except as noted.

			Additions				
	Balance at Beginning of Period		Charged to Income	Charged to Other Accounts	Deductions (b)	Balance at End of Period	
PPL							
2020 (a)	$ 60	(a)	$ 31	$ —	$ 16	$ 75	(c) (d)
2019	56		37	3	38	58	
2018	51		41	3	39	56	
PPL Electric							
2020	$ 30	(a)	$ 19	$ —	$ 8	$ 41	(c)
2019	27		26	—	25	28	
2018	24		29	—	26	27	
LKE							
2020	$ 28		$ 9	$ —	$ 5	$ 32	(d)
2019	27		8	3	10	28	
2018	25		10	3	11	27	
LG&E							
2020	$ 1		$ 4	$ —	$ 2	$ 3	
2019	1		2	2	4	1	
2018	1		4	1	5	1	
KU							
2020	$ 1		$ 4	$ —	$ 3	$ 2	
2019	2		4	1	6	1	
2018	1		5	2	6	2	

(a) Adjusted for $2 million cumulative-effect adjustment upon adoption of current expected credit loss guidance.
(b) Primarily related to uncollectible accounts written off.
(c) Includes $3 million related to other receivables.
(d) Includes $27 million related to other receivables.

Cash

(All Registrants)

Cash Equivalents

All highly liquid investments with original maturities of three months or less are considered to be cash equivalents.

(PPL and PPL Electric)

Restricted Cash and Cash Equivalents

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 and cash equivalents. On the Balance Sheets, the current portion of restricted cash and cash equivalents is included in "Other current assets," while the noncurrent portion is included in "Other noncurrent assets."

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 to the amounts shown on the Statements of Cash Flows:

	PPL		PPL Electric	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Cash and cash equivalents	$ 708	$ 815	$ 40	$ 262
Restricted cash - current	1	3	—	2
Restricted cash - noncurrent (a)	18	18	—	—
Total Cash, Cash Equivalents and Restricted Cash	$ 727	$ 836	$ 40	$ 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."

(All Registrants)

Fair Value Measurements

The Registrants value certain financial and nonfinancial assets and liabilities at fair value. Generally, the most significant fair value measurements relate to price risk management assets and liabilities, investments in securities in defined benefit plans, and cash and cash equivalents. PPL and its subsidiaries use, as appropriate, 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) to measure the fair value of an asset or liability. 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 Registrants classify fair value measurements within one of three levels in the fair value hierarchy. The level assigned to a fair value measurement is based on the lowest level input that is significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are as follows:

- **Level 1 -** quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date. Active markets are those in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

- **Level 2 -** inputs other than quoted prices included within Level 1 that are either directly or indirectly observable for substantially the full term of the asset or liability.

- **Level 3 -** unobservable inputs that management believes are predicated on the assumptions market participants would use to measure the asset or liability at fair value.

Assessing the significance of a particular input requires judgment that considers factors specific to the asset or liability. As such, the Registrants' assessment of the significance of a particular input may affect how the assets and liabilities are classified within the fair value hierarchy.

Investments

(All Registrants)

Generally, the original maturity date of an investment and management's intent and ability to sell an investment prior to its original maturity determine the classification of investments as either short-term or long-term. Investments that would otherwise be classified as short-term, but are restricted as to withdrawal or use for other than current operations or are clearly designated for expenditure in the acquisition or construction of noncurrent assets or for the liquidation of long-term debts, are classified as long-term.

Short-term Investments

Short-term investments generally include certain deposits as well as securities that are considered highly liquid or provide for periodic reset of interest rates. Investments with original maturities greater than three months and less than a year, as well as investments with original maturities of greater than a year that management has the ability and intent to sell within a year, are included in "Other current assets" on the Balance Sheets.

Long-Lived and Intangible Assets

Property, Plant and Equipment

(All Registrants)

PP&E is recorded at original cost, unless impaired. PP&E acquired in business combinations is recorded at fair value at the time of acquisition. If impaired, the asset is written down to fair value at that time, which becomes the new cost basis of the asset. Original cost for constructed assets includes material, labor, contractor costs, certain overheads and financing costs, where applicable. Included in PP&E are capitalized costs of software projects that were developed or obtained for internal use. The cost of repairs and minor replacements are charged to expense as incurred. The Registrants record costs associated with planned major maintenance projects in the period in which work is performed and costs are incurred.

AFUDC is capitalized at PPL Electric as part of the construction costs for cost-based rate-regulated projects for which a return on such costs is recovered after the project is placed in service. The debt component of AFUDC is credited to "Interest Expense" and the equity component is credited to "Other Income (Expense) - net" on the Statements of Income. LG&E and KU generally do not record AFUDC as a return is provided on construction work in progress.

(PPL)

PPL capitalizes interest costs as part of construction costs. Capitalized interest, including the debt component of AFUDC for PPL, was $9 million in 2020, $10 million in 2019 and $15 million 2018.

(PPL Electric)

PPL Electric capitalizes interest costs as part of construction costs. Capitalized interest, including the debt component of AFUDC for PPL Electric was $7 million in 2020, $8 million in 2019 and $7 million in 2018.

Depreciation

(All Registrants)

Depreciation is recorded over the estimated useful lives of property using various methods including the straight-line, composite and group methods. When a component of PP&E that was depreciated under the composite or group method is retired, the original cost is charged to accumulated depreciation. When all or a significant portion of an operating unit that was depreciated under the composite or group method is retired or sold, the property and the related accumulated depreciation account is reduced and any gain or loss is included in income, unless otherwise required by regulators. LG&E and KU accrue costs of removal net of estimated salvage value through depreciation, which is included in the calculation of customer rates over the assets' depreciable lives in accordance with regulatory practices. Cost of removal amounts accrued through depreciation rates are accumulated as a regulatory liability until the removal costs are incurred. For LKE, LG&E and KU, all ARO depreciation expenses are reclassified to a regulatory asset. See "Asset Retirement Obligations" below and Note 7 for additional information. PPL Electric records net costs of removal when incurred as a regulatory asset. The regulatory asset is subsequently amortized through depreciation over a five-year period, which is recoverable in customer rates in accordance with regulatory practices.

Following are the weighted-average annual rates of depreciation, for regulated utility plant, for the years ended December 31:

	2020	2019	2018
PPL	2.81 %	2.84 %	2.77 %
PPL Electric	2.99 %	3.05 %	3.01 %
LKE	4.00 %	3.96 %	3.69 %
LG&E	4.00 %	3.87 %	3.63 %
KU	4.00 %	4.02 %	3.74 %

(All Registrants)

Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price paid over the fair value of the identifiable net assets acquired in a business combination.

Other acquired intangible assets are initially measured based on their fair value. Intangibles that have finite useful lives are amortized over their useful lives based upon the pattern in which the economic benefits of the intangible assets are consumed or otherwise used. Costs incurred to obtain an initial license and renew or extend terms of licenses are capitalized as intangible assets.

When determining the useful life of an intangible asset, including intangible assets that are renewed or extended, PPL and its subsidiaries consider:

- the expected use of the asset;
- the expected useful life of other assets to which the useful life of the intangible asset may relate;
- legal, regulatory, or contractual provisions that may limit the useful life;
- the company's historical experience as evidence of its ability to support renewal or extension;
- the effects of obsolescence, demand, competition, and other economic factors; and,

- the level of maintenance expenditures required to obtain the expected future cash flows from the asset.

Asset Impairment (Excluding Investments)

The Registrants review long-lived assets that are subject to depreciation or amortization, including finite-lived intangibles, for impairment when events or circumstances indicate carrying amounts may not be recoverable.

A long-lived asset classified as held and used is impaired when the carrying amount of the asset exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. If impaired, the asset's carrying value is written down to its fair value.

A long-lived asset classified as held for sale is impaired when the carrying amount of the asset (disposal group) exceeds its fair value less cost to sell. If impaired, the asset's (disposal group's) carrying value is written down to its fair value less cost to sell.

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. Additionally, goodwill must be tested for impairment in circumstances when a portion of goodwill has been allocated to a business to be disposed. PPL's, LKE's, LG&E's and KU's reporting units are primarily at the operating segment level.

PPL, LKE, LG&E and KU may elect either to initially make a qualitative evaluation about the likelihood of an impairment of goodwill or to bypass the qualitative evaluation and test goodwill for impairment using a quantitative test. If the qualitative evaluation (referred to as "step zero") is elected and the assessment results in a determination that it is not more likely than not that the fair value of a reporting unit is less than the carrying amount, the quantitative impairment test is not necessary. However, the quantitative impairment test is required if management concludes it is more likely than not that the fair value of a reporting unit is less than the carrying amount based on the step zero assessment. If the carrying amount of the reporting unit, including goodwill, exceeds its fair value, an impairment loss is recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit.

In the first quarter of 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. Based on the 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.

In the fourth quarter of 2020, PPL (for its U.K. Regulated and Kentucky Regulated segments), and individually, LKE, LG&E and KU elected to perform qualitative step zero evaluations for their annual goodwill impairment tests, as of October 1, 2020. Based on these evaluations, management concluded it was not more likely than not that the fair value of these reporting units was less than their carrying values. As such, quantitative impairment tests were not performed.

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

Asset Retirement Obligations

PPL and its subsidiaries record liabilities to reflect various legal obligations associated with the retirement of long-lived assets. Initially, this obligation is measured at fair value and offset with an increase in the value of the capitalized asset, which is depreciated over the asset's useful life. Until the obligation is settled, the liability is increased through the recognition of accretion expense classified within "Other operation and maintenance" on the Statements of Income to reflect changes in the obligation due to the passage of time. 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.

Estimated ARO costs and settlement dates, which affect the carrying value of the ARO and the related capitalized asset, are reviewed periodically to ensure that any material changes are incorporated into the latest estimate of the ARO. Any change to the capitalized asset, positive or negative, is generally amortized over the remaining life of the associated long-lived asset. See Note 7 and Note 20 for additional information on AROs.

Compensation and Benefits

Defined Benefits *(All Registrants)*

Certain PPL subsidiaries sponsor various defined benefit pension and other postretirement plans. An asset or liability is recorded to recognize the funded status of all defined benefit plans with an offsetting entry to AOCI or, for LG&E, KU and PPL Electric, to regulatory assets or liabilities. Consequently, the funded status of all defined benefit plans is fully recognized on the Balance Sheets.

The expected return on plan assets is determined based on a market-related value of plan assets, which is calculated by rolling forward the prior year market-related value with contributions, disbursements and long-term expected return on investments. One-fifth of the difference between the actual value and the expected value is added (or subtracted if negative) to the expected value to determine the new market-related value.

PPL uses an accelerated amortization method for the recognition of gains and losses for its defined benefit pension plans. Under the accelerated method, actuarial gains and losses in excess of 30% of the plan's projected benefit obligation are amortized on a straight-line basis over one-half of the required amortization period. Actuarial gains and losses in excess of 10% of the greater of the plan's projected benefit obligation or the market-related value of plan assets and less than 30% of the plan's projected benefit obligation are amortized on a straight-line basis over the full required amortization period.

See Note 7 for a discussion of the regulatory treatment of defined benefit costs and Note 12 for a discussion of defined benefits.

Stock-Based Compensation *(PPL, PPL Electric and LKE)*

PPL has several stock-based compensation plans for purposes of granting stock options, restricted stock, restricted stock units and performance units to certain employees as well as stock units and restricted stock units to directors. PPL grants most stock-based awards in the first quarter of each year. PPL and its subsidiaries recognize compensation expense for stock-based awards based on the fair value method. Forfeitures of awards are recognized when they occur. See Note 11 for a discussion of stock-based compensation. All awards are recorded as equity or a liability on the Balance Sheets. Stock-based compensation is primarily included in "Other operation and maintenance" on the Statements of Income. Stock-based compensation expense for PPL Electric and LKE includes an allocation of PPL Services' expense.

Taxes

Income Taxes

(All Registrants)

PPL and its domestic subsidiaries file a consolidated U.S. federal income tax return.

Significant management judgment is required in developing the Registrants' provision for income taxes, primarily due to the uncertainty related to tax positions taken or expected to be taken on tax returns, valuation allowances on deferred tax assets and whether the undistributed earnings of WPD are considered indefinitely reinvested.

The Registrants use a two-step process to evaluate tax positions. The first step requires an entity to determine whether, based on the technical merits supporting a particular tax position, it is more likely than not (greater than a 50% chance) that the tax position will be sustained. This determination assumes that the relevant taxing authority will examine the tax position and is aware of all the relevant facts surrounding the tax position. The second step requires an entity to recognize in its financial statements the benefit of a tax position that meets the more-likely-than-not recognition criterion. The benefit recognized is measured at the largest amount of benefit that has a likelihood of realization upon settlement that exceeds 50%. Unrecognized tax benefits are classified as current to the extent management expects to settle the uncertain tax position by payment or receipt of cash within one year of the reporting date. The amounts ultimately paid upon resolution of issues raised by taxing authorities may differ materially from the amounts accrued and may materially impact the financial statements of the Registrants in future periods. At December 31, 2020, no significant changes in unrecognized tax benefits were projected over the next 12 months.

Deferred income taxes reflect the net future tax effects of temporary differences between the carrying amounts of assets and liabilities for accounting purposes and their basis for income tax purposes, as well as the tax effects of net operating losses and tax credit carryforwards.

The Registrants record valuation allowances to reduce deferred income tax assets to the amounts that are more-likely-than-not to be realized. The need for valuation allowances requires significant management judgment. If the Registrants determine that they are able to realize deferred tax assets in the future in excess of recorded net deferred tax assets, adjustments to the valuation allowances increase income by reducing tax expense in the period that such determination is made. Likewise, if the Registrants determine that they are not able to realize all or part of net deferred tax assets in the future, adjustments to the valuation allowances would decrease income by increasing tax expense in the period that such determination is made. The amount of deferred tax assets ultimately realized may differ materially from the estimates utilized in the computation of valuation allowances and may materially impact the financial statements in the future.

The Registrants defer investment tax credits when the credits are generated and amortize the deferred amounts over the average lives of the related assets.

The Registrants recognize tax-related interest and penalties in "Income Taxes" on their Statements of Income.

The Registrants use the portfolio approach method of accounting for deferred taxes related to pre-tax OCI transactions. The portfolio approach involves a strict period-by-period cumulative incremental allocation of income taxes to the change in income and losses reflected in OCI. Under this approach, the net cumulative tax effect is ignored. The net change in unrealized gains and losses recorded in AOCI under this approach would be eliminated only on the date the investment portfolio is classified as held for sale or is liquidated.

See Note 6 for additional discussion regarding income taxes, including the impact of the TCJA and management's conclusion that the undistributed earnings of WPD are considered indefinitely reinvested.

The provision for PPL's, PPL Electric's, LKE's, LG&E's and KU's deferred income taxes related to regulatory assets and liabilities is based upon the ratemaking principles reflected in rates established by relevant regulators. The difference in the provision for deferred income taxes for regulatory assets and liabilities and the amount that otherwise would be recorded under GAAP is deferred and included on the Balance Sheets in noncurrent "Regulatory assets" or "Regulatory liabilities."

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

The income tax provision for PPL Electric, LG&E and KU is calculated in accordance with an intercompany tax sharing agreement, which provides that taxable income be calculated as if PPL Electric, LG&E, KU and any domestic subsidiaries each filed a separate return. Tax benefits are not shared between companies. The entity that generates a tax benefit is the entity that is entitled to the tax benefit. The effect of PPL filing a consolidated tax return is taken into account in the settlement of current taxes and the recognition of deferred taxes.

At December 31, the following intercompany tax receivables (payables) were recorded:

	2020	2019
PPL Electric	$ (9)	$ 3
LKE	(12)	(8)
LG&E	(1)	(4)
KU	(5)	(6)

Taxes, Other Than Income *(All Registrants)*

The Registrants present sales taxes in "Other current liabilities" and PPL presents value-added taxes in "Taxes" on the Balance Sheets. These taxes are not reflected on the Statements of Income. See Note 6 for details on taxes included in "Taxes, other than income" on the Statements of Income.

Other

(All Registrants)

Leases

The Registrants evaluate whether arrangements entered into contain leases for accounting purposes. See Note 10 for additional information.

Fuel, Materials and Supplies

Fuel, natural gas stored underground and materials and supplies are valued using the average cost method. Fuel costs for electricity generation are charged to expense as used. For LG&E, natural gas supply costs are charged to expense as delivered to the distribution system. See Note 7 for further discussion of the fuel adjustment clauses and gas supply clause.

"Fuel, materials and supplies" on the Balance Sheets consisted of the following at December 31:

	2020				
	PPL	PPL Electric	LKE	LG&E	KU
Fuel	$ 95	$ —	$ 95	$ 38	$ 57
Natural gas stored underground	30	—	30	30	—
Materials and supplies	236	59	117	51	66
Total	$ 361	$ 59	$ 242	$ 119	$ 123

	2019				
	PPL	PPL Electric	LKE	LG&E	KU
Fuel	$ 106	$ —	$ 106	$ 43	$ 63
Natural gas stored underground	35	—	35	35	—
Materials and supplies	191	33	109	44	65
Total	$ 332	$ 33	$ 250	$ 122	$ 128

Guarantees *(All Registrants)*

Generally, the initial measurement of a guarantee liability is the fair value of the guarantee at its inception. However, there are certain guarantees excluded from the scope of accounting guidance and other guarantees that are not subject to the initial recognition and measurement provisions of accounting guidance that only require disclosure. See Note 14 for further discussion of recorded and unrecorded guarantees.

Treasury Stock *(PPL)*

PPL restores all shares of common stock acquired to authorized but unissued shares of common stock upon acquisition.

Foreign Currency Translation and Transactions *(PPL)*

WPD's functional currency is the GBP, which is the local currency in the U.K. As such, assets and liabilities are translated to U.S. dollars at the exchange rates on the date of consolidation and related revenues and expenses are generally translated at average exchange rates prevailing during the period included in PPL's results of operations. Adjustments resulting from foreign currency translation are recorded in AOCI.

Gains or losses relating to foreign currency transactions are recognized in "Other Income (Expense) - net" on the Statements of Income. See Note 16 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

2. Segment and Related Information

(PPL)

PPL is organized into three segments: U.K. Regulated, Kentucky Regulated and Pennsylvania Regulated. PPL's segments are segmented by geographic location.

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 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 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.

"Corporate and Other" primarily includes financing costs incurred at the corporate level that have not been allocated or assigned to the segments, certain other unallocated costs, as well as the financial results of Safari Energy, which is presented to reconcile segment information to PPL's consolidated results.

Income Statement data for the segments and reconciliation to PPL's consolidated results for the years ended December 31 are as follows:

	2020	2019	2018
Operating Revenues from external customers (a)			
U.K. Regulated	$ 2,133	$ 2,167	$ 2,268
Kentucky Regulated	3,106	3,206	3,214
Pennsylvania Regulated	2,330	2,358	2,277
Corporate and Other	38	38	26
Total	$ 7,607	$ 7,769	$ 7,785
Depreciation			
U.K. Regulated	$ 265	$ 250	$ 247
Kentucky Regulated	606	547	475
Pennsylvania Regulated	403	386	352
Corporate and Other	13	16	20
Total	$ 1,287	$ 1,199	$ 1,094
Amortization (b)			
U.K. Regulated	$ 16	$ 25	$ 34
Kentucky Regulated	19	27	18
Pennsylvania Regulated	26	24	22
Corporate and Other	11	5	4
Total	$ 72	$ 81	$ 78
Unrealized (gains) losses on derivatives and other hedging activities (c)			
U.K. Regulated	$ 271	$ 62	$ (190)
Kentucky Regulated	5	6	6
Corporate and Other	4	5	(2)
Total	$ 280	$ 73	$ (186)
Interest Expense			
U.K. Regulated	$ 400	$ 405	$ 413
Kentucky Regulated	300	298	274
Pennsylvania Regulated	172	169	159
Corporate and Other	129	122	117
Total	$ 1,001	$ 994	$ 963
Income Before Income Taxes			
U.K. Regulated	$ 958	$ 1,169	$ 1,339
Kentucky Regulated	516	530	531
Pennsylvania Regulated	664	607	567
Corporate and Other	(167)	(151)	(152)
Total	$ 1,971	$ 2,155	$ 2,285
Income Taxes (d)			
U.K. Regulated	$ 272	$ 192	$ 225
Kentucky Regulated	98	94	120
Pennsylvania Regulated	167	149	136
Corporate and Other	(35)	(26)	(23)
Total	$ 502	$ 409	$ 458
Deferred income taxes and investment tax credits (e)			
U.K. Regulated	$ 233	$ 140	$ 118
Kentucky Regulated	64	82	94
Pennsylvania Regulated	82	90	125
Corporate and Other	23	(3)	18
Total	$ 402	$ 309	$ 355
Net Income			

	2020	2019	2018
U.K. Regulated	$ 686	$ 977	$ 1,114
Kentucky Regulated	418	436	411
Pennsylvania Regulated	497	458	431
Corporate and Other	(132)	(125)	(129)
Total	$ 1,469	$ 1,746	$ 1,827

(a) See Note 1 and Note 3 for additional information on Operating Revenues.
(b) Represents non-cash expense items that include amortization of operating lease right-of-use assets, regulatory assets, debt discounts and premiums and debt issuance costs.
(c) Includes unrealized gains and losses from economic activity. See Note 18 for additional information.
(d) Represents both current and deferred income taxes, including investment tax credits. See Note 6 for additional information on the impact of the TCJA in 2018.
(e) Represents a non-cash expense item that is also included in "Income Taxes."

Cash Flow data for the segments and reconciliation to PPL's consolidated results for the years ended December 31 are as follows:

	2020	2019	2018
Expenditures for long-lived assets			
U.K. Regulated	$ 995	$ 857	$ 954
Kentucky Regulated	966	1,097	1,117
Pennsylvania Regulated	1,154	1,121	1,196
Corporate and Other	158	32	1
Total	$ 3,273	$ 3,107	$ 3,268

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

	As of December 31,	
	2020	2019
Total Assets		
U.K. Regulated (a)	$ 19,094	$ 17,622
Kentucky Regulated	15,943	15,597
Pennsylvania Regulated	12,347	11,918
Corporate and Other (b)	732	543
Total	$ 48,116	$ 45,680

(a) Includes $14.4 billion and $13.2 billion of net PP&E as of December 31, 2020 and December 31, 2019. WPD is not subject to accounting for the effects of certain types of regulation as prescribed by GAAP.
(b) Primarily consists of unallocated items, including cash, PP&E, goodwill, the elimination of inter-segment transactions as well as the assets of Safari Energy.

Geographic data for the years ended December 31 are as follows:

	2020	2019	2018
Revenues from external customers			
U.K.	$ 2,133	$ 2,167	$ 2,268
U.S.	5,474	5,602	5,517
Total	$ 7,607	$ 7,769	$ 7,785

	As of December 31,	
	2020	2019
Long-Lived Assets		
U.K.	$ 14,805	$ 13,618
U.S.	24,851	23,607
Total	$ 39,656	$ 37,225

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

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

3. Revenue from Contracts with Customers

(All Registrants)

The following is a description of the principal activities from which the Registrants and PPL's segments generate their revenues.

(PPL)

U.K. Regulated Segment Revenue

The U.K. Regulated Segment generates revenues from contracts with customers primarily from WPD's DUoS operations.

DUoS revenues result from WPD charging licensed third-party energy suppliers for their use of WPD's distribution systems to deliver energy to their customers. WPD satisfies its performance obligation and DUoS revenue is recognized over-time as electricity is delivered. The amount of revenue recognized is based on actual and forecasted volumes of electricity delivered during the period multiplied by a per-unit energy tariff, plus fixed charges. This method of recognition fairly presents WPD's transfer of electric service to the customer as the calculation is based on volumes, and the tariff rate is set by WPD using a methodology prescribed by Ofgem. Customers are billed monthly and outstanding amounts are typically due within 14 days of the invoice date.

DUoS customers are "at will" customers of WPD with no term contract and no minimum purchase commitment. Performance obligations are limited to the service requested and received to date. Accordingly, there is no unsatisfied performance obligation associated with WPD's DUoS contracts.

(PPL and PPL Electric)

Pennsylvania Regulated Segment Revenue

The Pennsylvania Regulated Segment generates substantially all of its revenues from contracts with customers from PPL Electric's tariff-based distribution and transmission of electricity.

Distribution Revenue

PPL Electric provides distribution services to residential, commercial, industrial, municipal and governmental end users of energy. PPL Electric satisfies its performance obligation to its distribution customers and revenue is recognized over-time as electricity is delivered and simultaneously consumed by the customer. The amount of revenue recognized is the volume of electricity delivered during the period multiplied by the price per tariff, plus a monthly fixed charge. This method of recognition fairly presents PPL Electric's transfer of electric service to the customer as the calculation is based on actual volumes, and the price per tariff and the monthly fixed charge are set by the PUC. Customers are typically billed monthly and outstanding amounts are normally due within 21 days of the date of the bill.

Distribution customers are "at will" customers of PPL Electric with no term contract and no minimum purchase commitment. Performance obligations are limited to the service requested and received to date. Accordingly, there is no unsatisfied performance obligation associated with PPL Electric’s retail account contracts.

Transmission Revenue

PPL Electric generates transmission revenues from a FERC-approved PJM Open Access Transmission Tariff. An annual revenue requirement for PPL Electric to provide transmission services is calculated using a formula-based rate. This revenue requirement is converted into a daily rate (dollars per day). PPL Electric satisfies its performance obligation to provide transmission services and revenue is recognized over-time as transmission services are provided and consumed. This method of recognition fairly presents PPL Electric's transfer of transmission services as the daily rate is set by a FERC approved formula-based rate. PJM remits payment on a weekly basis.

PPL Electric's agreement to provide transmission services contains no minimum purchase commitment. The performance obligation is limited to the service requested and received to date. Accordingly, PPL Electric has no unsatisfied performance obligations.

(PPL, LKE, LG&E and KU)

Kentucky Regulated Segment Revenue

The Kentucky Regulated Segment generates substantially all of its revenues from contracts with customers from LG&E's and KU's regulated tariff-based sales of electricity and LG&E's regulated tariff-based sales of natural gas.

LG&E and KU are engaged in the generation, transmission, distribution and sale of electricity in Kentucky and, in KU's case, Virginia. LG&E also engages in the distribution and sale of natural gas in Kentucky. Revenue from these activities is generated from tariffs approved by applicable regulatory authorities including the FERC, KPSC and VSCC. LG&E and KU satisfy their performance obligations upon LG&E's and KU's delivery of electricity and LG&E's delivery of natural gas to customers. This revenue is recognized over-time as the customer simultaneously receives and consumes the benefits provided by LG&E and KU. The amount of revenue recognized is the billed volume of electricity or natural gas delivered multiplied by a tariff rate per-unit of energy, plus any applicable fixed charges or additional regulatory mechanisms. Customers are billed monthly and outstanding amounts are typically due within 22 days of the date of the bill. Additionally, unbilled revenues are recognized as a result of customers' bills rendered throughout the month, rather than bills being rendered at the end of the month. Unbilled revenues for a month are calculated by multiplying an estimate of unbilled kWh or Mcf delivered but not yet billed by the estimated average cents per kWh or Mcf. Any difference between estimated and actual revenues is adjusted the following month when the previous unbilled estimate is reversed and actual billings occur. This method of recognition fairly presents LG&E's and KU's transfer of electricity and LG&E's transfer of natural gas to the customer as the amount recognized is based on actual and estimated volumes delivered and the tariff rate per-unit of energy and any applicable fixed charges or regulatory mechanisms as set by the respective regulatory body.

LG&E's and KU's customers generally have no minimum purchase commitment. Performance obligations are limited to the service requested and received to date. Accordingly, there is no unsatisfied performance obligation associated with these customers.

(All Registrants)

The following table reconciles "Operating Revenues" included in each Registrant's Statement of Income with revenues generated from contracts with customers for the years ended December 31:

	2020				
	PPL	PPL Electric	LKE	LG&E	KU
Operating Revenues (a)	$ 7,607	$ 2,331	$ 3,106	$ 1,456	$ 1,690
Revenues derived from:					
Alternative revenue programs (b)	(24)	(12)	(12)	(8)	(4)
Other (c)	(27)	(3)	(17)	(7)	(10)
Revenues from Contracts with Customers	$ 7,556	$ 2,316	$ 3,077	$ 1,441	$ 1,676

	2019				
	PPL	PPL Electric	LKE	LG&E	KU
Operating Revenues (a)	$ 7,769	$ 2,358	$ 3,206	$ 1,500	$ 1,740
Revenues derived from:					
Alternative revenue programs (b)	(30)	(6)	(24)	(10)	(14)
Other (c)	(38)	(10)	(21)	(9)	(12)
Revenues from Contracts with Customers	$ 7,701	$ 2,342	$ 3,161	$ 1,481	$ 1,714

	2018				
	PPL	PPL Electric	LKE	LG&E	KU
Operating Revenues (a)	$ 7,785	$ 2,277	$ 3,214	$ 1,496	$ 1,760
Revenues derived from:					
Alternative revenue programs (b)	32	(6)	38	12	26
Other (c)	(38)	(12)	(17)	(5)	(12)
Revenues from Contracts with Customers	$ 7,779	$ 2,259	$ 3,235	$ 1,503	$ 1,774

(a) For the years ended December 31, 2020 and 2019, PPL includes $2.1 billion and $2.2 billion 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 2 for additional information.

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

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

The following table shows revenues from contracts with customers disaggregated by customer class for the years ended December 31:

	2020				
	PPL (d)	PPL Electric (d)	LKE	LG&E	KU
Licensed energy suppliers (a)	$ 1,990	$ —	$ —	$ —	$ —
Residential	2,585	1,238	1,347	676	671
Commercial	1,185	314	871	444	427
Industrial	582	44	538	173	365
Other (b)	484	50	261	114	147
Wholesale - municipal	20	—	20	—	20
Wholesale - other (c)	40	—	40	34	46
Transmission	670	670	—	—	—
Revenues from Contracts with Customers	$ 7,556	$ 2,316	$ 3,077	$ 1,441	$ 1,676

	2019				
	PPL (d)	PPL Electric (d)	LKE	LG&E	KU
Licensed energy suppliers (a)	$ 2,032	$ —	$ —	$ —	$ —
Residential	2,610	1,288	1,322	668	654
Commercial	1,257	349	908	466	442
Industrial	621	59	562	180	382
Other (b)	495	52	277	121	156
Wholesale - municipal	43	—	43	—	43
Wholesale - other (c)	49	—	49	46	37
Transmission	594	594	—	—	—
Revenues from Contracts with Customers	$ 7,701	$ 2,342	$ 3,161	$ 1,481	$ 1,714

	2018				
	PPL	PPL Electric	LKE	LG&E	KU
Licensed energy suppliers (a)	$ 2,127	$ —	$ —	$ —	$ —
Residential	2,704	1,379	1,325	666	659
Commercial	1,233	368	865	455	410
Industrial	624	54	570	180	390
Other (b)	489	53	278	129	149
Wholesale - municipal	118	—	118	—	118
Wholesale - other (c)	79	—	79	73	48
Transmission	405	405	—	—	—
Revenues from Contracts with Customers	$ 7,779	$ 2,259	$ 3,235	$ 1,503	$ 1,774

(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 2020 and 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, 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 as indicated in the above tables.

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 year ended December 31:

	2020	2019	2018
PPL	$ 29	$ 27	$ 34
PPL Electric	17	21	24
LKE	8	6	9
LG&E	4	2	4
KU	4	4	5

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 as of December 31, 2020	$ 48	$ 23	$ 11	$ 5	$ 6
Contract liabilities as of December 31, 2019	44	21	9	5	4
Revenue recognized during the year ended December 31, 2020 that was included in the contract liability balance at December 31, 2019	29	9	9	5	4
Contract liabilities as of December 31, 2019	$ 44	$ 21	$ 9	$ 5	$ 4
Contract liabilities as of December 31, 2018	42	23	9	5	4
Revenue recognized during the year ended December 31, 2019 that was included in the contract liability balance at December 31, 2018	32	11	9	5	4
Contract liabilities as of December 31, 2018	$ 42	$ 23	$ 9	$ 5	$ 4
Contract liabilities as of December 31, 2017	29	19	8	4	4
Revenue recognized during the year ended December 31, 2018 that was included in the contract liability balance at December 31, 2017	21	8	8	4	4

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

At December 31, 2020, PPL had $46 million of performance obligations attributable to Corporate and Other that have not been satisfied. Of this amount, PPL expects to recognize approximately $46 million within the next 12 months.

4. Preferred Securities

(PPL)

PPL is authorized to issue up to 10 million shares of preferred stock. No PPL preferred stock was issued or outstanding in 2020, 2019 or 2018.

(PPL Electric)

PPL Electric is authorized to issue up to 20,629,936 shares of preferred stock. No PPL Electric preferred stock was issued or outstanding in 2020, 2019 or 2018.

(LG&E)

LG&E is authorized to issue up to 1,720,000 shares of preferred stock at a $25 par value and 6,750,000 shares of preferred stock without par value. LG&E had no preferred stock issued or outstanding in 2020, 2019 or 2018.

(KU)

KU is authorized to issue up to 5,300,000 shares of preferred stock and 2,000,000 shares of preference stock without par value. KU had no preferred or preference stock issued or outstanding in 2020, 2019 or 2018.

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. In 2019 and 2018, these securities also included the PPL common stock forward sale agreements, which were partially settled in 2018 with the remaining shares 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 December 31, used in the EPS calculation are:

	2020	2019	2018
Income (Numerator)			
Net income	$ 1,469	$ 1,746	$ 1,827
Less amounts allocated to participating securities	1	1	2
Net income available to PPL common shareowners - Basic and Diluted	$ 1,468	$ 1,745	$ 1,825
Shares of Common Stock (Denominator)			
Weighted-average shares - Basic EPS	768,590	728,512	704,439
Add incremental non-participating securities:			
Share-based payment awards (a)	794	1,101	445
Forward sale agreements	—	7,141	3,735
Weighted-average shares - Diluted EPS	769,384	736,754	708,619
Basic EPS			
Net Income available to PPL common shareowners	$ 1.91	$ 2.39	$ 2.59
Diluted EPS			
Net Income available to PPL common shareowners	$ 1.91	$ 2.37	$ 2.58

(a) The Treasury Stock Method was applied to non-participating share-based payment awards.

For the year ended December 31, PPL issued common stock related to stock-based compensation plans and DRIP as follows (in thousands):

	2020
Stock-based compensation plans (a)	731
DRIP	943

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

See Note 8 for additional information on common stock issued under the ATM Program.

For the years ended December 31, the following shares (in thousands) were excluded from the computations of diluted EPS because the effect would have been antidilutive:

	2020	2019	2018
Stock-based compensation awards	452	8	183

6. Income and Other Taxes

(PPL)

"Income Before Income Taxes" included the following:

	2020	2019	2018
Domestic income	$ 902	$ 964	$ 1,127
Foreign income	1,069	1,191	1,158
Total	$ 1,971	$ 2,155	$ 2,285

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for accounting purposes and their basis for income tax purposes and the tax effects of net operating loss and tax credit carryforwards. The provision for PPL's deferred income taxes for regulated assets and liabilities is based upon the ratemaking principles of the applicable jurisdiction. See Notes 1 and 7 for additional information.

Net deferred tax assets have been recognized based on management's estimates of future taxable income for the U.S. and the U.K.

Significant components of PPL's deferred income tax assets and liabilities were as follows:

	2020	2019
Deferred Tax Assets		
Deferred investment tax credits	$ 30	$ 31
Regulatory liabilities	68	75
Income taxes due to customers	444	462
Accrued pension and postretirement costs	106	211
Federal loss carryforwards	234	324
State loss carryforwards	448	432
Federal and state tax credit carryforwards	401	402
Foreign capital loss carryforwards	370	320
Foreign - other	6	8
Contributions in aid of construction	115	112
Domestic - other	136	99
Valuation allowances	(906)	(834)
Total deferred tax assets	1,452	1,642
Deferred Tax Liabilities		
Domestic plant - net	3,700	3,546
Regulatory assets	195	262
Foreign plant - net	911	765
Foreign - pensions	127	72
Domestic - other	70	61
Total deferred tax liabilities	5,003	4,706
Net deferred tax liability	$ 3,551	$ 3,064

State deferred taxes are determined by entity and by jurisdiction. As a result, $17 million and $24 million of net deferred tax assets are shown as "Other noncurrent assets" on the Balance Sheets for 2020 and 2019.

At December 31, 2020, PPL had the following loss and tax credit carryforwards, related deferred tax assets and valuation allowances recorded against the deferred tax assets:

	Gross	Deferred Tax Asset	Valuation Allowance	Expiration
Loss and other carryforwards				
Federal net operating losses	$ 1,111	$ 234	$ —	2035-2037
State net operating losses	6,032	448	(419)	2021-2040
Foreign capital losses (a)	1,945	370	(370)	Indefinite
Federal - Other	13	2	—	Indefinite
State - Other	2	—	—	Indefinite
Credit carryforwards				
Federal investment tax credit		134	—	2025-2040
Federal foreign tax credits (b)		218	(113)	2024-2027
Federal - other		32	(4)	2021-2040
State Recycling Credit		16	—	2028
State - other		1	—	Indefinite

(a) In 2020, the U.K. Finance Act 2020 cancelled the tax rate reduction from 19% to 17%. 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) Includes $62 million of foreign tax credits carried forward from 2016 and $156 million of additional foreign tax credits from 2017 related to the taxable deemed dividend associated with the TCJA.

Valuation allowances have been established for the amount that, more likely than not, will not be realized. The changes in deferred tax valuation allowances were as follows:

	Balance at Beginning of Period	Additions: Charged to Income	Additions: Charged to Other Accounts	Deductions	Balance at End of Period
2020	$ 834	$ 69 (a)	$ 7	$ 4	$ 906
2019	808	31	—	5	834
2018	838	26	—	56 (b)	808

(a) The cancellation of the reduction of the U.K. statutory income tax rate in 2020 resulted in a $38 million increase in deferred tax assets and corresponding valuation allowances. See "Reconciliation of Income Tax Expense" below for additional information on the impact of the U.K. Finance Act 2020. In addition, deferred tax assets and corresponding valuation allowances were increased in 2020 by approximately $11 million due to the effect of foreign currency exchange rates.

(b) Decrease in the valuation allowance of approximately $35 million due to the change in the total foreign tax credits available after finalization of the deemed dividend calculation required by the TCJA in 2017. In addition, the deferred tax assets and corresponding valuation allowances were reduced in 2018 by approximately $19 million due to the effect of foreign currency exchange rates.

A U.S. based company with foreign subsidiaries may be required to record deferred taxes associated with the reversal of differences in the outside book-tax basis of those subsidiaries. The primary component of such outside basis differences is ordinarily accumulated unremitted earnings. PPL Global does not record deferred U.S. income taxes associated with the accumulated unremitted earnings of WPD, as management has determined that such earnings are indefinitely reinvested. Current year distributions from WPD to the U.S. are sourced from a portion of the current year's earnings of the WPD group. There have been no material changes to the facts underlying PPL's assertion that historically reinvested earnings of WPD as well as some portion of current year earnings will continue to be indefinitely reinvested. WPD's long-term working capital forecasts and capital expenditure projections for the foreseeable future require reinvestment of WPD's undistributed earnings. Additionally, U.S. long-term working capital forecasts and capital expenditure projections for the foreseeable future do not require or contemplate annual distributions from WPD in excess of some portion of WPD's future annual earnings. The cumulative undistributed earnings are included in "Earnings reinvested" on the Balance Sheets. The amount considered indefinitely reinvested at December 31, 2020 was $8.0 billion. It is not practicable to estimate the amount of additional taxes that could be payable on these foreign earnings in the event of repatriation to the U.S., but it could be material. PPL will reassess the indefinite reinvestment of these earnings if and when the U.K. utility business meets the criteria to be classified as held for sale.

Details of the components of income tax expense, a reconciliation of federal income taxes derived from statutory tax rates applied to "Income Before Income Taxes" to income taxes for reporting purposes, and details of "Taxes, other than income" were as follows:

	2020	2019	2018
Income Tax Expense (Benefit)			
Current - Federal	$ (9)	$ (10)	$ (19)
Current - State	24	19	17
Current - Foreign	85	91	104
Total Current Expense (Benefit)	100	100	102
Deferred - Federal	123	139	203
Deferred - State	94	76	100
Deferred - Foreign (a)	215	123	107
Total Deferred Expense (Benefit), excluding operating loss carryforwards	432	338	410
Amortization of investment tax credit	(3)	(3)	(3)
Tax expense (benefit) of operating loss carryforwards			
Deferred - Federal	6	7	(20)
Deferred - State	(33)	(33)	(31)
Total Tax Expense (Benefit) of Operating Loss Carryforwards	(27)	(26)	(51)
Total income tax expense (benefit)	$ 502	$ 409	$ 458
Total income tax expense (benefit) - Federal	$ 117	$ 133	$ 161
Total income tax expense (benefit) - State	85	62	86
Total income tax expense (benefit) - Foreign	300	214	211
Total income tax expense (benefit)	$ 502	$ 409	$ 458

(a) In 2020, the U.K. Finance Act 2020 cancelled the tax rate reduction from 19% to 17%. 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.

In the table above, the following income tax expense (benefit) are excluded from income taxes:

	2020	2019	2018
Other comprehensive income	$ (19)	$ (93)	$ (6)
Total	$ (19)	$ (93)	$ (6)

	2020	2019	2018
Reconciliation of Income Tax Expense (Benefit)			
Federal income tax on Income Before Income Taxes at statutory tax rate - 21%	$ 414	$ 453	$ 480
Increase (decrease) due to:			
State income taxes, net of federal income tax benefit	48	45	40
Valuation allowance adjustments (a)	26	22	21
Impact of lower U.K. income tax rates	(26)	(25)	(25)
U.S. income tax on foreign earnings - net of foreign tax credit	11	2	3
Federal and state income tax return adjustments	(9)	1	—
Impact of the U.K. Finance Acts on deferred tax balances (b)	101	(14)	(13)
Depreciation and other items not normalized	(5)	(10)	(11)
Amortization of excess deferred federal and state income taxes	(43)	(40)	(37)
Interest benefit on U.K. financing activities	(12)	(12)	(17)
Deferred tax impact of Kentucky tax reform (c)	—	—	9
Kentucky recycling credit, net of federal income tax expense (d)	—	(18)	—
Other	(3)	5	8
Total increase (decrease)	88	(44)	(22)
Total income tax expense (benefit)	$ 502	$ 409	$ 458
Effective income tax rate	25.5%	19.0%	20.0%

(a) In 2020, 2019 and 2018, PPL recorded deferred income tax expense of $24 million, $25 million and $24 million for valuation allowances primarily related to increased Pennsylvania net operating loss carryforwards expected to be unutilized.

(b) In 2018 and 2019, PPL reduced its net deferred tax liabilities as a result of the U.K. Finance Act 2016 that was enacted in September 2016 and reduced the U.K. statutory income tax rate effective April, 2020 to 17%. In 2020, the U.K. Finance Act 2020 cancelled the tax rate reduction to 17%. 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.

(c) In 2018, PPL recorded deferred income tax expense, primarily associated with LKE’s non-regulated entities, due to the Kentucky corporate income tax rate reduction from 6% to 5%, as enacted by HB 487, effective January 1, 2018.

(d) In 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.

	2020	2019	2018
Taxes, other than income			
State gross receipts	$ 100	$ 107	$ 103
Foreign property	127	127	134
Domestic - other	80	79	75
Total	$ 307	$ 313	$ 312

(PPL Electric)

The provision for PPL Electric's deferred income taxes for regulated assets and liabilities is based upon the ratemaking principles reflected in rates established by the PUC and the FERC. The difference in the provision for deferred income taxes for regulated assets and liabilities and the amount that otherwise would be recorded under GAAP is deferred and included in "Regulatory assets" or "Regulatory liabilities" on the Balance Sheets.

Significant components of PPL Electric's deferred income tax assets and liabilities were as follows:

	2020	2019
Deferred Tax Assets		
Accrued pension and postretirement costs	$ 25	$ 81
Contributions in aid of construction	91	88
Regulatory liabilities	24	31
Income taxes due to customers	162	170
State loss carryforwards	—	6
Federal loss carryforwards	52	78
Other	29	23
Total deferred tax assets	383	477
Deferred Tax Liabilities		
Electric utility plant - net	1,826	1,761
Regulatory assets	86	139
Other	30	24
Total deferred tax liabilities	1,942	1,924
Net deferred tax liability	$ 1,559	$ 1,447

PPL Electric expects to have adequate levels of taxable income to realize its recorded deferred income tax assets.

At December 31, 2020, PPL Electric had the following loss and tax credit carryforwards and related deferred tax assets:

	Gross	Deferred Tax Asset	Expiration
Loss carryforwards			
Federal net operating losses	$ 248	$ 52	2035-2037
Credit carryforwards			
Federal - other		5	2031-2040

Details of the components of income tax expense, a reconciliation of federal income taxes derived from statutory tax rates applied to "Income Before Income Taxes" to income taxes for reporting purposes, and details of "Taxes, other than income" were as follows:

	2020	2019	2018
Income Tax Expense (Benefit)			
Current - Federal	$ 61	$ 44	$ 2
Current - State	23	15	9
Total Current Expense (Benefit)	84	59	11
Deferred - Federal	45	51	96
Deferred - State	38	39	37
Total Deferred Expense (Benefit), excluding operating loss carryforwards	83	90	133
Tax expense (benefit) of operating loss carryforwards			
Deferred - Federal	—	—	(8)
Total Tax Expense (Benefit) of Operating Loss Carryforwards	—	—	(8)
Total income tax expense (benefit)	$ 167	$ 149	$ 136
Total income tax expense (benefit) - Federal	$ 106	$ 95	$ 90
Total income tax expense (benefit) - State	61	54	46
Total income tax expense (benefit)	$ 167	$ 149	$ 136

	2020	2019	2018
Reconciliation of Income Tax Expense (Benefit)			
Federal income tax on Income Before Income Taxes at statutory tax rate - 21%	$ 139	$ 127	$ 119
Increase (decrease) due to:			
State income taxes, net of federal income tax benefit	52	47	43
Federal and state income tax return adjustments	(4)	1	—
Depreciation and other items not normalized	(5)	(10)	(11)
Amortization of excess deferred federal income taxes (a)	(16)	(18)	(17)
Other	1	2	2
Total increase (decrease)	28	22	17
Total income tax expense (benefit)	$ 167	$ 149	$ 136
Effective income tax rate	25.2%	24.6%	24.0%

(a) In 2020, 2019 and 2018, PPL Electric recorded lower income tax expense for the amortization of excess deferred taxes that primarily resulted from the U.S. federal corporate income tax rate reduction from 35% to 21% enacted by the TCJA. This amortization represents each year's refund amount, prior to a tax gross-up, to be paid to customers for previously collected deferred taxes at higher income tax rates.

	2020	2019	2018
Taxes, other than income			
State gross receipts	$ 100	$ 107	$ 103
Property and other	7	5	6
Total	$ 107	$ 112	$ 109

(LKE)

The provision for LKE's deferred income taxes for regulated assets and liabilities is based upon the ratemaking principles reflected in rates established by the KPSC, VSCC and the FERC. The difference in the provision for deferred income taxes for regulated assets and liabilities and the amount that otherwise would be recorded under GAAP is deferred and included in "Regulatory assets" or "Regulatory liabilities" on the Balance Sheets.

Significant components of LKE's deferred income tax assets and liabilities were as follows:

	2020	2019
Deferred Tax Assets		
Federal loss carryforwards	$ 107	$ 140
State loss carryforwards	28	31
Federal tax credit carryforwards	159	162
Contributions in aid of construction	23	23
Regulatory liabilities	43	44
Accrued pension and postretirement costs	57	71
State tax credit carryforwards	17	19
Income taxes due to customers	282	292
Deferred investment tax credits	30	31
Lease liabilities	13	14
Valuation allowances	(4)	(6)
Other	29	28
Total deferred tax assets	784	849
Deferred Tax Liabilities		
Plant - net	1,831	1,778
Regulatory assets	109	122
Lease right-of-use assets	11	12
Other	8	6
Total deferred tax liabilities	1,959	1,918
Net deferred tax liability	$ 1,175	$ 1,069

At December 31, 2020, LKE had the following loss and tax credit carryforwards, related deferred tax assets, and valuation allowances recorded against the deferred tax assets:

	Gross	Deferred Tax Asset	Valuation Allowance	Expiration
Loss carryforwards				
Federal net operating losses	$ 511	$ 107	$ —	2035 - 2037
Federal charitable contributions	1	—	—	2024
State net operating losses	710	28	—	2029 - 2038

	Gross	Deferred Tax Asset	Valuation Allowance	Expiration
Credit carryforwards				
Federal investment tax credit		134	—	2025 - 2028, 2036 - 2040
Federal - other		25	(4)	2021-2040
State - recycling credit		16	—	2028
State - other		1	—	Indefinite

Changes in deferred tax valuation allowances were:

	Balance at Beginning of Period	Additions	Deductions	Balance at End of Period
2020	$ 6	$ —	$ 2 (a)	$ 4
2019	8	3	5 (a)	6
2018	8	—	—	8

(a) Tax credits expiring.

Details of the components of income tax expense, a reconciliation of federal income taxes derived from statutory tax rates applied to "Income Before Income Taxes" to income taxes for reporting purposes, and details of "Taxes, other than income" were:

	2020	2019	2018
Income Tax Expense (Benefit)			
Current - Federal	$ 41	$ 20	$ 31
Current - State	1	—	4
Total Current Expense (Benefit)	42	20	35
Deferred - Federal	43	81	65
Deferred - State (a)	24	5	34
Total Deferred Expense (Benefit), excluding benefits of operating loss carryforwards	67	86	99
Amortization of investment tax credit - Federal	(3)	(3)	(3)
Tax expense (benefit) of operating loss carryforwards			
Deferred - Federal	—	—	(2)
Total Tax Expense (Benefit) of Operating Loss Carryforwards	—	—	(2)
Total income tax expense (benefit) (b)	$ 106	$ 103	$ 129
Total income tax expense (benefit) - Federal	$ 81	$ 98	$ 91
Total income tax expense (benefit) - State	25	5	38
Total income tax expense (benefit) (b)	$ 106	$ 103	$ 129

(a) In 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.

(b) Excludes deferred federal and state tax expense (benefit) recorded to OCI of $2 million in 2020, $(1) million in 2019 and $5 million in 2018.

	2020	2019	2018
Reconciliation of Income Tax Expense (Benefit)			
Federal income tax on Income Before Income Taxes at statutory tax rate - 21%	$ 117	$ 120	$ 121
Increase (decrease) due to:			
State income taxes, net of federal income tax benefit	22	23	22
Amortization of investment tax credit	(3)	(3)	(3)
Amortization of excess deferred federal and state income taxes	(28)	(23)	(20)
Deferred tax impact of state tax reform (a)	—	—	9
Kentucky Recycling Credit, net of federal income tax expense (b)	—	(18)	—
Other	(2)	4	—
Total increase (decrease)	(11)	(17)	8
Total income tax expense (benefit)	$ 106	$ 103	$ 129
Effective income tax rate	19.1%	18.0%	22.5%

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

(b) In 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.

	2020	2019	2018
Taxes, other than income			
Property and other	$ 77	$ 74	$ 70
Total	$ 77	$ 74	$ 70

(LG&E)

The provision for LG&E's deferred income taxes for regulated assets and liabilities is based upon the ratemaking principles reflected in rates established by the KPSC and the FERC. The difference in the provision for deferred income taxes for regulated assets and liabilities and the amount that otherwise would be recorded under GAAP is deferred and included in "Regulatory assets" or "Regulatory liabilities" on the Balance Sheets.

Significant components of LG&E's deferred income tax assets and liabilities were as follows:

	2020	2019
Deferred Tax Assets		
Contributions in aid of construction	$ 15	$ 15
Regulatory liabilities	20	19
Accrued pension and postretirement costs	—	6
Deferred investment tax credits	8	8
Income taxes due to customers	132	136
State tax credit carryforwards	12	14
Lease liabilities	5	5
Valuation allowances	(12)	(14)
Other	11	10
Total deferred tax assets	191	199
Deferred Tax Liabilities		
Plant - net	833	811
Regulatory assets	66	77
Lease right-of-use assets	4	4
Other	4	4
Total deferred tax liabilities	907	896
Net deferred tax liability	$ 716	$ 697

At December 31, 2020 LG&E had $12 million of state credit carryforwards that expire in 2028 and a $12 million valuation allowance related to state credit carryforwards due to insufficient projected Kentucky taxable income.

Details of the components of income tax expense, a reconciliation of federal income taxes derived from statutory tax rates applied to "Income Before Income Taxes" to income taxes for reporting purposes, and details of "Taxes, other than income" were:

	2020	2019	2018
Income Tax Expense (Benefit)			
Current - Federal	$ 53	$ 4	$ —
Current - State	7	4	4
Total Current Expense (Benefit)	60	8	4
Deferred - Federal	(4)	46	51
Deferred - State	7	10	10
Total Deferred Expense (Benefit)	3	56	61
Amortization of investment tax credit - Federal	(1)	(1)	(1)
Total income tax expense (benefit)	$ 62	$ 63	$ 64
Total income tax expense (benefit) - Federal	$ 48	$ 49	$ 50
Total income tax expense (benefit) - State	14	14	14
Total income tax expense (benefit)	$ 62	$ 63	$ 64

	2020	2019	2018
Reconciliation of Income Tax Expense (Benefit)			
Federal income tax on Income Before Income Taxes at statutory tax rate - 21%	$ 64	$ 62	$ 62
Increase (decrease) due to:			
State income taxes, net of federal income tax benefit	12	12	11
Amortization of excess deferred federal and state income taxes	(11)	(10)	(8)
Kentucky recycling credit, net of federal income tax expense (a)	—	(14)	—
Valuation allowance adjustments (a)	—	14	—
Other	(3)	(1)	(1)
Total increase (decrease)	(2)	1	2
Total income tax expense (benefit)	$ 62	$ 63	$ 64
Effective income tax rate	20.3%	21.4%	21.5%

(a) In 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.

	2020	2019	2018
Taxes, other than income			
Property and other	$ 40	$ 39	$ 36
Total	$ 40	$ 39	$ 36

(KU)

The provision for KU's deferred income taxes for regulated assets and liabilities is based upon the ratemaking principles reflected in rates established by the KPSC, VSCC and the FERC. The difference in the provision for deferred income taxes for regulated assets and liabilities and the amount that otherwise would be recorded under GAAP is deferred and included in "Regulatory assets" or "Regulatory liabilities" on the Balance Sheets.

Significant components of KU's deferred income tax assets and liabilities were as follows:

	2020	2019
Deferred Tax Assets		
Contributions in aid of construction	$ 8	$ 8
Regulatory liabilities	23	25
Deferred investment tax credits	22	23
Income taxes due to customers	150	156
State tax credit carryforwards	5	5
Lease liabilities	8	8
Valuation allowances	(4)	(4)
Other	4	3
Total deferred tax assets	216	224
Deferred Tax Liabilities		
Plant - net	992	959
Regulatory assets	43	45
Accrued pension and postretirement costs	8	2
Lease right-of-use assets	7	7
Other	1	3
Total deferred tax liabilities	1,051	1,016
Net deferred tax liability	$ 835	$ 792

At December 31, 2020 KU had $5 million of state credit carryforwards of which $4 million will expire in 2028 and $1 million that has an indefinite carryforward period. At December 31, 2020 KU had a $4 million valuation allowance related to state credit carryforwards due to insufficient projected Kentucky taxable income.

Details of the components of income tax expense, a reconciliation of federal income taxes derived from statutory tax rates applied to "Income Before Income Taxes" to income taxes for reporting purposes, and details of "Taxes, other than income" were:

	2020	2019	2018
Income Tax Expense (Benefit)			
Current - Federal	$ 40	$ 35	$ 22
Current - State	3	5	6
Total Current Expense (Benefit)	43	40	28
Deferred - Federal	11	28	40
Deferred - State	11	13	10
Total Deferred Expense (Benefit)	22	41	50
Amortization of investment tax credit - Federal	(2)	(2)	(2)
Total income tax expense (benefit)	$ 63	$ 79	$ 76
Total income tax expense (benefit) - Federal	$ 49	$ 61	$ 60
Total income tax expense (benefit) - State	14	18	16
Total income tax expense (benefit)	$ 63	$ 79	$ 76

	2020	2019	2018
Reconciliation of Income Tax Expense (Benefit)			
Federal income tax on Income Before Income Taxes at statutory tax rate - 21%	$ 72	$ 78	$ 76
Increase (decrease) due to:			
State income taxes, net of federal income tax benefit	14	15	13
Amortization of investment tax credit	(2)	(2)	(2)
Amortization of excess deferred federal and state income taxes	(17)	(13)	(12)
Kentucky recycling credit, net of federal income tax expense (a)	—	(4)	—
Valuation allowance adjustments (a)	—	4	—
Other	(4)	1	1
Total increase (decrease)	(9)	1	—
Total income tax expense (benefit)	$ 63	$ 79	$ 76
Effective income tax rate	18.4%	21.2%	21.0%

(a) In 2019, KU recorded a deferred income tax benefit associated with a project 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 KU.

	2020	2019	2018
Taxes, other than income			
Property and other	$ 37	$ 35	$ 34
Total	$ 37	$ 35	$ 34

(All Registrants)

Unrecognized Tax Benefits

PPL or its subsidiaries file tax returns in four major tax jurisdictions. The income tax provisions for PPL Electric, LG&E and KU are calculated in accordance with an intercompany tax sharing agreement, which provides that taxable income be calculated as if each domestic subsidiary filed a separate consolidated return. PPL Electric or its subsidiaries indirectly or directly file tax returns in two major tax jurisdictions, and LKE, LG&E and KU or their subsidiaries indirectly or directly file tax returns in two major tax jurisdictions. With few exceptions, at December 31, 2020, these jurisdictions, as well as the tax years that are no longer subject to examination, were as follows.

	PPL	PPL Electric	LKE	LG&E	KU
U.S. (federal)	2016 and prior	2016 and prior	2016 and prior	2016 and prior	2016 and prior
Pennsylvania (state)	2016 and prior	2016 and prior			
Kentucky (state)	2014 and prior		2014 and prior	2014 and prior	2014 and prior
U.K. (foreign)	2016 and prior				

Tax Cuts and Jobs Act (TCJA)

On December 22, 2017, the TCJA was signed into law. Substantially all of the provisions of the TCJA were effective for taxable years beginning after December 31, 2017. The TCJA included significant changes to the taxation of corporations, including provisions specifically applicable to regulated public utilities. The more significant changes that impact the Registrants were:

- The reduction in the U.S. federal corporate income tax rate from a top marginal rate of 35% to a flat rate of 21%, effective January 1, 2018;
- The exclusion from U.S. federal taxable income of dividends from foreign subsidiaries and the associated "transition tax;"
- Limitations on the tax deductibility of interest expense, with an exception to these limitations for regulated public utilities;
- Full current year expensing of capital expenditures with an exception for regulated public utilities for capital projects commencing after December 31, 2017 that qualify for the exception to the interest expense limitation; and

- The continuation of certain rate normalization requirements for accelerated depreciation benefits. For non -regulated businesses, the TCJA generally provides for full expensing of property acquired after September 27, 2017.

2018 Impacts of TCJA

The Registrants recognized certain provisional amounts relating to the impact of the enactment of the TCJA in their December 31, 2017 financial statements, in accordance with SEC guidance. Included in those provisional amounts were estimates of tax depreciation, deductible executive compensation, accumulated foreign earnings, foreign tax credits, and deemed dividends from foreign subsidiaries, all of which were based on the interpretation and application of various provisions of the TCJA.

In the third quarter of 2018, PPL filed its consolidated federal income tax return, which was prepared using guidance issued by the U.S. Treasury Department and the IRS since the filing of each Registrant's 2017 Form 10-K. Accordingly, the Registrants updated the following provisional amounts and now consider them to be complete: (1) the amount of the deemed dividend and associated foreign tax credits relating to the transition tax imposed on accumulated foreign earnings as of December 31, 2017; (2) the amount of accelerated 100% "bonus" depreciation PPL was eligible to claim in its 2017 federal income tax return; and (3) the related impacts on PPL's 2017 consolidated federal net operating loss to be carried forward to future periods. In addition, the Registrants recorded the tax impact of the U.S. federal corporate income tax rate reduction from 35% to 21% on the changes to deferred tax assets and liabilities resulting from the completed provisional amounts. The completed provisional amounts related to the tax rate reduction had an insignificant impact on the net regulatory liabilities of PPL's U.S. regulated operations. In the fourth quarter of 2018, PPL completed its analysis of the deductibility of executive compensation awarded as of November 2, 2017 and concluded that no material change to the provisional amounts was required. The final amounts reported in PPL's 2017 federal income tax return, provisional amounts for the year ended December 31, 2017, the related measurement period adjustments, and the resulting tax impact for the year ended December 31, 2018 were as follows.

	Taxable Income (Loss) (a)		
	Adjustments per 2017 Tax Return	Adjustments per 2017 Tax Provision	2018 Adjustments
PPL			
Deemed Dividend	$ 397	$ 462	$ (65)
Bonus Depreciation (b)	(67)	—	(67)
Consolidated Federal Net Operating Loss due to the TCJA (c)	(330)	(462)	132
Total	$ —	$ —	$ —
PPL Electric			
Bonus Depreciation (b)	$ (39)	$ —	$ (39)
Consolidated Federal Net Operating Loss reallocated due to the TCJA (c)	(68)	(105)	37
Total	$ (107)	$ (105)	$ (2)
LKE			
Bonus Depreciation (b)	$ (28)	$ —	$ (28)
Consolidated Federal Net Operating Loss reallocated due to the TCJA (c)	(32)	(45)	13
Total	$ (60)	$ (45)	$ (15)
LG&E			
Bonus Depreciation (b)	$ (17)	$ —	$ (17)
Consolidated Federal Net Operating Loss reallocated due to the TCJA (c)	17	—	17
Total	$ —	$ —	$ —
KU			
Bonus Depreciation (b)	$ (11)	$ —	$ (11)
Consolidated Federal Net Operating Loss reallocated due to the TCJA (c)	11	—	11
Total	$ —	$ —	$ —

(a) The above table reflects, for each item, the amount subject to change as a result of the TCJA and does not reflect the total amount of each item included in the return and the provision.

(b) The TCJA increased the bonus depreciation percentage from 50% to 100% for qualified property acquired and placed in service after September 27, 2017 and before January 1, 2018. Increases in tax depreciation reduce the Registrants' taxes payable and increase net deferred tax liabilities with no impact to "Income Taxes" on the Statements of Income.

(c) An increase in the consolidated federal net operating loss reduces net deferred tax liabilities with the opposite effect if there is a decrease in the consolidated federal net operating loss. These increases or decreases have no impact to "Income Taxes" on the Statements of Income.

	Income Tax Expense (Benefit)		
	Adjustments per 2017 Tax Return	Adjustments per 2017 Tax Provision	2018 Adjustments
PPL			
Deemed Dividend	$ 139	$ 161	$ (22)
Foreign Tax Credits	(157)	(205)	48
Valuation of Foreign Tax Credit Carryforward	110	145	(35)
Reduction in U.S. federal income tax rate	229	220	9
Total	$ 321	$ 321	$ —
PPL Electric			
Reduction in U.S. federal income tax rate	$ (13)	$ (13)	$ —
LKE			
Reduction in U.S. federal income tax rate	$ 110	$ 112	$ (2)

The Registrants' accounting related to the effects of the TCJA on financial results for the period ended December 31, 2017 was complete as of December 31, 2018 with respect to all provisional amounts.

TCJA Regulatory Update

The IRS issued proposed regulations for certain provisions of the TCJA in 2018, including interest deductibility and Global Intangible Low-Taxed Income (GILTI). In 2019, final and new proposed regulations were issued relating to the GILTI provisions. PPL has determined that neither the final or new proposed regulations materially change PPL's conclusion that currently no incremental tax arises under these rules. Proposed regulations relating to the limitation on the deductibility of interest expense were issued in November 2018 and such regulations provide detailed rules implementing the broader statutory provisions. These proposed regulations did not apply to the Registrants in 2019.

In July 2020, the IRS issued final and new proposed regulations relating to the limitation on interest deductibility. The final regulations do not apply to the Registrants until the 2021 tax year. The new proposed regulations were finalized on January 5, 2021 and will apply to the Registrants in the 2022 tax year. The Registrants are evaluating the final regulations issued in 2021, but do not expect these regulations or the 2020 final regulations to have a material impact on the Registrants' financial condition or results of operations.

7. Utility Rate Regulation

Regulatory Assets and Liabilities

(All Registrants)

PPL, PPL Electric, LKE, LG&E and KU reflect the effects of regulatory actions in the financial statements for their cost-based rate-regulated utility operations. Regulatory assets and liabilities are classified as current if, upon initial recognition, the entire amount related to an item will be recovered or refunded within a year of the balance sheet date.

(PPL)

WPD is not subject to accounting for the effects of certain types of regulation as prescribed by GAAP and does not record regulatory assets and liabilities. See Note 1 for additional information.

(PPL, LKE, LG&E and KU)

LG&E is subject to the jurisdiction of the KPSC and FERC, and KU is subject to the jurisdiction of the KPSC, FERC and VSCC.

LG&E's and KU's Kentucky base rates are calculated based on a return on capitalization (common equity, long-term debt and short-term debt) including adjustments for certain net investments and costs recovered separately through other means. As such, LG&E and KU generally earn a return on regulatory assets.

(PPL, LKE and KU)

KU's Virginia base rates are calculated based on a return on rate base (net utility plant plus working capital less accumulated deferred income taxes and miscellaneous deductions). As all regulatory assets and liabilities, except for regulatory assets and liabilities related to the levelized fuel factor, pension and postretirement benefits, and AROs related to certain CCR impoundments, are excluded from the return on rate base utilized in the calculation of Virginia base rates, no return is earned on the related assets.

KU's rates to municipal customers for wholesale power requirements are calculated based on annual updates to a formula rate that utilizes a return on rate base (net utility plant plus working capital less accumulated deferred income taxes and miscellaneous deductions). As all regulatory assets and liabilities are excluded from the return on rate base utilized in the development of municipal rates, no return is earned on the related assets.

(PPL and PPL Electric)

PPL Electric's distribution base rates are calculated based on recovery of costs as well as a return on distribution rate base (net utility plant plus a working capital allowance less plant-related deferred taxes and other miscellaneous additions and deductions). PPL Electric's transmission revenues are billed in accordance with a FERC tariff that allows for recovery of transmission costs incurred, a return on transmission-related rate base (net utility plant plus a working capital allowance less plant-related deferred taxes and other miscellaneous additions and deductions) and an automatic annual update. See "Transmission Formula Rate" below for additional information on this tariff. All regulatory assets and liabilities are excluded from distribution and transmission return on investment calculations; therefore, generally no return is earned on PPL Electric's regulatory assets.

(All Registrants)

The following table provides information about the regulatory assets and liabilities of cost-based rate-regulated utility operations at December 31:

	PPL		PPL Electric	
	2020	2019	2020	2019
Current Regulatory Assets:				
Plant outage costs	$ 46	$ 32	$ —	$ —
Gas supply clause	4	8	—	—
Smart meter rider	17	13	17	13
Storm costs	7	—	7	—
Transmission formula rate	15	3	15	3
Transmission service charge	—	10	—	10
Other	10	1	1	—
Total current regulatory assets (a)	$ 99	$ 67	$ 40	$ 26
Noncurrent Regulatory Assets:				
Defined benefit plans	$ 570	$ 800	$ 290	$ 467
Storm costs	17	39	—	15
Unamortized loss on debt	30	41	8	18
Interest rate swaps	23	22	—	—
Terminated interest rate swaps	75	81	—	—
Accumulated cost of removal of utility plant	240	220	240	220
AROs	300	279	—	—
Act 129 compliance rider	—	6	—	6
Other	7	4	3	—
Total noncurrent regulatory assets	$ 1,262	$ 1,492	$ 541	$ 726

	PPL		PPL Electric	
	2020	2019	2020	2019
Current Regulatory Liabilities:				
Generation supply charge	$ 21	$ 23	$ 21	$ 23
Environmental cost recovery	4	5	—	—
Universal service rider	22	9	22	9
Fuel adjustment clause	5	8	—	—
TCJA customer refund	11	61	11	59
Storm damage expense rider	6	5	6	5
Act 129 compliance rider	7	—	7	—
Other	3	4	1	—
Total current regulatory liabilities	$ 79	$ 115	$ 68	$ 96
Noncurrent Regulatory Liabilities:				
Accumulated cost of removal of utility plant	$ 653	$ 640	$ —	$ —
Power purchase agreement - OVEC	43	51	—	—
Net deferred taxes	1,690	1,756	560	588
Defined benefit plans	60	51	18	11
Terminated interest rate swaps	66	68	—	—
Other	18	6	—	—
Total noncurrent regulatory liabilities	$ 2,530	$ 2,572	$ 578	$ 599

	LKE		LG&E		KU	
	2020	2019	2020	2019	2020	2019
Current Regulatory Assets:						
Plant outage costs	$ 46	$ 32	$ 12	$ 16	$ 34	$ 16
Gas supply clause	4	8	4	8	—	—
Other	9	1	7	1	2	—
Total current regulatory assets	$ 59	$ 41	$ 23	$ 25	$ 36	$ 16
Noncurrent Regulatory Assets:						
Defined benefit plans	$ 280	$ 333	$ 174	$ 206	$ 106	$ 127
Storm costs	17	24	11	14	6	10
Unamortized loss on debt	22	23	13	14	9	9
Interest rate swaps	23	22	23	22	—	—
Terminated interest rate swaps	75	81	44	47	31	34
AROs	300	279	85	76	215	203
Other	4	4	1	1	3	3
Total noncurrent regulatory assets	$ 721	$ 766	$ 351	$ 380	$ 370	$ 386

	LKE		LG&E		KU	
	2020	2019	2020	2019	2020	2019
Current Regulatory Liabilities:						
Environmental cost recovery	$ 4	$ 5	$ —	$ 1	$ 4	$ 4
Fuel adjustment clauses	5	8	—	—	5	8
Other	2	6	—	1	2	5
Total current regulatory liabilities	$ 11	$ 19	$ —	$ 2	$ 11	$ 17
Noncurrent Regulatory Liabilities:						
Accumulated cost of removal of utility plant	$ 653	$ 640	$ 274	$ 266	$ 379	$ 374
Power purchase agreement - OVEC	43	51	30	35	13	16
Net deferred taxes	1,130	1,168	528	544	602	624
Defined benefit plans	42	40	—	—	42	40
Terminated interest rate swaps	66	68	33	34	33	34
Other	18	6	17	4	1	2
Total noncurrent regulatory liabilities	$ 1,952	$ 1,973	$ 882	$ 883	$ 1,070	$ 1,090

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

Following is an overview of selected regulatory assets and liabilities detailed in the preceding tables. Specific developments with respect to certain of these regulatory assets and liabilities are discussed in "Regulatory Matters."

Defined Benefit Plans

(All Registrants)

Defined benefit plan regulatory assets and liabilities represent prior service cost and net actuarial gains and losses that will be recovered in defined benefit plans expense through future base rates based upon established regulatory practices and, generally, are amortized over the average remaining service lives of plan participants. These regulatory assets and liabilities are adjusted at least annually or whenever the funded status of defined benefit plans is remeasured.

(PPL, LKE, LG&E and KU)

As a result of the 2014 Kentucky rate case settlement that became effective July 1, 2015, the difference between pension cost calculated in accordance with LG&E's and KU's pension accounting policy and pension cost calculated using a 15-year amortization period for actuarial gains and losses is recorded as a regulatory asset. As of December 31, 2020, the balances were

$79 million for PPL and LKE, $44 million for LG&E and $35 million for KU. As of December 31, 2019, the balances were $51 million for PPL and LKE, $29 million for LG&E and $22 million for KU.

(All Registrants)

Storm Costs

PPL Electric, LG&E and KU have the ability to request from the PUC, KPSC and VSCC, as applicable, the authority to treat expenses related to specific extraordinary storms as a regulatory asset and defer such costs for regulatory accounting and reporting purposes. Once such authority is granted, LG&E and KU can request recovery of those expenses in a base rate case and begin amortizing the costs when recovery starts. PPL Electric can recover qualifying expenses caused by major storm events, as defined in its retail tariff, over three years through the Storm Damage Expense Rider commencing in the application year after the storm occurred. PPL Electric's regulatory assets for storm costs are being amortized through 2021. LG&E's and KU's regulatory assets for storm costs are being amortized through various dates ending in 2029.

Unamortized Loss on Debt

Unamortized loss on reacquired debt represents losses on long-term debt reacquired or redeemed that have been deferred and will be amortized and recovered over either the original life of the extinguished debt or the life of the replacement debt (in the case of refinancing). Such costs are being amortized through 2029 for PPL Electric, through 2042 for KU, and through 2044 for LG&E.

Accumulated Cost of Removal of Utility Plant

LG&E and KU charge costs of removal through depreciation expense with an offsetting credit to a regulatory liability. The regulatory liability is relieved as costs are incurred.

PPL Electric does not accrue for costs of removal. When costs of removal are incurred, PPL Electric records the costs as a regulatory asset. Such deferral is included in rates and amortized over the subsequent five-year period.

Net Deferred Taxes

Regulatory liabilities associated with net deferred taxes represent the future revenue impact from the adjustment of deferred income taxes required primarily for excess deferred taxes and unamortized investment tax credits, largely a result of the TCJA enacted in 2017.

(PPL and PPL Electric)

Generation Supply Charge (GSC)

The GSC is a cost recovery mechanism that permits PPL Electric to recover costs incurred to provide generation supply to PLR customers who receive basic generation supply service. The recovery includes charges for generation supply, as well as administration of the acquisition process. In addition, the GSC contains a reconciliation mechanism whereby any over- or under-recovery from prior periods is refunded to, or recovered from, customers through the adjustment factor determined for the subsequent rate filing period.

Transmission Service Charge (TSC)

PPL Electric is charged by PJM for transmission service-related costs applicable to its PLR customers. PPL Electric passes these costs on to customers, who receive basic generation supply service through the PUC-approved TSC cost recovery mechanism. The TSC contains a reconciliation mechanism whereby any over- or under-recovery from customers is either refunded to, or recovered from, customers through the adjustment factor determined for the subsequent year.

Transmission Formula Rate

PPL Electric's transmission revenues are billed in accordance with a FERC-approved Open Access Transmission Tariff that utilizes a formula-based rate recovery mechanism. Under this formula, rates are put into effect in June of each year based upon prior year actual expenditures and current year forecasted capital additions. Rates are then adjusted the following year to reflect actual annual expenses and capital additions, as reported in PPL Electric's annual FERC Form 1, filed under the FERC's Uniform System of Accounts. Any difference between the revenue requirement in effect for the prior year and actual expenditures incurred for that year is recorded as a regulatory asset or regulatory liability.

Storm Damage Expense Rider (SDER)

The SDER is a reconcilable automatic adjustment clause under which PPL Electric annually will compare actual storm costs to storm costs allowed in base rates and refund or recover any differences from customers. In the 2015 rate case settlement approved by the PUC in November 2015, it was determined that reportable storm damage expenses to be recovered annually through base rates will be set at $20 million. The SDER will recover from or refund to customers, as appropriate, only applicable expenses from reportable storms that are greater than or less than $20 million recovered annually through base rates. Storm costs incurred in PPL Electric's territory from a March 2018 storm are being amortized through 2021.

Act 129 Compliance Rider

In compliance with Pennsylvania's Act 129 of 2008 and implementing regulations, PPL Electric is currently in Phase III of the energy efficiency and conservation plan which was approved in June 2016. Phase III allows PPL Electric to recover the maximum $313 million over the five-year period, June 1, 2016 through May 31, 2021. The plan includes programs intended to reduce electricity consumption. The recoverable costs include direct and indirect charges, including design and development costs, general and administrative costs and applicable state evaluator costs. The rates are applied to customers who receive distribution service through the Act 129 Compliance Rider. The actual Phase III program costs are reconcilable after each 12 month period, and any over- or under-recovery from customers will be refunded or recovered over the next rate filing period.

Smart Meter Rider (SMR)

Act 129 requires each electric distribution company (EDC) with more than 100,000 customers to have a PUC approved Smart Meter Technology Procurement and Installation Plan (SMP). As of December 31, 2019, PPL Electric replaced substantially all of its old meters with meters that meet the Act 129 requirements under its SMP. In accordance with Act 129, EDCs are able to recover the costs and earn a return on capital of providing smart metering technology. PPL Electric uses the SMR to recover the costs to implement its SMP. The SMR is a reconciliation mechanism whereby any over- or under-recovery from prior years is refunded to, or recovered from, customers through the adjustment factor determined for the subsequent quarters.

Universal Service Rider (USR)

The USR provides for recovery of costs associated with universal service programs, OnTrack and Winter Relief Assistance Program (WRAP), provided by PPL Electric to residential customers. OnTrack is a special payment program for low-income households and WRAP provides low-income customers a means to reduce electric bills through energy saving methods. The USR rate is applied to residential customers who receive distribution service. The actual program costs are reconcilable, and any over- or under-recovery from customers will be refunded or recovered annually in the subsequent year.

TCJA Customer Refund

As a result of the reduced U.S federal corporate income tax rate as enacted by the TCJA, the PUC ruled that these tax benefits should be refunded to customers. Timing differences between the recognition of these tax benefits and the refund of the benefit to the customer creates a regulatory liability.

PPL Electric's liability related to the period of July 1, 2018 through December 31, 2020 is being credited back to distribution customers through a negative surcharge. The liability related to the period of January 1, 2018 through June 30, 2018 was $43 million and was credited back to customers over the period of January 1, 2020 through December 31, 2020 utilizing the same negative surcharge mechanism referred to above, as approved by the PUC in November 2019.

(PPL, LKE, LG&E and KU)

Environmental Cost Recovery

Kentucky law permits LG&E and KU to recover the costs, including a return of operating expenses and a return of and on capital invested, of complying with the Clean Air Act and those federal, state or local environmental requirements, which apply to coal combustion wastes and by-products from coal-fired electricity generating facilities. The KPSC requires reviews of the past operations of the environmental surcharge for six-month and two-year billing periods to evaluate the related charges, credits and rates of return, as well as to provide for the roll-in of ECR amounts to base rates each two-year period. The KPSC has authorized returns on equity of 9.2% and 9.725% for existing approved ECR projects. The ECR regulatory asset or liability represents the amount that has been under- or over-recovered due to timing or adjustments to the mechanism and is typically recovered or refunded within 12 months.

Fuel Adjustment Clauses

LG&E's and KU's retail electric rates contain a fuel adjustment clause, whereby variances in the cost of fuel to generate electricity, including transportation costs, from the costs embedded in base rates are adjusted in LG&E's and KU's rates. The KPSC requires formal reviews at six-month intervals to examine past fuel adjustments and at two-year intervals to review past operations of the fuel adjustment clause and, to the extent appropriate, may conduct public hearings and reestablish the fuel charge included in base rates. The regulatory assets or liabilities represent the amounts that have been under- or over-recovered due to timing or adjustments to the mechanism and are typically recovered within 12 months.

KU also employs a levelized fuel factor mechanism for Virginia customers using an average fuel cost factor based primarily on projected fuel costs and load for the fuel year (12 months ending March 31). The Virginia levelized fuel factor allows fuel recovery based on projected fuel costs for the fuel year plus an adjustment for any under- or over-recovery of fuel expenses from the prior fuel year. The regulatory assets or liabilities represent the amounts that have been under- or over-recovered due to timing or adjustments to the mechanism and are typically recovered or refunded within 12 months.

AROs

As discussed in Note 1, 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.

Power Purchase Agreement - OVEC

As a result of purchase accounting associated with PPL's acquisition of LKE, the fair values of the OVEC power purchase agreement were recorded on the balance sheets of LKE, LG&E and KU with offsets to regulatory liabilities. The regulatory liabilities are being amortized using the units-of-production method until March 2026, the expiration date of the agreement at the date of the acquisition. LG&E's and KU's customer rates continue to reflect the original contracts. See Notes 14 and 19 for additional discussion of the power purchase agreement.

Interest Rate Swaps

LG&E's unrealized gains and losses are recorded as regulatory assets or regulatory liabilities until they are realized as interest expense. Interest expense from existing swaps is realized and recovered over the terms of the associated debt, which matures through 2033.

Terminated Interest Rate Swaps

Net realized gains and losses on all interest rate swaps are probable of recovery through regulated rates. As such, any gains and losses on these derivatives are included in regulatory assets or liabilities and are primarily recognized in "Interest Expense" on the Statements of Income over the life of the associated debt.

Plant Outage Costs

Since July 1, 2017, plant outage costs in Kentucky have been normalized for ratemaking purposes based on an average level of expenses. Plant outage expenses that are greater or less than the average are collected from or returned to customers, through future base rates. Effective May 1, 2019 plant outage costs are normalized based on a five-year average of historical expenses with over or under recoveries collected or returned over an eight-year period.

Gas Supply Clause *(PPL, LKE and LG&E)*

LG&E's natural gas rates contain a gas supply clause, whereby the expected cost of natural gas supply and variances between actual and expected costs from prior periods are adjusted quarterly in LG&E's rates, subject to approval by the KPSC. The gas supply clause also includes a separate natural gas procurement incentive mechanism, which allows LG&E's rates to be adjusted annually to share savings between the actual cost of gas purchases and market indices, with the shareholders and the customers during each performance-based rate year (12 months ending October 31). LG&E currently has a proceeding pending with the KPSC in which LG&E proposed renewal of and modification to its natural gas procurement incentive mechanism, which is currently approved through September 1, 2021. LG&E cannot predict the outcome of this proceeding. The regulatory assets or liabilities represent the total amounts that have been under- or over-recovered due to timing or adjustments to the mechanisms and are typically recovered or refunded within 18 months.

Generation Formula Rate *(PPL, LKE and KU)*

KU provides wholesale requirements service to its municipal customers and bills for this service pursuant to a FERC approved generation formula rate. Under this formula, rates are put into effect each July utilizing a return on rate base calculation and actual expenses from the preceding year. The regulatory asset or liability represents the difference between the revenue requirement in effect for the current year and actual expenditures incurred for the current year. Amounts are included in other current regulatory assets for 2020 and other current regulatory liabilities for 2019 in the table above.

Regulatory Matters

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

Rate Case Proceedings

On November 25, 2020, LG&E and KU filed requests with the KPSC for an increase in annual electricity and gas revenues of approximately $331 million ($131 million and $170 million in electricity revenues at LG&E and KU and $30 million in gas revenues at LG&E). The revenue increases would be an increase of 11.6% and 10.4% in electricity revenues at LG&E and KU, and an increase of 8.3% in gas revenues at LG&E. LG&E and KU are also requesting approval of a one-year billing credit which will credit customers approximately $53 million ($41 million at LG&E and $12 million at KU). The billing credit represents the return to customers of certain regulatory liabilities on LG&E's and KU's balance sheets and serves to partially mitigate the rate increases during the first year in which the new rates are in effect.

LG&E's and KU's applications also include a request for a CPCN to deploy Advanced Metering Infrastructure across LG&E's and KU's service territories in Kentucky.

The applications are based on a forecasted test year of July 1, 2021 through June 30, 2022 and request an authorized return on equity of 10.0%. Subject to KPSC approval, the requested rates, decreased by the amount of the billing credit, are expected to become effective July 1, 2021. Certain counterparties have intervened in the proceedings. Data discovery and the filing of written testimony will continue through April 2021 and a hearing is expected to occur during the second quarter of 2021. PPL, LKE, LG&E and KU cannot predict the outcome of these proceedings.

ECR Filings

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 authorized return on equity approved for the 2018 Kentucky rate cases 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 *(PPL and PPL Electric)*

Act 129

Act 129 requires Pennsylvania Electric Distribution Companies (EDCs) to meet, by specified dates, specified goals for reduction in customer electricity usage and peak demand. EDCs not meeting the requirements of Act 129 are subject to significant penalties. PPL Electric filed with the PUC its Act 129 Phase IV Energy Efficiency and Conservation Plan on November 30, 2020, for the five-year period starting June 1, 2021 and ending on May 31, 2026. Hearings were held February 8, 2021. This proceeding remains pending before the PUC. PPL Electric cannot predict the outcome of this proceeding.

Act 129 also requires EDCs to act as a default service provider (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. PPL Electric received a Recommended Decision from the Administrative Law Judge on October 13, 2020. Several parties filed Exceptions and Reply Exceptions on October 26, 2020 and November 2, 2020, respectively. On December 17, 2020, the PUC issued a final Order approving the partial settlement reached by parties, including the PPL Electric default service plan for the period of June 2021 through May 2025, and ruling on the issues reserved for litigation. This matter is not expected to have a significant impact on the financial condition of PPL Electric.

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 8.00% 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 8.50% 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. On November 16, 2020, PPL Electric filed a request for rehearing of the portion of the October 15, 2020 Order that set the May 21, 2020 refund effective date. On December 17, 2020, the FERC issued a Notice of Denial of Rehearing by Operation of Law and Providing for Further Consideration. On February 16, 2021, PPL Electric filed a Petition for Review with the United States Court of Appeals for the District of Columbia Circuit of the portion of the October 15, 2020 Order that set the May 21, 2020 refund effective date.

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.

(PPL, LKE, LG&E and KU)

FERC Transmission Rate Filing

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, the 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. In November 2020, the FERC denied the parties' rehearing requests. In November 2020 and January 2021, LG&E and KU and other parties filed for appeal of the September 2020 and November 2020 orders with the D.C. Circuit Court of Appeals, where certain additional prior petitions for review relating to the proceedings are also pending. On January 15, 2021, LG&E and KU made a filing seeking FERC acceptance of a new proposal for a transition mechanism. LG&E and KU cannot predict the outcome of these proceedings. LG&E and KU currently receive recovery of the waivers and credits provided through other rate mechanisms.

(All Registrants)

TCJA Impact on FERC Rates

In November 2019, the FERC published Final Rules providing that public utility transmission providers include mechanisms in their formula rates to deduct excess ADIT from, or add deficient ADIT to, rate base and adjust their income tax allowances by amortized excess or deficient ADIT, and to make a related compliance filing.

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

In February 2019, in connection with the requirements of the TCJA and Kentucky HB 487, LG&E and KU filed a request with the FERC to amend their transmission formula rates resulting from the laws' reductions to corporate income tax rates. The FERC approved this request effective June 1, 2019. In 2020, LG&E and KU submitted a compliance filing addressing excess and deficient ADIT. LG&E and KU do not anticipate the impact of the TCJA and Kentucky HB 487 related to their FERC-jurisdictional rates to be significant.

Table of Contents

Other

Purchase of Receivables Program

(PPL and PPL Electric)

In accordance with a PUC-approved purchase of accounts receivable program, PPL Electric purchases certain accounts receivable from alternative electricity suppliers at a discount, which reflects a provision for uncollectible accounts. The alternative electricity suppliers have no continuing involvement or interest in the purchased accounts receivable. Accounts receivable that are acquired are initially recorded at fair value on the date of acquisition. During 2020, 2019 and 2018, PPL Electric purchased $1.1 billion, $1.2 billion and $1.3 billion 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 provide a backstop to commercial paper programs. For reporting purposes, on a consolidated basis, the credit facilities and commercial paper programs of PPL Electric, LKE, LG&E and KU also apply to PPL and the credit facilities and commercial paper programs of LG&E and KU also apply to LKE. The amounts 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:

	December 31, 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) (b) (c)	Jan. 2023	£ 210	£ 187	£ —	£ 23	£ 155	£ —
WPD (South West)							
Syndicated Credit Facility (a) (b) (c)	May 2023	220	50	—	170	40	—
WPD (South Wales)							
Syndicated Credit Facility (a) (b) (c)	May 2023	125	—	—	125	—	—
WPD (East Midlands)							
Syndicated Credit Facility (a) (b) (c)	May 2023	250	—	—	250	—	—
WPD (West Midlands)							
Syndicated Credit Facility (a) (b) (c)	May 2023	250	74	—	176	48	—
Uncommitted Credit Facilities		100	60	4	36	—	4
Total U.K. Credit Facilities (b)		£ 1,155	£ 371	£ 4	£ 780	£ 243	£ 4
U.S.							
PPL Capital Funding							
Syndicated Credit Facility (c) (d)	Jan 2024	1,450	—	402	1,048	—	450
Term Loan Credit Facility (c) (d)	Mar 2021	200	200	—	—	—	—
Bilateral Credit Facility (c) (d)	Mar 2021	50	—	—	50	—	—
Bilateral Credit Facility (c) (d)	Mar 2021	50	—	15	35	—	15
Term Loan Credit Facility (c) (d)	Mar 2021	100	100	—	—	—	—
Term Loan Credit Facility (c) (d)	Mar 2022	100	100	—	—	—	—

		December 31, 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
Total PPL Capital Funding Credit Facilities		$ 1,950	$ 400	$ 417	$ 1,133	$ —	$ 465
PPL Electric							
Syndicated Credit Facility (c) (d)	Jan 2024	$ 650	$ —	$ 1	$ 649	$ —	$ 1
LG&E							
Syndicated Credit Facility (c) (d)	Jan 2024	$ 500	$ —	$ 262	$ 238	$ —	$ 238
Total LG&E Credit Facilities		$ 500	$ —	$ 262	$ 238	$ —	$ 238
KU							
Syndicated Credit Facility (c) (d)	Jan 2024	$ 400	$ —	$ 203	$ 197	$ —	$ 150
Total KU Credit Facilities		$ 400	$ —	$ 203	$ 197	$ —	$ 150

(a) The facilities contain financial covenants to maintain an interest coverage ratio of not less than 3.0 times consolidated earnings before income taxes, depreciation and amortization and total net debt not in excess of 85% of its RAV, calculated in accordance with the credit facility.

(b) The WPD plc amounts borrowed at December 31, 2020 and 2019 included USD-denominated borrowings of $249 million and $200 million, which bore interest at weighted average rate of 0.95% and 2.52%. The WPD (South West) amounts borrowed at December 31, 2020 and 2019 were GBP-denominated borrowings, which equated to $67 million and $51 million and bore interest at 0.54% and 1.09%. The WPD (West Midlands) amounts borrowed at December 31, 2020 and 2019 were GBP-denominated borrowings, which equated to $99 million and $62 million and bore interest at 0.54% and 1.11%. The interest rates on the borrowings are equal to one-month USD LIBOR plus a margin. At December 31, 2020, the unused capacity under the U.K. credit facilities was approximately $1.0 billion.

(c) Each company pays customary fees under its respective facility and borrowings generally bear interest at LIBOR-based rates plus an applicable margin.

(d) The facilities contain a financial covenant requiring debt to total capitalization not to exceed 70% for PPL Capital Funding, PPL Electric, LG&E and KU, as calculated in accordance with the facilities and other customary covenants. Additionally, subject to certain conditions, PPL Capital Funding may request that the capacity of its bilateral credit facility expiring in March 2021 be increased by up to $30 million and PPL Capital Funding, PPL Electric, LG&E and KU may each request up to a $250 million increase in its syndicated credit facility's capacity.

(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:

	December 31, 2020				December 31, 2019	
	Weighted - Average Interest Rate	Capacity	Commercial Paper Issuances	Unused Capacity	Weighted - Average Interest Rate	Commercial Paper Issuances
PPL Capital Funding	0.25%	$ 1,500	$ 402	$ 1,098	2.13%	$ 450
PPL Electric		650	—	650		—
LG&E	0.28%	350	262	88	2.07%	238
KU	0.28%	350	203	147	2.02%	150
Total		$ 2,850	$ 867	$ 1,983		$ 838

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

See Note 15 for a discussion of intercompany borrowings.

Long-term Debt *(All Registrants)*

	Weighted-Average Rate (g)	Maturities (g)	December 31, 2020	December 31, 2019
PPL				
U.S.				
Senior Unsecured Notes	3.95 %	2021 - 2047	$ 4,850	$ 4,325
Senior Secured Notes/First Mortgage Bonds (a) (b) (c)	3.81 %	2021 - 2050	8,955	8,705
Junior Subordinated Notes	4.35 %	2067 - 2073	930	930
Term Loan Credit Facility	0.85 %	2022	100	—
Total U.S. Long-term Debt			14,835	13,960
U.K.				
Senior Unsecured Notes (d)	4.69 %	2021 - 2040	7,197	6,874
Index-linked Senior Unsecured Notes (e)	1.42 %	2028 - 2056	1,150	1,104
Term Loan Credit Facility	1.46 %	2024	67	64
Total U.K. Long-term Debt (f)			8,414	8,042
Total Long-term Debt Before Adjustments			23,249	22,002
Fair market value adjustments			8	12
Unamortized premium and (discount), net			2	5
Unamortized debt issuance costs			(132)	(126)
Total Long-term Debt			23,127	21,893
Less current portion of Long-term Debt			1,574	1,172
Total Long-term Debt, noncurrent			$ 21,553	$ 20,721
PPL Electric				
Senior Secured Notes/First Mortgage Bonds (a) (b)	3.79 %	2021 - 2049	$ 4,289	$ 4,039
Total Long-term Debt Before Adjustments			4,289	4,039
Unamortized discount			(23)	(24)
Unamortized debt issuance costs			(30)	(30)
Total Long-term Debt			4,236	3,985
Less current portion of Long-term Debt			400	—
Total Long-term Debt, noncurrent			$ 3,836	$ 3,985
LKE				
Senior Unsecured Notes	4.38 %	2021	$ 250	$ 725
First Mortgage Bonds (a) (c)	3.82 %	2023 - 2050	4,666	4,666
Long-term debt to affiliate	3.89 %	2026 - 2030	1,200	650
Total Long-term Debt Before Adjustments			6,116	6,041
Unamortized premium			5	5
Unamortized discount			(13)	(12)
Unamortized debt issuance costs			(34)	(32)
Total Long-term Debt			6,074	6,002
Less current portion of Long-term Debt			674	975
Total Long-term Debt, noncurrent			$ 5,400	$ 5,027
LG&E				
First Mortgage Bonds (a) (c)	3.69 %	2025 - 2049	$ 2,024	$ 2,024
Total Long-term Debt Before Adjustments			2,024	2,024
Unamortized discount			(4)	(4)

Table of Contents

	Weighted-Average Rate (g)	Maturities (g)	December 31, 2020	December 31, 2019
Unamortized debt issuance costs			(13)	(15)
Total Long-term Debt			2,007	2,005
Less current portion of Long-term Debt			292	—
Total Long-term Debt, noncurrent			$ 1,715	$ 2,005
KU				
First Mortgage Bonds (a) (c)	3.92 %	2023 - 2050	$ 2,642	$ 2,642
Total Long-term Debt Before Adjustments			2,642	2,642
Unamortized premium			5	5
Unamortized discount			(9)	(8)
Unamortized debt issuance costs			(20)	(16)
Total Long-term Debt			2,618	2,623
Less current portion of Long-term Debt			132	500
Total Long-term Debt, noncurrent			$ 2,486	$ 2,123

(a) Includes PPL Electric's senior secured and first mortgage bonds that are secured by the lien of PPL Electric's 2001 Mortgage Indenture, which covers substantially all of PPL Electric's tangible distribution properties and certain of its tangible transmission properties located in Pennsylvania, subject to certain exceptions and exclusions. The carrying value of PPL Electric's property, plant and equipment was approximately $10.8 billion and $10.1 billion at December 31, 2020 and 2019.

Includes LG&E's first mortgage bonds that are secured by the lien of the LG&E 2010 Mortgage Indenture which creates a lien, subject to certain exceptions and exclusions, on substantially all of LG&E's real and tangible personal property located in Kentucky and used or to be used in connection with the generation, transmission and distribution of electricity and the storage and distribution of natural gas. The aggregate carrying value of the property subject to the lien was $5.5 billion and $5.3 billion at December 31, 2020 and 2019.

Includes KU's first mortgage bonds that are secured by the lien of the KU 2010 Mortgage Indenture which creates a lien, subject to certain exceptions and exclusions, on substantially all of KU's real and tangible personal property located in Kentucky and used or to be used in connection with the generation, transmission and distribution of electricity. The aggregate carrying value of the property subject to the lien was $6.7 billion and $6.6 billion at December 31, 2020 and 2019.

(b) Includes PPL Electric's series of senior secured bonds that secure its obligations to make payments with respect to each series of Pollution Control Bonds that were issued by the LCIDA and the PEDFA on behalf of PPL Electric. These senior secured bonds were issued in the same principal amount, contain payment and redemption provisions that correspond to and bear the same interest rate as such Pollution Control Bonds. These senior secured bonds were issued under PPL Electric's 2001 Mortgage Indenture and are secured as noted in (a) above. This amount includes $224 million of which PPL Electric is allowed to convert the interest rate mode on the bonds from time to time to a commercial paper rate, daily rate, weekly rate, or term rate of at least one year and $90 million which is subject to mandatory redemption upon determination that the interest rate on the bonds would be included in the holders' gross income for federal tax purposes.

Includes $250 million of notes that may be called on or after September 28, 2021, at a redemption price equal to 100% of the principal amount of the bonds, plus accrued and unpaid interest to, but excluding, such redemption date.

(c) Includes LG&E's and KU's series of first mortgage bonds that were issued to the respective trustees of tax-exempt revenue bonds to secure its respective obligations to make payments with respect to each series of bonds. The first mortgage bonds were issued in the same principal amounts, contain payment and redemption provisions that correspond to and bear the same interest rate as such tax-exempt revenue bonds. These first mortgage bonds were issued under the LG&E 2010 Mortgage Indenture and the KU 2010 Mortgage Indenture and are secured as noted in (a) above. The related tax-exempt revenue bonds were issued by various governmental entities, principally counties in Kentucky, on behalf of LG&E and KU. The related revenue bond documents allow LG&E and KU to convert the interest rate mode on the bonds from time to time to a commercial paper rate, daily rate, weekly rate, term rate of at least one year or, in some cases, an auction rate or a LIBOR index rate.

At December 31, 2020, the aggregate tax-exempt revenue bonds issued on behalf of LG&E and KU that were in a term rate mode totaled $848 million for LKE, comprised of $539 million and $309 million for LG&E and KU respectively. At December 31, 2020, the aggregate tax-exempt revenue bonds issued on behalf of LG&E and KU that were in a variable rate mode totaled $33 million for LKE and KU respectively. These variable rate tax-exempt revenue bonds are subject to tender for purchase by LG&E and KU at the option of the holder and to mandatory tender for purchase by LG&E and KU upon the occurrence of certain events.

(d) Includes £225 million ($300 million at December 31, 2020) of notes that may be redeemed, in total but not in part, on December 21, 2026, at the greater of the principal value or a value determined by reference to the gross redemption yield on a nominated U.K. Government bond.

(e) The principal amount of the notes issued by WPD (South West), WPD (East Midlands) and WPD (South Wales) is adjusted based on changes in a specified index, as detailed in the terms of the related indentures. The adjustment to the principal amounts from 2019 to 2020 was an increase of approximately £10 million ($13 million) resulting from inflation. In addition, this amount includes £331 million ($441 million at December 31, 2020) of notes issued by WPD (South West) that may be redeemed, in total by series, on December 1, 2026, at the greater of the adjusted principal value and a make-whole value determined by reference to the gross real yield on a nominated U.K. government bond.

(f) Includes £5.8 billion ($7.7 billion at December 31, 2020) of notes that may be put by the holders to the issuer for redemption if the long-term credit ratings assigned to the notes are withdrawn by any of the rating agencies (Moody's or S&P) or reduced to a non-investment grade rating of Ba1 or BB+ or lower in connection with a restructuring event, which includes the loss of, or a material adverse change to, the distribution licenses under which the issuer operates.

(g) The table reflects principal maturities only, based on stated maturities or earlier put dates, and the weighted-average rates as of December 31, 2020.

None of the outstanding debt securities noted above have sinking fund requirements. The aggregate maturities of long-term debt, based on stated maturities or earlier put dates, for the periods 2021 through 2025 and thereafter are as follows:

	PPL	PPL Electric	LKE	LG&E	KU
2021	$ 1,574	$ 400	$ 674	$ 292	$ 132
2022	1,374	474	—	—	—
2023	2,552	340	13	—	13
2024	950	—	—	—	—
2025	883	—	550	300	250
Thereafter	15,916	3,075	4,879	1,432	2,247
Total	$ 23,249	$ 4,289	$ 6,116	$ 2,024	$ 2,642

(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 were used to repay the £150 million of 9.25% Notes due in November 2020 and for general corporate purposes.

In January 2021, WPD issued a notice to redeem its $500 million of 5.375% Notes due May 2021 on March 1, 2021.

(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 were 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 purpose, 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.

See Note 15 for additional information related to intercompany borrowings.

Legal Separateness *(All Registrants)*

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

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

(PPL)

Equity Securities

ATM Program

In February 2018, PPL entered into an equity distribution agreement, pursuant to which PPL may sell, from time to time, up to an aggregate of $1.0 billion of its common stock through an at-the-market offering program, including a forward sales component. The compensation paid to the selling agents by PPL may be up to 2% of the gross offering proceeds of the shares.

There were no issuances under the ATM program for the twelve months ended December 31, 2020 and 2019. The ATM program expires in February 2021.

Distributions and Related Restrictions

In November 2020, PPL declared its quarterly common stock dividend, payable January 4, 2021, at 41.50 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.

Neither PPL Capital Funding nor PPL may declare or pay any cash dividend or distribution on its capital stock during any period in which PPL Capital Funding defers interest payments on its 2007 Series A Junior Subordinated Notes due 2067 or 2013 Series B Junior Subordinated Notes due 2073. At December 31, 2020, no interest payments were deferred.

WPD subsidiaries have financing arrangements that limit their ability to pay dividends. However, PPL does not, at this time, expect that any of such limitations would significantly impact PPL's ability to meet its cash obligations.

(All Registrants)

PPL relies on dividends or loans from its subsidiaries to fund PPL's dividends to its common shareholders. The net assets of certain PPL subsidiaries are subject to legal restrictions. LKE primarily relies on dividends from its subsidiaries to fund its distributions to PPL. LG&E, KU and PPL Electric are subject to Section 305(a) of the Federal Power Act, which makes it unlawful for a public utility to make or pay a dividend from any funds "properly included in capital account." The meaning of this limitation has never been clarified under the Federal Power Act. LG&E, KU and PPL Electric believe, however, that this statutory restriction, as applied to their circumstances, would not be construed or applied by the FERC to prohibit the payment from retained earnings of dividends that are not excessive and are for lawful and legitimate business purposes. In February 2012, LG&E and KU petitioned the FERC requesting authorization to pay dividends in the future based on retained earnings balances calculated without giving effect to the impact of purchase accounting adjustments for PPL's 2010 acquisition of LKE. In May 2012, the FERC approved the petitions with the further condition that each utility may not pay dividends if such payment would cause its adjusted equity ratio to fall below 30% of total capitalization. Accordingly, at December 31, 2020, net assets of $3 billion ($1.3 billion for LG&E and $1.7 billion for KU) were restricted for purposes of paying dividends to LKE, and net assets of $3.7 billion ($1.7 billion for LG&E and $2.0 billion for KU) were available for payment of dividends to LKE. LG&E and KU believe they will not be required to change their current dividend practices as a result of the foregoing requirement. In addition, under Virginia law, KU is prohibited from making loans to affiliates without the prior approval of the VSCC. There are no comparable statutes under Kentucky law applicable to LG&E and KU, or under Pennsylvania law applicable to PPL Electric. However, orders from the KPSC require LG&E and KU to obtain prior consent or approval before lending amounts to PPL.

9. Acquisitions, Development and Divestitures

(PPL)

On August 10, 2020, PPL announced that it 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 probability-weighted undiscounted cash flow estimates as of December 31, 2020 and 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 analyses 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, including accumulated other comprehensive losses related to the U.K. utility business, for impairment purposes. The resulting measurement may result in a loss. In addition, PPL will reassess its assertion of the indefinite reinvestment of the unremitted earnings of the U.K. utility business. See Note 21 for additional information on accumulated other comprehensive income and losses. See Note 6 for additional information on income taxes.

10. Leases

(All Registrants)

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

LKE, LG&E and KU have entered into various operating leases primarily for office space, vehicles and railcars. The leases generally have fixed payments with expiration dates ranging from 2021 to 2025, some of which have options to extend the leases from one year to ten years and some have options to terminate at LKE's, LG&E's and KU's discretion.

PPL has also entered into various operating leases primarily for office space, land easements, telecom assets and warehouse space. These leases generally have fixed payments with expiration dates ranging from 2020 through 2029, except for the land agreements which extend through 2116.

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

Short-term Leases

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

Discount Rate

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

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

(PPL, LKE, LG&E and KU)

Lessee Transactions

The following table provides the components of lease cost for the Registrants' operating leases for the years ended December 31:

	2020			
	PPL	LKE	LG&E	KU
Lease cost:				
Operating lease cost	$ 30	$ 22	$ 8	$ 13
Short-term lease cost	9	2	1	1
Total lease cost	$ 39	$ 24	$ 9	$ 14

	2019			
	PPL	LKE	LG&E	KU
Lease cost:				
Operating lease cost	$ 33	$ 25	$ 12	$ 13
Short-term lease cost	7	2	1	1
Total lease cost	$ 40	$ 27	$ 13	$ 14

The following table provides other key information related to the Registrants' operating leases at December 31:

	2020			
	PPL	LKE	LG&E	KU
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	$ 26	$ 18	$ 7	$ 11
Right-of-use asset obtained in exchange for new operating lease liabilities	17	16	6	9

	2019			
	PPL	LKE	LG&E	KU
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	$ 29	$ 21	$ 9	$ 11
Right-of-use asset obtained in exchange for new operating lease liabilities	46	16	5	11

The following table provides the total future minimum rental payments for operating leases, as well as a reconciliation of these undiscounted cash flows to the lease liabilities recognized on the Balance Sheets as of December 31, 2020.

	PPL		LKE		LG&E		KU	
2021	$	27	$	17	$	6	$	10
2022		22		13		5		8
2023		18		10		4		6
2024		15		8		3		4
2025		8		6		3		3
Thereafter		20		3		1		2
Total	$	110	$	57	$	22	$	33
Weighted-average discount rate		3.35%		3.66%		3.53%		3.68%
Weighted-average remaining lease term (in years)		8		4		4		4
Current lease liabilities (a)	$	24	$	16	$	6	$	9
Non-current lease liabilities (a)		70		37		15		21
Right-of-use assets (b)		87		46		17		27

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

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

Lessor Transactions

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

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

The following table shows the fixed lease payments that PPL, LKE, LG&E and KU expect to receive over the remaining term of their operating lease agreements for the years ended December 31:

	2020							
	PPL		LKE		LG&E		KU	
2021	$	11	$	5	$	—	$	5
2022		6		—		—		—
2023		6		1		—		—
2024		5		—		—		—
2025		4		—		—		—
Thereafter		12		—		—		—
Total	$	44	$	6	$	—	$	5
Lease income recognized for the twelve months ended December 31, 2020	$	21	$	15	$	6	$	9
Lease income recognized for the twelve months ended December 31, 2019		21		13		5		8

11. Stock-Based Compensation

(PPL, PPL Electric and LKE)

Under the ICP, SIP and the ICPKE (together, the Plans), restricted shares of PPL common stock, restricted stock units, performance units and stock options may be granted to officers and other key employees of PPL, PPL Electric, LKE and other affiliated companies. Awards under the Plans are made by the Compensation Committee of the PPL Board of Directors, in the case of the ICP and SIP, and by the PPL Corporate Leadership Council (CLC), in the case of the ICPKE.

The following table details the award limits under each of the Plans.

Plan	Total Plan Award Limit (Shares)	Annual Grant Limit Total As % of Outstanding PPL Common Stock On First Day of Each Calendar Year	Annual Grant Limit Options (Shares)	Annual Grant Limit For Individual Participants - Performance Based Awards: For awards denominated in shares (Shares)	Annual Grant Limit For Individual Participants - Performance Based Awards: For awards denominated in cash (in dollars)
SIP	15,000,000		2,000,000	750,000	$ 15,000,000
ICPKE	14,199,796	2 %	3,000,000		

Any portion of these awards that has not been granted may be carried over and used in any subsequent year. If any award lapses, the rights of the participant terminate, or, with respect to certain awards, is forfeited, and the shares of PPL common stock underlying such an award are again available for grant. Shares delivered under the Plans may be in the form of authorized and unissued PPL common stock, common stock held in treasury by PPL or PPL common stock purchased on the open market (including private purchases) in accordance with applicable securities laws.

Restricted Stock Units

Restricted stock units represent the right to receive shares of PPL common stock in the future, generally three years after the date of grant, in an amount based on the fair value of PPL common stock on the date of grant.

Under the SIP, each restricted stock unit entitles the grant recipient to accrue additional restricted stock units equal to the amount of quarterly dividends paid on PPL stock. These additional restricted stock units are deferred and payable in shares of PPL common stock at the end of the restriction period. Dividend equivalents on restricted stock unit awards granted under the ICPKE are currently paid in cash when dividends are declared by PPL.

The fair value of restricted stock units granted is recognized on a straight-line basis over the restriction period or through the date at which the employee reaches retirement eligibility. The fair value of restricted stock units granted to retirement-eligible employees is recognized as compensation expense immediately upon the date of grant. Recipients of restricted stock units granted under the ICPKE may also be granted the right to receive dividend equivalents through the end of the restriction period or until the award is forfeited. Restricted stock units are subject to forfeiture or accelerated payout under the plan provisions for termination, retirement, disability and death of employees. Restrictions lapse on restricted stock units fully, in certain situations, as defined by each of the Plans.

The weighted-average grant date fair value of restricted stock units granted was:

	2020	2019	2018
PPL	$ 35.30	$ 31.95	$ 30.58
PPL Electric	35.37	32.33	30.00
LKE	35.31	30.65	30.98

Restricted stock unit activity for 2020 was:

	Restricted Shares/Units	Weighted-Average Grant Date Fair Value Per
PPL		
Nonvested, beginning of period	1,137,685	$ 32.76
Granted	331,160	35.30
Vested	(562,848)	34.57
Forfeited	(9,661)	32.97
Nonvested, end of period	896,336	32.56
PPL Electric		
Nonvested, beginning of period	229,860	$ 32.61
Transfer between registrants	(1,197)	32.23
Granted	65,356	35.37
Vested	(79,313)	34.55
Forfeited	(3,986)	32.65
Nonvested, end of period	210,720	32.73
LKE		
Nonvested, beginning of period	166,445	$ 32.09
Transfer between registrants	(1,598)	30.57
Granted	50,402	35.31
Vested	(60,571)	34.88
Forfeited	(1,550)	30.36
Nonvested, end of period	153,128	32.08

Substantially all restricted stock unit awards are expected to vest.

The total fair value of restricted stock units vesting for the years ended December 31 was:

	2020	2019	2018
PPL	$ 19	$ 13	$ 16
PPL Electric	3	2	2
LKE	2	1	5

Performance Units - Total Shareowner Return

Performance units based on relative Total Shareowner Return (TSR) are intended to encourage and reward future corporate performance. Performance units represent a target number of shares (Target Award) of PPL's common stock that the recipient would receive upon PPL's attainment of the applicable performance goal. Performance is determined based on TSR during a three-year performance period. At the end of the period, payout is determined by comparing PPL's performance to the TSR of the companies included in the Philadelphia Stock Exchange Utility Index. Awards are payable on a graduated basis based on thresholds that measure PPL's performance relative to peers that comprise the applicable index on which each year's awards are measured. Awards can be paid up to 200% of the Target Award or forfeited with no payout if performance is below a minimum established performance threshold. Dividends payable during the performance cycle accumulate and are converted into additional performance units and are payable in shares of PPL common stock upon completion of the performance period based on the Compensation Committee's determination of achievement of the performance goals. Under the plan provisions, TSR performance units are subject to forfeiture upon termination of employment other than retirement, one year or more from commencement of the performance period, disability or death of an employee.

The fair value of TSR performance units granted to retirement-eligible employees is recognized as compensation expense on a straight-line basis over a one-year period, the minimum vesting period required for an employee to be entitled to payout of the awards with no proration. For employees who are not retirement-eligible, compensation expense is recognized over the shorter of the three-year performance period or the period until the employee is retirement-eligible, with a minimum vesting and recognition period of one-year. If an employee retires before the one-year vesting period, the performance units are forfeited. Performance units vest on a pro rata basis, in certain situations, as defined by each of the Plans.

The fair value of each performance unit granted was estimated using a Monte Carlo pricing model that considers stock beta, a risk-free interest rate, expected stock volatility and expected life. The stock beta was calculated comparing the risk of the individual securities to the average risk of the companies in the index group. The risk-free interest rate reflects the yield on a U.S. Treasury bond commensurate with the expected life of the performance unit. Volatility over the expected term of the performance unit is calculated using daily stock price observations for PPL and all companies in the index group and is evaluated with consideration given to prior periods that may need to be excluded based on events not likely to recur that had impacted PPL and the companies in the index group. PPL uses a mix of historic and implied volatility to value awards.

The weighted-average assumptions used in the model were:

	2020	2019	2018
Expected stock volatility	15.64%	17.57%	17.60%
Expected life	3 years	3 years	3 years

The weighted-average grant date fair value of TSR performance units granted was:

	2020	2019	2018
PPL	$ 37.63	$ 35.83	$ 38.26
PPL Electric	38.64	35.68	38.37
LKE	37.73	35.93	38.32

TSR performance unit activity for 2020 was:

	TSR Performance Units	Weighted-Average Grant Date Fair Value Per Share
PPL		
Nonvested, beginning of period	739,392	$ 37.50
Granted	261,891	37.63
Forfeited (a)	(375,029)	38.46
Nonvested, end of period	626,254	36.98
PPL Electric		
Nonvested, beginning of period	66,799	$ 37.43
Granted	21,416	38.64
Forfeited (a)	(26,408)	38.37
Nonvested, end of period	61,807	37.44
LKE		
Nonvested, beginning of period	130,533	$ 37.60
Granted	35,538	37.73
Forfeited (a)	(66,459)	38.23
Nonvested, end of period	99,612	37.23

(a) Primarily related to the forfeiture of 2017 performance units as performance during the period was below the minimum established performance threshold, which resulted in no payout.

There were no TSR performance units vesting for the years ended December 31, 2020 and 2019. The total fair value of TSR performance units vesting for the year ended December 31, 2018 was $3 million for PPL. Amounts for PPL Electric and LKE are insignificant.

Performance Units - Return on Equity

Beginning in 2017, PPL changed its executive compensation mix to add performance units based on achievement of a corporate Return on Equity (ROE). ROE performance units are intended to further align compensation with the company's strategy and reward for future corporate performance.

Payout of these performance units will be based on the calculated average of the annual corporate ROE for each year of the three-year performance period for PPL Corporation. ROE performance units represent a target number of shares (Target Award) of PPL's common stock that the recipient would receive upon PPL's attainment of the applicable ROE performance goal. ROE performance units can be paid up to 200% of the Target Award or forfeited with no payout if performance is below a minimum established performance threshold. Dividends payable during the performance cycle accumulate and are converted into additional performance units and are payable in shares of PPL common stock upon completion of the performance period based on the Compensation Committee's determination of achievement of the performance goals. Under the plan provisions, these performance units are subject to forfeiture upon termination of employment other than retirement, disability or death of an employee.

The fair value of each ROE performance unit is based on the closing price of PPL Common Stock on the date of grant. The fair value of ROE performance units is recognized on a straight-line basis over the service period or through the date at which the employee reaches retirement eligibility. The fair value awards granted to retirement-eligible employees is recognized as compensation expense immediately upon the date of grant. As these awards are based on performance conditions, the level of attainment is monitored each reporting period and compensation expense is adjusted based on the expected attainment level.

The weighted-average grant date fair value of ROE performance units granted was:

	2020	2019	2018
PPL	$ 34.95	$ 30.89	$ 32.21
PPL Electric	35.59	30.76	32.32
LKE	34.81	30.99	32.28

ROE performance unit activity for 2020 was:

	ROE Performance Unit	Weighted-Average Grant Date Fair Value Per Share
PPL		
Nonvested, beginning of period	570,765	$ 32.02
Granted	374,878	34.95
Vested	(216,979)	34.42
Nonvested, end of period	728,664	32.81
PPL Electric		
Nonvested, beginning of period	49,194	$ 31.92
Granted	30,426	35.59
Vested	(17,813)	34.41
Nonvested, end of period	61,807	33.01
LKE		
Nonvested, beginning of period	107,805	$ 32.20
Granted	60,286	34.81
Vested	(46,384)	34.29
Nonvested, end of period	121,707	32.70

The total fair value of ROE performance units vesting for the years ended December 31 was:

	2020
PPL	$ 8
PPL Electric	1
LKE	2

Stock Options

PPL's Compensation, Governance and Nominating Committee, now known as the Compensation Committee, eliminated the use of stock options due to changes in its long-term incentive mix beginning in January 2014.

Under the Plans, stock options had been granted with an option exercise price per share not less than the fair value of PPL's common stock on the date of grant. Options outstanding at December 31, 2020, are fully vested. All options expire no later than 10 years from the grant date. The options become exercisable immediately in certain situations, as defined by each of the Plans.

Stock option activity for 2020 was:

	Number of Options	Weighted Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (years)	Aggregate Total Intrinsic Value
PPL				
Outstanding at beginning of period	1,330,943	$ 26.20		
Exercised	(227,927)	26.10		
Outstanding and exercisable at end of period	1,103,016	26.22	1.7	$ 2

For 2020, 2019 and 2018, PPL received $8 million, $53 million and $5 million in cash from stock options exercised. The total intrinsic value of stock options exercised was insignificant in 2020 and 2018 and $11 million in 2019. The related income tax benefits realized were not significant.

Compensation Expense

Compensation expense for restricted stock, restricted stock units, performance units and stock options accounted for as equity awards, which for PPL Electric and LKE includes an allocation of PPL Services' expense, was:

	2020	2019	2018
PPL	$ 28	$ 35	$ 25
PPL Electric	10	12	10
LKE	11	9	8

The income tax benefit related to above compensation expense was as follows:

	2020	2019	2018
PPL	$ 8	$ 10	$ 10
PPL Electric	3	3	3
LKE	3	2	2

At December 31, 2020, unrecognized compensation expense related to nonvested stock awards was:

	Unrecognized Compensation Expense	Weighted-Average Period for Recognition
PPL	$ 16	1.7
PPL Electric	3	1.8
LKE	1	1.4

12. Retirement and Postemployment Benefits

(All Registrants)

Defined Benefits

Certain employees of PPL's domestic subsidiaries are eligible for pension benefits under non-contributory defined benefit pension plans with benefits based on length of service and final average pay, as defined by the plans. Effective January 1, 2012, PPL's primary defined benefit pension plan was closed to all newly hired salaried employees. Effective July 1, 2014, PPL's primary defined benefit pension plan was closed to all newly hired bargaining unit employees. Newly hired employees are eligible to participate in the PPL Retirement Savings Plan, a 401(k) savings plan with enhanced employer contributions.

The defined benefit pension plans of LKE and its subsidiaries were closed to new salaried and bargaining unit employees hired after December 31, 2005. Employees hired after December 31, 2005 receive additional company contributions above the standard matching contributions to their savings plans. The pension plans sponsored by LKE and LG&E were merged effective January 1, 2020 into the LG&E and KU Pension Plan. The merged plan is sponsored by LKE. LG&E and KU participate in this plan.

Effective April 1, 2010, the principal defined benefit pension plan applicable to WPD (South West) and WPD (South Wales) was closed to most new employees, except for those meeting specific grandfathered participation rights. WPD Midlands' defined benefit plan had been closed to new members, except for those meeting specific grandfathered participation rights, prior to acquisition. New employees not eligible to participate in the plans are offered benefits under a defined contribution plan.

PPL and certain of its subsidiaries also provide supplemental retirement benefits to executives and other key management employees through unfunded nonqualified retirement plans.

Certain employees of PPL's domestic subsidiaries are eligible for certain health care and life insurance benefits upon retirement through contributory plans. Effective January 1, 2014, the PPL Postretirement Medical Plan was closed to all newly hired salaried employees. Effective July 1, 2014, the PPL Postretirement Medical Plan was closed to all newly hired bargaining unit employees. Postretirement health benefits may be paid from 401(h) accounts established as part of the PPL Retirement Plan and the LG&E and KU Pension Plan within the PPL Services Corporation Master Trust, funded VEBA trusts and company funds. WPD does not sponsor any postretirement benefit plans other than pensions.

(PPL)

The following table provides the components of net periodic defined benefit costs (credits) for PPL's domestic (U.S.) and WPD's (U.K.) pension and other postretirement benefit plans for the years ended December 31.

	Pension Benefits								
	U.S.			U.K.			Other Postretirement Benefits		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Net periodic defined benefit costs (credits):									
Service cost	$ 56	$ 50	$ 62	$ 89	$ 68	$ 82	$ 6	$ 6	$ 7
Interest cost	146	164	156	143	187	185	19	22	21
Expected return on plan assets	(246)	(245)	(249)	(622)	(588)	(587)	(21)	(18)	(23)
Amortization of:									
Prior service cost (credit)	9	8	10	1	1	—	1	(1)	(1)
Actuarial (gain) loss	89	56	84	213	92	151	—	1	—
Net periodic defined benefit costs (credits) prior to settlements and termination benefits	54	33	63	(176)	(240)	(169)	5	10	4
Settlements (a)	23	1	—	—	—	—	—	—	—
Net periodic defined benefit costs (credits)	$ 77	$ 34	$ 63	$ (176)	$ (240)	$ (169)	$ 5	$ 10	$ 4
Other Changes in Plan Assets and Benefit Obligations Recognized in OCI and Regulatory Assets/Liabilities - Gross:									
Settlement	(23)	(1)	—	—	—	—	—	—	—
Net (gain) loss	(221)	(121)	157	459	723	201	(6)	(18)	8
Prior service cost (credit)	1	2	1	—	—	13	5	—	—
Amortization of:									
Prior service (cost) credit	(9)	(8)	(10)	(1)	(1)	—	(1)	1	1
Actuarial gain (loss)	(89)	(56)	(84)	(213)	(92)	(151)	—	(1)	—
Total recognized in OCI and regulatory assets/liabilities (b)	(341)	(184)	64	245	630	63	(2)	(18)	9
Total recognized in net periodic defined benefit costs, OCI and regulatory assets/liabilities (b)	$ (264)	$ (150)	$ 127	$ 69	$ 390	$ (106)	$ 3	$ (8)	$ 13

(a) Includes a settlement charge for a retired PPL executive as well as a settlement charge incurred as a result of the amount of lump sum payment distributions from the LKE qualified pension plan. In accordance with existing regulatory accounting treatment, LG&E and KU have primarily maintained the settlement charge in regulatory assets to be amortized in accordance with existing regulatory practice. The portion of the settlement attributed to LKE's operations outside of the jurisdiction of the KPSC has been charged to expense.

(b) WPD is not subject to accounting for the effects of certain types of regulation as prescribed by GAAP. As a result, WPD does not record regulatory assets/liabilities.

Table of Contents

For PPL's U.S. pension benefits and for other postretirement benefits, the amounts recognized in OCI and regulatory assets/liabilities for the years ended December 31 were as follows:

	U.S. Pension Benefits			Other Postretirement Benefits		
	2020	2019	2018	2020	2019	2018
OCI	$ (428)	$ (194)	$ 90	$ (12)	$ (13)	$ 20
Regulatory assets/liabilities	87	10	(26)	10	(5)	(11)
Total recognized in OCI and regulatory assets/liabilities	$ (341)	$ (184)	$ 64	$ (2)	$ (18)	$ 9

(LKE)

The following table provides the components of net periodic defined benefit costs for LKE's pension and other postretirement benefit plans for the years ended December 31.

	Pension Benefits			Other Postretirement Benefits		
	2020	2019	2018	2020	2019	2018
Net periodic defined benefit costs (credits):						
Service cost	$ 24	$ 22	$ 25	$ 4	$ 4	$ 4
Interest cost	57	66	63	7	8	8
Expected return on plan assets	(101)	(101)	(102)	(9)	(8)	(9)
Amortization of:						
Prior service cost	8	8	9	1	1	1
Actuarial (gain) loss (a)	41	22	35	(1)	(1)	—
Net periodic defined benefit costs (credits) before settlements	$ 29	$ 17	$ 30	$ 2	$ 4	$ 4
Settlements (b)	15	—	—	—	—	—
Net periodic defined benefit costs (credits) (c)	$ 44	$ 17	$ 30	$ 2	$ 4	$ 4
Other Changes in Plan Assets and Benefit Obligations Recognized in OCI and Regulatory Assets/Liabilities - Gross:						
Settlements	$ (15)	$ —	$ —	$ —	$ —	$ —
Net (gain) loss	(29)	(37)	40	(1)	(14)	1
Prior service cost	2	2	—	5	—	—
Amortization of:						
Prior service credit	(8)	(8)	(9)	(1)	(1)	(1)
Actuarial gain (loss)	(41)	(22)	(35)	1	1	—
Total recognized in OCI and regulatory assets/liabilities	(91)	(65)	(4)	4	(14)	—
Total recognized in net periodic defined benefit costs, OCI and regulatory assets/liabilities	$ (47)	$ (48)	$ 26	$ 6	$ (10)	$ 4

(a) As a result of the 2014 Kentucky rate case settlement that became effective July 1, 2015, the difference between actuarial (gain)/loss calculated in accordance with LKE's pension accounting policy and actuarial (gain)/loss calculated using a 15 year amortization period was $11 million in 2020, $5 million in 2019 and $11 million in 2018.

(b) Due to the amount of lump sum payment distributions from the LKE qualified pension plan, a settlement charge of $15 million for the year ended December 31, 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 in accordance with existing regulatory practice. The portion of the settlement attributable to LKE’s operations outside of the jurisdiction of the KPSC has been charged to expense.

(c) Due to the amount of lump sum payment distributions from the LG&E qualified pension plan, settlement charges of $5 million in 2019 and $6 million in 2018 were incurred. In accordance with existing regulatory accounting treatment, LG&E has maintained the settlement charge in regulatory assets. The amount will be amortized in accordance with existing regulatory practice.

For LKE's pension and other postretirement benefits, the amounts recognized in OCI and regulatory assets/liabilities for the years ended December 31 were as follows:

	Pension Benefits			Other Postretirement Benefits		
	2020	2019	2018	2020	2019	2018
OCI	$ (5)	$ 13	$ (25)	$ (2)	$ (7)	$ 4
Regulatory assets/liabilities	(86)	(78)	21	6	(7)	(4)
Total recognized in OCI and regulatory assets/liabilities	$ (91)	$ (65)	$ (4)	$ 4	$ (14)	$ —

(LG&E)

The following table provides the components of net periodic defined benefit costs for LG&E's pension benefit plan for the years ended December 31.

	Pension Benefits	
	2019 (a)	2018
Net periodic defined benefit costs (credits):		
Service cost	$ 1	$ 1
Interest cost	11	12
Expected return on plan assets	(21)	(22)
Amortization of:		
Prior service cost (credit)	5	5
Actuarial loss (b)	9	7
Net periodic defined benefit costs (credits) (c)	$ 5	$ 3
Other Changes in Plan Assets and Benefit Obligations Recognized in Regulatory Assets - Gross:		
Net (gain) loss	$ (19)	$ 22
Prior service cost	—	—
Amortization of:		
Prior service credit	(5)	(5)
Actuarial gain	(9)	(7)
Total recognized in regulatory assets/liabilities	(33)	10
Total recognized in net periodic defined benefit costs and regulatory assets	$ (28)	$ 13

(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 the 2014 Kentucky rate case settlement that became effective July 1, 2015, the difference between actuarial (gain)/loss calculated in accordance with LG&E's pension accounting policy and actuarial (gain)/loss calculated using a 15 year amortization period was $3 million in 2019 and $2 million in 2018.

(c) Due to the amount of lump sum payment distributions from the LG&E qualified pension plan, settlement charges of $5 million in 2019 and $6 million in 2018 were incurred. In accordance with existing regulatory accounting treatment, LG&E has maintained the settlement charge in regulatory assets. The amount will be amortized in accordance with existing regulatory practice.

(All Registrants)

The following net periodic defined benefit costs (credits) were charged to expense or regulatory assets, excluding amounts charged to construction and other non-expense accounts. The U.K. pension benefits apply to PPL only.

	Pension Benefits						Other Postretirement Benefits		
	U.S.			U.K.					
	2020	2019	2018	2020	2019	2018	2020	2019	2018
PPL	$ 40	$ 18	$ 40	$ (237)	$ (287)	$ (226)	$ 4	$ 8	$ 2
PPL Electric (a)	(2)	(4)	4				2	4	(1)
LKE (b)	20	12	21				1	2	3
LG&E (a) (b)	4	3	4				2	2	2
KU (a) (b)	1	(1)	2				—	—	1

(a) PPL Electric and KU do not directly sponsor any defined benefit plans. PPL Electric and KU were allocated these costs of defined benefit plans sponsored by PPL Services (for PPL Electric) and by LKE (for KU), based on their participation in those plans, which management believes are reasonable. KU is also allocated costs of defined benefit plans from LKS for defined benefit plans sponsored by LKE. Effective January 1, 2020, the LKE and LG&E defined benefit pension plans were merged into a combined defined benefit pension plan, sponsored by LKE, therefore LG&E and KU do not directly sponsor any defined benefit plans. LG&E and KU were allocated these costs of defined benefit plans sponsored by LKE, based on their participation in those plans, which management believes are reasonable. LG&E and KU are also allocated costs of defined benefit plans from LKS for defined benefit plans sponsored by LKE. See Note 15 for additional information on costs allocated to LG&E and KU from LKS.

(b) As a result of the 2014 Kentucky rate case settlement that became effective July 1, 2015, the difference between net periodic defined benefit costs calculated in accordance with LKE's, LG&E's and KU's pension accounting policy and the net periodic defined benefit costs calculated using a 15 year amortization period for gains and losses is recorded as a regulatory asset. Of the costs charged to Other operation and maintenance, Other Income (Expense) - net or regulatory assets, excluding amounts charged to construction and other non-expense accounts, $3 million for LG&E and $1 million for KU were recorded as regulatory assets in 2020, $2 million for LG&E and $1 million for KU were recorded as regulatory assets in 2019 and $3 million for LG&E and $2 million for KU were recorded as regulatory assets in 2018.

In the table above, LG&E amounts include costs for the specific plans it sponsors and the following allocated costs of defined benefit plans sponsored by LKE. LG&E is also allocated costs of defined benefit plans from LKS for defined benefit plans sponsored by LKE. See Note 15 for additional information on costs allocated to LG&E from LKS. These allocations are based on LG&E's participation in those plans, which management believes are reasonable:

	Pension Benefits		Other Postretirement Benefits	
	2019 (a)	2018	2019 (a)	2018
LG&E Non-Union Only	$ —	$ 2	$ 2	$ 2

(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.

(PPL, LKE and LG&E)

PPL, LKE, and LG&E use base mortality tables issued by the Society of Actuaries for all U.S. defined benefit pension and other postretirement benefit plans. In 2019, PPL, LKE and LGE used RP-2014 base tables with collar and factor adjustments, where applicable, and the MP-2017 mortality improvement scale from 2006 on a generational basis. In 2020, PPL and LKE updated to the Pri-2012 base table and the MP-2020 projection scale with varying adjustment factors based on the underlying demographic and geographic differences and experience of the plan participants.

The following weighted-average assumptions were used in the valuation of the benefit obligations at December 31. The U.K. pension benefits apply to PPL only.

	Pension Benefits				Other Postretirement Benefits	
	U.S.		U.K.			
	2020	2019	2020	2019	2020	2019
PPL						
Discount rate	2.92 %	3.64 %	1.53 %	1.94 %	2.84 %	3.60 %
Rate of compensation increase	3.76 %	3.79 %	3.25 %	3.25 %	3.75 %	3.76 %
LKE						
Discount rate	2.91 %	3.62 %			2.85 %	3.59 %
Rate of compensation increase	3.50 %	3.50 %			3.50 %	3.50 %
LG&E						
Discount rate	— %	3.60 %				

The following weighted-average assumptions were used to determine the net periodic defined benefit costs for the years ended December 31. The U.K. pension benefits apply to PPL only.

	Pension Benefits								
	U.S.			U.K.			Other Postretirement Benefits		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
PPL									
Discount rate service cost	3.64 %	4.35 %	3.70 %	2.03 %	3.12 %	2.73 %	3.60 %	4.31 %	3.64 %
Discount rate interest cost	3.64 %	4.35 %	3.70 %	1.73 %	2.62 %	2.31 %	3.60 %	4.31 %	3.64 %
Rate of compensation increase	3.79 %	3.79 %	3.78 %	3.25 %	3.50 %	3.50 %	3.76 %	3.76 %	3.75 %
Expected return on plan assets	7.25 %	7.25 %	7.25 %	7.13 %	7.21 %	7.23 %	6.44 %	6.46 %	6.40 %
LKE									
Discount rate	3.62 %	4.35 %	3.69 %				3.59 %	4.32 %	3.65 %
Rate of compensation increase	3.50 %	3.50 %	3.50 %				3.50 %	3.50 %	3.50 %
Expected return on plan assets (a)	7.25 %	7.25 %	7.25 %				7.02 %	7.00 %	7.15 %
LG&E									
Discount rate	— %	4.33 %	3.65 %						
Expected return on plan assets (a)	— %	7.25 %	7.25 %						

(a) The expected long-term rates of return for pension and other postretirement benefits are based on management's projections using a best-estimate of expected returns, volatilities and correlations for each asset class. Each plan's specific current and expected asset allocations are also considered in developing a reasonable return assumption.

(PPL and LKE)

The following table provides the assumed health care cost trend rates for the years ended December 31:

	2020	2019	2018
PPL and LKE			
Health care cost trend rate assumed for next year			
– obligations	6.5 %	6.6 %	6.6 %
– cost	6.6 %	6.6 %	6.6 %
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)			
– obligations	5.0 %	5.0 %	5.0 %
– cost	5.0 %	5.0 %	5.0 %
Year that the rate reaches the ultimate trend rate			
– obligations	2027	2024	2023
– cost	2024	2023	2022

(PPL)

The funded status of PPL's plans at December 31 was as follows:

	Pension Benefits					
	U.S.		U.K.		Other Postretirement Benefits	
	2020	2019	2020	2019	2020	2019
Change in Benefit Obligation						
Benefit Obligation, beginning of period	$ 4,146	$ 3,883	$ 8,515	$ 7,275	$ 557	$ 538
Service cost	56	50	89	68	6	6
Interest cost	146	164	143	187	19	22
Participant contributions	—	—	12	12	15	14
Plan amendments	2	2	—	—	5	—
Actuarial (gain) loss	256	368	624	1,220	29	34
Settlements	(114)	(21)	—	—	—	—

	Pension Benefits				Other Postretirement Benefits	
	U.S.		U.K.			
	2020	2019	2020	2019	2020	2019
Gross benefits paid	(241)	(300)	(366)	(363)	(58)	(58)
Federal subsidy	—	—	—	—	—	1
Currency conversion	—	—	281	116	—	—
Benefit Obligation, end of period	4,251	4,146	9,298	8,515	573	557
Change in Plan Assets						
Plan assets at fair value, beginning of period	3,585	3,109	8,945	7,801	340	301
Actual return on plan assets	723	735	805	1,095	56	71
Employer contributions	115	63	272	278	18	10
Participant contributions	—	—	12	12	11	10
Settlements	(114)	(22)	—	—	—	—
Gross benefits paid	(241)	(300)	(366)	(363)	(58)	(52)
Currency conversion	—	—	302	122	—	—
Plan assets at fair value, end of period	4,068	3,585	9,970	8,945	367	340
Funded Status, end of period	$ (183)	$ (561)	$ 672	$ 430	$ (206)	$ (217)
Amounts recognized in the Balance Sheets consist of:						
Noncurrent asset	$ 24	$ 24	$ 682	$ 440	$ —	$ 11
Current liability	(18)	(8)	—	(1)	(22)	(2)
Noncurrent liability	(189)	(577)	(10)	(9)	(184)	(226)
Net amount recognized, end of period	$ (183)	$ (561)	$ 672	$ 430	$ (206)	$ (217)
Amounts recognized in AOCI and regulatory assets/liabilities (pre-tax) consist of:						
Prior service cost (credit)	$ 27	$ 34	$ 11	$ 11	$ 14	$ 10
Net actuarial (gain) loss	695	1,029	3,682	3,435	—	6
Total (a)	$ 722	$ 1,063	$ 3,693	$ 3,446	$ 14	$ 16
Total accumulated benefit obligation for defined benefit pension plans	$ 4,024	$ 3,910	$ 8,516	$ 7,821		

(a) WPD is not subject to accounting for the effects of certain types of regulation as prescribed by GAAP and as a result, does not record regulatory assets/liabilities.

For PPL's U.S. pension and other postretirement benefit plans, the amounts recognized in AOCI and regulatory assets/liabilities at December 31 were as follows:

	U.S. Pension Benefits		Other Postretirement Benefits	
	2020	2019	2020	2019
AOCI	$ 270	$ 352	$ 10	$ 13
Regulatory assets/liabilities	452	711	4	3
Total	$ 722	$ 1,063	$ 14	$ 16

The actuarial loss for U.S. pension plans in 2020 was related to a change in the discount rate used to measure the benefit obligations of those plans offset by gains resulting from the updated mortality assumptions noted above and other demographic assumption changes resulting from the completion of a tri-annual demographic experience study. The actuarial loss for U.S. pension plans in 2019 was primarily related to a change in the discount rate used to measure the benefit obligations of those plans.

The actuarial loss for U.K. pension plans in 2020 and 2019 was primarily related to a change in the discount rate used to measure the benefit obligations of those plans.

The following tables provide information on pension plans where the projected benefit obligation (PBO) or accumulated benefit obligation (ABO) exceed the fair value of plan assets:

	U.S.		U.K.	
	PBO in excess of plan assets		PBO in excess of plan assets	
	2020	2019	2020	2019
Projected benefit obligation	$ 1,875	$ 3,861	$ 11	$ 10
Fair value of plan assets	1,668	3,275	—	—

	U.S.		U.K.	
	ABO in excess of plan assets		ABO in excess of plan assets	
	2020	2019	2020	2019
Accumulated benefit obligation	$ 184	$ 3,624	$ 11	$ 10
Fair value of plan assets	—	3,275	—	—

(LKE)

The funded status of LKE's plans at December 31 was as follows:

	Pension Benefits		Other Postretirement Benefits	
	2020	2019	2020	2019
Change in Benefit Obligation				
Benefit Obligation, beginning of period	$ 1,684	$ 1,580	$ 208	$ 205
Service cost	24	22	4	4
Interest cost	57	66	7	8
Participant contributions	—	—	9	7
Plan amendments	2	2	5	—
Actuarial (gain) loss (a)	164	166	18	5
Settlements	(83)	(16)	—	—
Gross benefits paid	(63)	(136)	(22)	(21)
Benefit Obligation, end of period	1,785	1,684	229	208
Change in Plan Assets				
Plan assets at fair value, beginning of period	1,470	1,294	141	117
Actual return on plan assets	294	304	28	27
Employer contributions	50	24	4	11
Participant contributions	—	—	9	7
Settlements	(83)	(16)	—	—
Gross benefits paid	(63)	(136)	(22)	(21)
Plan assets at fair value, end of period	1,668	1,470	160	141
Funded Status, end of period	$ (117)	$ (214)	$ (69)	$ (67)
Amounts recognized in the Balance Sheets consist of:				
Noncurrent asset	$ —	$ 24	$ —	$ 11
Current liability	(5)	(5)	(2)	(2)
Noncurrent liability	(112)	(233)	(67)	(76)
Net amount recognized, end of period	$ (117)	$ (214)	$ (69)	$ (67)
Amounts recognized in AOCI and regulatory assets/liabilities (pre-tax) consist of:				
Prior service cost	$ 23	$ 30	$ 14	$ 10
Net actuarial (gain) loss	296	380	(37)	(37)
Total	$ 319	$ 410	$ (23)	$ (27)
Total accumulated benefit obligation for defined benefit pension plans	$ 1,657	$ 1,561		

(a) The actuarial (gain) loss for all pension plans in 2020 and 2019 was primarily related to changes in the discount rate used to measure the benefit obligations of those plans.

The amounts recognized in AOCI and regulatory assets/liabilities at December 31 were as follows:

	Pension Benefits		Other Postretirement Benefits	
	2020	2019	2020	2019
AOCI	$ 127	$ 132	$ 2	$ 4
Regulatory assets/liabilities	192	278	(25)	(31)
Total	$ 319	$ 410	$ (23)	$ (27)

The following tables provide information on pension plans where the projected benefit obligation (PBO) or accumulated benefit obligations (ABO) exceed the fair value of plan assets:

	PBO in excess of plan assets	
	2020	2019
Projected benefit obligation	$ 1,785	$ 1,398
Fair value of plan assets	1,668	1,160

	ABO in excess of plan assets	
	2020	2019
Accumulated benefit obligation	$ 104	$ 1,276
Fair value of plan assets	—	1,160

(LG&E)

The funded status of LG&E's plan at December 31, was as follows:

	Pension Benefits
	2019 (a)
Change in Benefit Obligation	
Benefit Obligation, beginning of period	$ 285
Service cost	1
Interest cost	11
Actuarial (gain) loss	25
Gross benefits paid	(36)
Benefit Obligation, end of period	286
Change in Plan Assets	
Plan assets at fair value, beginning of period	281
Actual return on plan assets	64
Employer contributions	1
Gross benefits paid	(36)
Plan assets at fair value, end of period	310
Funded Status, end of period	$ 24
Amounts recognized in the Balance Sheets consist of:	
Noncurrent asset (liability)	$ 24
Net amount recognized, end of period	$ 24
Amounts recognized in regulatory assets (pre-tax) consist of:	
Prior service cost	$ 17
Net actuarial loss	79
Total	$ 96
Total accumulated benefit obligation for defined benefit pension plan	$ 286

(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.

LG&E's pension plan had plan assets in excess of projected and accumulated benefit obligations December 31, 2019.

In addition to the plan it sponsored, LG&E is allocated a portion of the funded status and costs of certain defined benefit plans sponsored by LKE. LG&E is also allocated costs of defined benefit plans from LKS for defined benefit plans sponsored by LKE. See Note 15 for additional information on costs allocated to LG&E from LKS. These allocations are based on LG&E's participation in those plans, which management believes are reasonable. The actuarially determined obligations of current active employees and retired employees are used as a basis to allocate total plan activity, including active and retiree costs and obligations. Allocations to LG&E resulted in (assets)/liabilities at December 31 as follows:

	2020	2019
Pension	$ (78)	$ (7)
Other postretirement benefits	68	63

(PPL Electric)

Although PPL Electric does not directly sponsor any defined benefit plans, it is allocated a portion of the funded status and costs of plans sponsored by PPL Services based on its participation in those plans, which management believes are reasonable. The actuarially determined obligations of current active employees and retirees are used as a basis to allocate total plan activity, including active and retiree costs and obligations. Allocations to PPL Electric resulted in (assets)/liabilities at December 31 as follows:

	2020	2019
Pension	$ (4)	$ 179
Other postretirement benefits	99	122

(KU)

Although KU does not directly sponsor any defined benefit plans, it is allocated a portion of the funded status and costs of plans sponsored by LKE. KU is also allocated costs of defined benefit plans from LKS for defined benefit plans sponsored by LKE. See Note 15 for additional information on costs allocated to KU from LKS. These allocations are based on KU's participation in those plans, which management believes are reasonable. The actuarially determined obligations of current active employees and retired employees of KU are used as a basis to allocate total plan activity, including active and retiree costs and obligations. Allocations to KU resulted in (assets)/liabilities at December 31 as follows.

	2020	2019
Pension	$ (62)	$ (31)
Other postretirement benefits	16	16

Plan Assets - U.S. Pension Plans

(PPL, LKE and LG&E)

PPL's primary legacy pension plan and the pension plan sponsored by LKE are invested in the PPL Services Corporation Master Trust (the Master Trust) that also includes 401(h) accounts that are restricted for certain other postretirement benefit obligations of PPL and LKE. The investment strategy for the Master Trust is to achieve a risk-adjusted return on a mix of assets that, in combination with PPL's funding policy, will ensure that sufficient assets are available to provide long-term growth and liquidity for benefit payments, while also managing the duration of the assets to complement the duration of the liabilities. The Master Trust benefits from a wide diversification of asset types, investment fund strategies and external investment fund managers, and therefore has no significant concentration of risk.

The investment policy of the Master Trust outlines investment objectives and defines the responsibilities of the EBPB, external investment managers, investment advisor and trustee and custodian. The investment policy is reviewed annually by PPL's Board of Directors.

The EBPB created a risk management framework around the trust assets and pension liabilities. This framework considers the trust assets as being composed of three sub-portfolios: growth, immunizing and liquidity portfolios. The growth portfolio is comprised of investments that generate a return at a reasonable risk, including equity securities, certain debt securities and alternative investments. The immunizing portfolio consists of debt securities, generally with long durations, and derivative positions. The immunizing portfolio is designed to offset a portion of the change in the pension liabilities due to changes in interest rates. The liquidity portfolio consists primarily of cash and cash equivalents.

Target allocation ranges have been developed for each portfolio based on input from external consultants with a goal of limiting funded status volatility. The EBPB monitors the investments in each portfolio, and seeks to obtain a target portfolio that emphasizes reduction of risk of loss from market volatility. In pursuing that goal, the EBPB establishes revised guidelines from time to time. EBPB investment guidelines as of the end of 2020 are presented below.

The asset allocation for the trust and the target allocation by portfolio at December 31 are as follows:

	Percentage of trust assets		2020
	2020	2019 (a)	Target Asset Allocation (a)
Growth Portfolio	**56 %**	**57 %**	**55 %**
Equity securities	34 %	34 %	
Debt securities (b)	13 %	14 %	
Alternative investments	9 %	9 %	
Immunizing Portfolio	**43 %**	**42 %**	**43 %**
Debt securities (b)	33 %	35 %	
Derivatives	10 %	7 %	
Liquidity Portfolio	**1 %**	**1 %**	**2 %**
Total	100 %	100 %	100 %

(a) Allocations exclude consideration of a group annuity contract held by the LG&E and KU Retirement Plan.
(b) Includes commingled debt funds, which PPL treats as debt securities for asset allocation purposes.

(LKE)

LKE has pension plans whose assets are invested solely in the Master Trust, which is fully disclosed below. The fair value of these plans' assets of $1.7 billion and $1.5 billion at December 31, 2020 and 2019 represents an interest of approximately 41% in the Master Trust.

(LG&E)

LG&E had a pension plan whose assets were invested solely in the Master Trust, which is fully disclosed below. The fair value of this plan's assets of $310 million at December 31, 2019 represented an interest of approximately 9% in the Master Trust. 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.

The fair value of LKE's plan assets allocated to LG&E was $618 million and $251 million at December 31, 2020 and 2019.

(KU)

The fair value of LKE's plan assets allocated to KU was $505 million and $445 million at December 31, 2020 and 2019.

(PPL, LKE and LG&E)

The fair value of net assets in the Master Trust by asset class and level within the fair value hierarchy was:

	December 31, 2020				December 31, 2019			
		Fair Value Measurements Using				Fair Value Measurements Using		
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
PPL Services Corporation Master Trust								

	December 31, 2020				December 31, 2019			
		Fair Value Measurements Using				Fair Value Measurements Using		
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 300	$ 300	$ —	$ —	$ 182	$ 182	$ —	$ —
Equity securities:								
U.S. Equity	60	60	—	—	194	194	—	—
U.S. Equity fund measured at NAV (a)	742	—	—	—	451	—	—	—
International equity fund at NAV (a)	566	—	—	—	554	—	—	—
Commingled debt measured at NAV (a)	712	—	—	—	621	—	—	—
Debt securities:								
U.S. Treasury and U.S. government sponsored agency	336	335	1	—	310	309	1	—
Corporate	1,045	—	1,030	15	951	—	931	20
Other	13	—	13	—	14	—	14	—
Alternative investments:								
Real estate measured at NAV (a)	76	—	—	—	88	—	—	—
Private equity measured at NAV (a)	68	—	—	—	62	—	—	—
Hedge funds measured at NAV (a)	223	—	—	—	194	—	—	—
Limited Partnerships at NAV (a)	6	—	—	—	—	—	—	—
Derivatives	(37)	—	(37)	—	3	—	3	—
Insurance contracts	—	—	—	—	4	—	—	4
PPL Services Corporation Master Trust assets, at fair value	4,110	$ 695	$ 1,007	$ 15	3,628	$ 685	$ 949	$ 24
Receivables and payables, net (b)	116				99			
401(h) accounts restricted for other postretirement benefit obligations	(158)				(142)			
Total PPL Services Corporation Master Trust pension assets	$ 4,068				$ 3,585			

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

(b) Receivables and payables, net represents amounts for investments sold/purchased but not yet settled along with interest and dividends earned but not yet received.

A reconciliation of the Master Trust assets classified as Level 3 at December 31, 2020 is as follows:

	Corporate debt	Insurance contracts	Total
Balance at beginning of period	$ 20	$ 4	$ 24
Purchases, sales and settlements	(5)	(4)	(9)
Balance at end of period	$ 15	$ —	$ 15

A reconciliation of the Master Trust assets classified as Level 3 at December 31, 2019 is as follows:

	Corporate debt	Insurance contracts	Total
Balance at beginning of period	$ 25	$ 21	$ 46
Actual return on plan assets:			
Relating to assets still held at the reporting date	(1)	4	3
Relating to assets sold during the period	3	—	3
Purchases, sales and settlements	(7)	(21)	(28)
Balance at end of period	$ 20	$ 4	$ 24

The fair value measurements of cash and cash equivalents are based on the amounts on deposit.

The market approach is used to measure fair value of equity securities. The fair value measurements of equity securities (excluding commingled funds), which are generally classified as Level 1, are based on quoted prices in active markets. These securities represent actively and passively managed investments that are managed against various equity indices.

Investments in commingled equity and debt funds are categorized as equity securities. Investments in commingled equity funds include funds that invest in U.S. and international equity securities. Investments in commingled debt funds include funds that invest in a diversified portfolio of emerging market debt obligations, as well as funds that invest in investment grade long-duration fixed-income securities.

The fair value measurements of debt securities are generally based on evaluations that reflect observable market information, such as actual trade information for identical securities or for similar securities, adjusted for observable differences. The fair value of debt securities is generally measured using a market approach, including the use of pricing models, which incorporate observable inputs. Common inputs include benchmark yields, relevant trade data, broker/dealer bid/ask prices, benchmark securities and credit valuation adjustments. When necessary, the fair value of debt securities is measured using the income approach, which incorporates similar observable inputs as well as payment data, future predicted cash flows, collateral performance and new issue data. For the Master Trust, these securities represent investments in securities issued by U.S. Treasury and U.S. government sponsored agencies; investments securitized by residential mortgages, auto loans, credit cards and other pooled loans; investments in investment grade and non-investment grade bonds issued by U.S. companies across several industries; investments in debt securities issued by foreign governments and corporations.

Investments in real estate represent an investment in a partnership whose purpose is to manage investments in core U.S. real estate properties diversified geographically and across major property types (e.g., office, industrial, retail, etc.). The strategy is focused on properties with high occupancy rates with quality tenants. This results in a focus on high income and stable cash flows with appreciation being a secondary factor. Core real estate generally has a lower degree of leverage when compared with more speculative real estate investing strategies. The partnership has limitations on the amounts that may be redeemed based on available cash to fund redemptions. Additionally, the general partner may decline to accept redemptions when necessary to avoid adverse consequences for the partnership, including legal and tax implications, among others. The fair value of the investment is based upon a partnership unit value.

Investments in private equity represent interests in partnerships in multiple early-stage venture capital funds and private equity fund of funds that use a number of diverse investment strategies. The partnerships have limited lives of at least 10 years, after which liquidating distributions will be received. Prior to the end of each partnership's life, the investment cannot be redeemed with the partnership; however, the interest may be sold to other parties, subject to the general partner's approval. At December 31, 2020, the Master Trust has unfunded commitments of $45 million that may be required during the lives of the partnerships. Fair value is based on an ownership interest in partners' capital to which a proportionate share of net assets is attributed.

Investments in limited partnerships include Term Asset-Backed Securities Loan Facility (TALF) funds. The Master Trust received notice that the TALF funds are liquidating in an orderly manner and distributing capital back to the partners. Therefore, the Master Trust has no unfunded commitment related to the TALF funds. Fair value of the funds is based on an ownership interest in partners' capital to which a proportionate share of net assets is attributed.

Investments in hedge funds represent investments in a fund of hedge funds. Hedge funds seek a return utilizing a number of diverse investment strategies. The strategies, when combined aim to reduce volatility and risk while attempting to deliver positive returns under most market conditions. Major investment strategies for the fund of hedge funds include long/short equity, tactical trading, event driven, and relative value. Shares may be redeemed with 45 days prior written notice. The fund is subject to short term lockups and other restrictions. The fair value for the fund has been estimated using the net asset value per share.

The fair value measurements of derivative instruments utilize various inputs that include quoted prices for similar contracts or market-corroborated inputs. In certain instances, these instruments may be valued using models, including standard option valuation models and standard industry models. These securities primarily represent investments in treasury futures, total return swaps, interest rate swaps and swaptions (the option to enter into an interest rate swap), which are valued based on quoted prices, changes in the value of the underlying exposure or on the swap details, such as swap curves, notional amount, index and term of index, reset frequency, volatility and payer/receiver credit ratings.

In 2019, obligations underlying an investment in an immediate participation guaranteed group annuity contract, classified as Level 3, were assumed by the insurance company, with a residual amount remaining in the general account of the insurer that was paid into the master trust or distributed to participants in 2020.

Plan Assets - U.S. Other Postretirement Benefit Plans

The investment strategy with respect to other postretirement benefit obligations is to fund VEBA trusts and/or 401(h) accounts with voluntary contributions and to invest in a tax efficient manner. Excluding the 401(h) accounts included in the Master Trust, other postretirement benefit plans are invested in a mix of assets for long-term growth with an objective of earning returns that provide liquidity as required for benefit payments. These plans benefit from diversification of asset types, investment fund strategies and investment fund managers and, therefore, have no significant concentration of risk. Equity securities include investments in domestic large-cap commingled funds. Ownership interests in commingled funds that invest entirely in debt securities are classified as equity securities, but treated as debt securities for asset allocation and target allocation purposes. Ownership interests in money market funds are treated as cash and cash equivalents for asset allocation and target allocation purposes. The asset allocation for the PPL VEBA trusts, excluding LKE, and the target allocation, by asset class, at December 31 are detailed below.

	Percentage of plan assets		Target Asset Allocation
	2020	2019	2020
Asset Class			
U.S. Equity securities	42 %	45 %	45 %
Debt securities (a)	55 %	52 %	50 %
Cash and cash equivalents (b)	3 %	3 %	5 %
Total	100 %	100 %	100 %

(a) Includes commingled debt funds and debt securities.
(b) Includes money market funds.

LKE's other postretirement benefit plan is invested primarily in a 401(h) account, as disclosed in the PPL Services Corporation Master Trust, with insignificant amounts invested in money market funds within VEBA trusts for liquidity.

The fair value of assets in the U.S. other postretirement benefit plans by asset class and level within the fair value hierarchy was:

	December 31, 2020				December 31, 2019			
		Fair Value Measurement Using				Fair Value Measurement Using		
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Money market funds	$ 5	$ 5	$ —	$ —	$ 6	$ 6	$ —	$ —
U.S. Equity securities:								
Large-cap equity fund measure at NAV (a)	89	—	—	—	89	—	—	—
Commingled debt fund measured at NAV (a)	77	—	—	—	68	—	—	—
Debt securities:								
Corporate bonds	37	—	37	—	35	—	35	—
U.S. Treasury and U.S. government sponsored agency	2	—	2	—	—	—	—	—
Total VEBA trust assets, at fair value	210	$ 5	$ 39	$ —	198	$ 6	$ 35	$ —
Receivables and payables, net (b)	(1)				—			
401(h) account assets	158				142			
Total other postretirement benefit plan assets	$ 367				$ 340			

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

(b) Receivables and payables represent amounts for investments sold/purchased but not yet settled along with interest and dividends earned but not yet received.

Investments in money market funds represent investments in funds that invest primarily in a diversified portfolio of investment grade money market instruments, including, but not limited to, commercial paper, notes, repurchase agreements and other evidences of indebtedness with a maturity not exceeding 13 months from the date of purchase. The primary objective of the fund is a level of current income consistent with stability of principal and liquidity. Redemptions can be made daily on this fund.

Investments in large-cap equity securities represent investments in a passively managed equity index fund that invests in securities and a combination of other collective funds. Fair value measurements are not obtained from a quoted price in an active market but are based on firm quotes of net asset values per share as provided by the trustee of the fund. Redemptions can be made daily on this fund.

Investments in commingled debt securities represent investments in a fund that invests in a diversified portfolio of investment grade long-duration fixed income securities. Redemptions can be made daily on these funds.

Investments in corporate bonds represent investment in a diversified portfolio of investment grade long-duration fixed income securities. The fair value of debt securities are generally based on evaluations that reflect observable market information, such as actual trade information for identical securities or for similar securities, adjusted for observable differences.

Investments in U.S. Treasury and U.S. government sponsored agencies represent securities included in a portfolio of investment-grade long-duration fixed income. The fair value of debt securities are generally based on evaluations that reflect observable market information, such as actual trade information for identical securities or for similar securities, adjusted for observable differences.

Plan Assets - U.K. Pension Plans *(PPL)*

The overall investment strategy of WPD's pension plans is developed by each plan's independent trustees in its Statement of Investment Principles in compliance with the U.K. Pensions Act of 1995 and other U.K. legislation. The trustees' primary focus is to ensure that assets are sufficient to meet members' benefits as they fall due with a longer term objective to reduce investment risk. The investment strategy is intended to maximize investment returns while not incurring excessive volatility in the funding position. WPD's plans are invested in a wide diversification of asset types, fund strategies and fund managers; and therefore, have no significant concentration of risk. Commingled funds that consist entirely of debt securities are traded as equity units, but treated by WPD as debt securities for asset allocation and target allocation purposes. These include investments in U.K. corporate bonds and U.K. gilts.

The asset allocation and target allocation at December 31 of WPD's pension plans are detailed below.

	Percentage of plan assets		Target Asset Allocation
	2020	2019	2020
Asset Class			
Cash and cash equivalents	4 %	2 %	— %
Equity securities			
U.K.	— %	— %	2 %
European (excluding the U.K.)	— %	— %	1 %
Asian-Pacific	— %	— %	1 %
North American	— %	1 %	1 %
Emerging markets	— %	— %	1 %
Global equities	23 %	19 %	9 %
Global Tactical Asset Allocation	20 %	29 %	41 %
Debt securities (a)	48 %	43 %	38 %
Alternative investments	5 %	6 %	6 %
Total	100 %	100 %	100 %

(a) Includes commingled debt funds.

The fair value of assets in the U.K. pension plans by asset class and level within the fair value hierarchy was:

	December 31, 2020				December 31, 2019			
		Fair Value Measurement Using				Fair Value Measurement Using		
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 412	$ 412	$ —	$ —	$ 154	$ 154	$ —	$ —
Equity securities measured at NAV (a) :								
U.K. companies	1	—	—	—	22	—	—	—
European companies (excluding the U.K.)	3	—	—	—	54	—	—	—
Asian-Pacific companies	3	—	—	—	35	—	—	—
North American companies	3	—	—	—	74	—	—	—
Emerging markets companies	1	—	—	—	32	—	—	—
Global Equities	2,253	—	—	—	1,684	—	—	—
Other	1,950	—	—	—	2,584	—	—	—
Debt Securities:								
U.K. corporate bonds	—	—	—	—	5	—	5	—
U.K. corporate bonds measured at NAV (a)	574	—	—	—	—	—	$ —	—
U.K. gilts	4,209	—	4,209	—	3,819	—	3,819	—
Alternative investments:								
Real estate measured at NAV (a)	557	—	—	—	519	—	—	—
Fair value - U.K. pension plans	9,966	$ 412	$ 4,209	$ —	8,982	$ 154	$ 3,824	$ —
Receivables and payables, net (b)	4				(37)			
Total U.K. pension assets	$ 9,970				$ 8,945			

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

(b) Receivables and payables, net represents amounts for investments sold/purchased but not yet settled along with interest and dividends earned but not yet received.

Except for investments in real estate, the fair value measurements of WPD's pension plan assets are based on the same inputs and measurement techniques used to measure the U.S. pension plan assets described above.

Investments in equity securities represent actively and passively managed funds that are measured against various equity indices.

Other comprises a range of investment strategies, which invest in a variety of assets including equities, bonds, currencies, real estate and forestry held in unitized funds, which are considered in the Global Tactical Asset Allocation target.

U.K. corporate bonds include investment grade corporate bonds of companies from diversified U.K. industries.

U.K. gilts include gilts, index-linked gilts and swaps intended to track a portion of the plans' liabilities.

Investments in real estate represent holdings in a U.K. unitized fund that owns and manages U.K. industrial and commercial real estate with a strategy of earning current rental income and achieving capital growth. The fair value measurement of the fund is based upon a net asset value per share, which is based on the value of underlying properties that are independently appraised in accordance with Royal Institution of Chartered Surveyors valuation standards at least annually with quarterly valuation updates based on recent sales of similar properties, leasing levels, property operations and/or market conditions. The fund may be subject to redemption restrictions in the unlikely event of a large forced sale in order to ensure other unit holders are not disadvantaged.

Expected Cash Flows - U.S. Defined Benefit Plans *(PPL)*

While PPL's U.S. defined benefit pension plans have the option to utilize available prior year credit balances to meet current and future contribution requirements, PPL contributed $30 million in January 2021 to its U.S. pension plans. No additional contributions are expected in 2021.

PPL sponsors various non-qualified supplemental pension plans for which no assets are segregated from corporate assets. PPL expects to make approximately $18 million of benefit payments under these plans in 2021.

PPL is not required to make contributions to its other postretirement benefit plans but has historically funded these plans in amounts equal to the postretirement benefit costs recognized. Continuation of this past practice would cause PPL to contribute $35 million to its other postretirement benefit plans in 2021.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid by the plans and the following federal subsidy payments are expected to be received by PPL.

		Other Postretirement	
	Pension	Benefit Payment	Expected Federal Subsidy
2021	$ 296	$ 49	$ 1
2022	284	47	—
2023	279	46	—
2024	275	44	—
2025	273	43	—
2026-2030	1,273	194	1

(LKE)

Effective January 1, 2020, the LKE and LG&E defined benefit pension plans were merged into a combined defined benefit pension plan.

While LKE's defined benefit pension plan has the option to utilize available prior year credit balances to meet current and future contribution requirements, LKE accelerated its planned January 2021 contribution of $23 million to December 2020. No contributions are expected in 2021.

LKE sponsors various non-qualified supplemental pension plans for which no assets are segregated from corporate assets. LKE expects to make $6 million of benefit payments under these plans in 2021.

LKE is not required to make contributions to its other postretirement benefit plan but has historically funded this plan in amounts equal to the postretirement benefit costs recognized. Continuation of this past practice would cause LKE to contribute a projected $15 million to its other postretirement benefit plan in 2021.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid by the plans and the following federal subsidy payments are expected to be received by LKE.

		Other Postretirement	
	Pension	Benefit Payment	Expected Federal Subsidy
2021	$ 121	$ 15	$ 1
2022	119	16	—
2023	118	16	—
2024	117	16	—
2025	115	16	—
2026-2030	533	75	1

Expected Cash Flows - U.K. Pension Plans *(PPL)*

The pension plans of WPD are subject to formal actuarial valuations every three years, which are used to determine funding requirements. Contribution requirements were evaluated in accordance with the valuation performed as of March 31, 2019. WPD expects to make contributions of approximately $183 million in 2021. WPD is currently permitted to recover in current revenues approximately 78% of its pension funding requirements for its primary pension plans.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid by the plans.

	Pension
2021	$ 362
2022	367
2023	370
2024	375
2025	377
2026-2030	1,884

Savings Plans *(All Registrants)*

Substantially all employees of PPL's subsidiaries are eligible to participate in deferred savings plans (401(k)s). Employer contributions to the plans were:

	2020	2019	2018
PPL	$ 42	$ 42	$ 40
PPL Electric	6	6	6
LKE	19	21	20
LG&E	6	6	6
KU	5	5	5

13. Jointly Owned Facilities

(PPL, LKE, LG&E and KU)

At December 31, 2020 and 2019, the Balance Sheets reflect the owned interests in the generating plants listed below.

	Ownership Interest	Electric Plant	Accumulated Depreciation	Construction Work in Progress
PPL and LKE				
December 31, 2020				
Trimble County Unit 1	75.00 %	$ 440	$ 64	$ 2
Trimble County Unit 2	75.00 %	1,340	227	106
December 31, 2019				
Trimble County Unit 1	75.00 %	$ 440	$ 54	$ 2
Trimble County Unit 2	75.00 %	1,278	203	134
LG&E				
December 31, 2020				
E.W. Brown Units 6-7	38.00 %	$ 46	$ 22	$ —
Paddy's Run Unit 13 & E.W. Brown Unit 5	53.00 %	51	22	—
Trimble County Unit 1	75.00 %	440	64	2
Trimble County Unit 2	14.25 %	370	51	54
Trimble County Units 5-6	29.00 %	33	14	1
Trimble County Units 7-10	37.00 %	77	31	1
Cane Run Unit 7	22.00 %	123	15	—
E.W. Brown Solar Unit	39.00 %	10	2	—
Solar Share	44.00 %	2	—	—
December 31, 2019				
E.W. Brown Units 6-7	38.00 %	$ 45	$ 20	$ —
Paddy's Run Unit 13 & E.W. Brown Unit 5	53.00 %	52	20	—
Trimble County Unit 1	75.00 %	440	54	2
Trimble County Unit 2	14.25 %	340	43	69
Trimble County Units 5-6	29.00 %	32	12	—
Trimble County Units 7-10	37.00 %	78	27	—
Cane Run Unit 7	22.00 %	119	13	—
E.W. Brown Solar Unit	39.00 %	10	2	—
Solar Share	44.00 %	1	—	—
KU				
December 31, 2020				
E.W. Brown Units 6-7	62.00 %	$ 76	$ 37	$ —
Paddy's Run Unit 13 & E.W. Brown Unit 5	47.00 %	45	20	—
Trimble County Unit 2	60.75 %	970	176	52
Trimble County Units 5-6	71.00 %	77	33	4
Trimble County Units 7-10	63.00 %	129	53	2
Cane Run Unit 7	78.00 %	443	57	2
E.W. Brown Solar Unit	61.00 %	16	3	—
Solar Share	56.00 %	2	—	—
December 31, 2019				
E.W. Brown Units 6-7	62.00 %	$ 75	$ 32	$ —
Paddy's Run Unit 13 & E.W. Brown Unit 5	47.00 %	46	14	—
Trimble County Unit 2	60.75 %	938	160	65
Trimble County Units 5-6	71.00 %	76	29	—
Trimble County Units 7-10	63.00 %	128	46	—
Cane Run Unit 7	78.00 %	429	49	1
E.W. Brown Solar Unit	61.00 %	16	2	—
Solar Share	56.00 %	2	—	—

Each subsidiary owning these interests provides its own funding for its share of the facility. Each receives a portion of the total output of the generating plants equal to its percentage ownership. The share of fuel and other operating costs associated with the plants is included in the corresponding operating expenses on the Statements of Income.

14. Commitments and Contingencies

Energy Purchase Commitments *(PPL, LKE, LG&E and KU)*

LG&E and KU enter into purchase contracts to supply the coal and natural gas requirements for generation facilities and LG&E's retail natural gas supply operations. These contracts include the following commitments:

Contract Type	Maximum Maturity Date
Natural Gas Fuel	2023
Natural Gas Retail Supply	2022
Coal	2024
Coal Transportation and Fleeting Services	2027
Natural Gas Transportation	2026

LG&E and KU have a power purchase agreement with OVEC expiring in June 2040. See footnote (f) to the table in "Guarantees and Other Assurances" below for information on the OVEC power purchase contract, including recent developments in credit or debt conditions relating to OVEC. Future obligations for power purchases from OVEC are demand payments, comprised of debt-service payments and contractually-required reimbursements of plant operating, maintenance and other expenses, and are projected as follows:

	LG&E	KU	Total
2021	$ 23	$ 11	$ 34
2022	23	11	34
2023	24	10	34
2024	22	10	32
2025	22	10	32
Thereafter	250	109	359
Total	$ 364	$ 161	$ 525

LG&E and KU had total energy purchases under the OVEC power purchase agreement for the years ended December 31 as follows:

	2020	2019	2018
LG&E	$ 12	$ 15	$ 14
KU	6	7	6
Total	$ 18	$ 22	$ 20

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 the 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 February 2022.

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. On December 11, 2020, the Court of Appeals issued an order affirming the lower court's denial of class certification. In December 2020, plaintiffs filed a petition for discretionary review with the Kentucky Supreme Court. 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. Discovery is complete and the parties' motions for partial summary judgment are pending. In December 2020, the U.S. District Court delayed the trial scheduled for February 2, 2021 indefinitely due to pandemic considerations. 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 and Louisville Metro Air Pollution Control District 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 December 2020, the U.S. Department of Justice and the Louisville Metro Air Pollution Control District filed an amended complaint. In February 2021, LG&E filed a renewed motion to dismiss regarding the amended complaint. 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. The EPA is conducting ongoing rulemaking actions to adopt various other amendments to the rule. 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 19 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. Cleanup 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.

At December 31, 2020 and December 31, 2019, PPL Electric had a recorded liability of $10 million representing its best estimate of the probable loss 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

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)

In November 2020, LG&E and the IBEW ratified a three-year collective bargaining agreement through November 2023. The agreement covers approximately 640 employees. The terms of the labor agreement are not expected to have a significant impact on the financial results of LKE or LG&E.

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. Examples of such agreements include: 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 obligations of PPL Capital Funding.

(All Registrants)

The table below details guarantees provided as of December 31, 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 December 31, 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 December 31, 2020		Expiration Date
PPL			
WPD indemnifications for entities in liquidation and sales of assets	$ 11	(a)	2022
WPD guarantee of pension and other obligations of unconsolidated entities	95	(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 December 31, 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 $104 million at December 31, 2020, consisting of LG&E's share of $72 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" above 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, there has been no material impact on the Registrants' operations, financial condition, liquidity 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.

15. Related Party Transactions

Wholesale Sales and Purchases *(LG&E and KU)*

LG&E and KU jointly dispatch their generation units with the lowest cost generation used to serve their retail customers. When LG&E has excess generation capacity after serving its own retail customers and its generation cost is lower than that of KU, KU purchases electricity from LG&E and vice versa. These transactions are reflected in the Statements of Income as "Electric revenue from affiliate" and "Energy purchases from affiliate" and are recorded at a price equal to the seller's fuel cost plus any split savings. Savings realized from such intercompany transactions are shared equally between both companies. The volume of energy each company has to sell to the other is dependent on its retail customers' needs and its available generation.

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

PPL Services, PPL EU Services and LKS provide PPL, PPL Electric and 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 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 years ended December 31, 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.

	2020	2019	2018
PPL Electric from PPL Services	$ 50	$ 59	$ 59
LKE from PPL Services	27	28	26
PPL Electric from PPL EU Services	176	152	148
LG&E from LKS	170	160	151
KU from LKS	180	178	169

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 December 31, 2020 and 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 December 31, 2020 and 2019, $251 million and $150 million were outstanding and reflected in "Notes payable with affiliates" on the Balance Sheets. The interest rate on the outstanding borrowings at December 31, 2020 and 2019 were 1.65% and 3.20%. Interest expense on the revolving line of credit was not significant for 2020, 2019 or 2018.

LKE maintains an agreement with a PPL affiliate that has a $300 million borrowing limit whereby LKE can loan funds on a short-term basis at market-based rates. No balance was outstanding at December 31, 2020 and 2019. The interest rate on the loan based on the PPL affiliates credit rating is currently equal to one-month LIBOR plus a spread.

LKE maintains 10-year notes with a combined value of $1.2 billion with a PPL affiliate with a weighted-average interest rate of 3.9% and maturities ranging from 2026 to 2030. This is inclusive of a 10-year note of $550 million that was entered into in August 2020. At December 31, 2020 and 2019, the notes were reflected in "Long-term debt to affiliate" on the Balance Sheets. Interest expense on the notes was $33 million for 2020, $24 million for 2019, and $21 million for 2018.

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 was 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. Interest expense on borrowings was not significant for 2020.

(LG&E)

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 December 31, 2020 and 2019.

(KU)

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 December 31, 2020 and 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 the 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 $22 million as of December 31, 2020, of which $10 million was reflected in "Accounts receivable from affiliates" and $12 million was reflected in "Other noncurrent assets" on the Balance Sheets. 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 Balance Sheets.

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

See Note 1 for discussions regarding the intercompany tax sharing agreement (for PPL Electric, LKE, LG&E and KU) and intercompany allocations of stock-based compensation expense (for PPL Electric and LKE). For PPL Electric, LG&E and KU, see Note 12 for discussions regarding intercompany allocations associated with defined benefits.

16. Other Income (Expense) - net

(PPL)

The components of "Other Income (Expense) - net" for the years ended December 31, were:

	2020	2019	2018
Other Income			
Economic foreign currency exchange contracts (Note 18)	$ (98)	$ (14)	$ 150
Defined benefit plans - non-service credits (Note 12)	262	316	257
Interest income	10	16	6
AFUDC - equity component	20	23	21
Miscellaneous	7	7	6
Total Other Income	201	348	440
Other Expense			
Charitable contributions	3	17	24
Miscellaneous	29	22	20
Total Other Expense	32	39	44
Other Income (Expense) - net	$ 169	$ 309	$ 396

(PPL Electric)

The components of "Other Income (Expense) - net" for the years ended December 31, were:

	2020	2019	2018
Other Income			
Defined benefit plans - non-service credits (Note 12)	$ 4	$ 4	$ 5
Interest income	2	2	2
AFUDC - equity component	19	23	20
Total Other Income	25	29	27
Other Expense			
Charitable contributions	3	3	3
Miscellaneous	4	1	1
Total Other Expense	7	4	4
Other Income (Expense) - net	$ 18	$ 25	$ 23

17. 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

Table of Contents

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 for information on the levels in the fair value hierarchy.

Recurring Fair Value Measurements

The assets and liabilities measured at fair value were:

	December 31, 2020				December 31, 2019			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
PPL								
Assets								
Cash and cash equivalents	$ 708	$ 708	$ —	$ —	$ 815	$ 815	$ —	$ —
Restricted cash and cash equivalents (a)	19	19	—	—	21	21	—	—
Special use funds (a):								
Commingled debt fund measured at NAV (b)	26	—	—	—	29	—	—	—
Commingled equity fund measured at NAV (b)	25	—	—	—	27	—	—	—
Total special use funds	51	—	—	—	56	—	—	—
Price risk management assets (c):								
Foreign currency contracts	—	—	—	—	142	—	142	—
Cross-currency swaps	146	—	146	—	154	—	154	—
Total price risk management assets	146	—	146	—	296	—	296	—
Total assets	$ 924	$ 727	$ 146	$ —	$ 1,188	$ 836	$ 296	$ —
Liabilities								
Price risk management liabilities (c):								
Interest rate swaps	$ 23	$ —	$ 23	$ —	$ 21	$ —	$ 21	$ —
Foreign currency contracts	137	—	137	—	5	—	5	—
Total price risk management liabilities	$ 160	$ —	$ 160	$ —	$ 26	$ —	$ 26	$ —
PPL Electric								
Assets								
Cash and cash equivalents	$ 40	$ 40	$ —	$ —	$ 262	$ 262	$ —	$ —
Restricted cash and cash equivalents (a)	—	—	—	—	2	2	—	—
Total assets	$ 40	$ 40	$ —	$ —	$ 264	$ 264	$ —	$ —
LKE								
Assets								
Cash and cash equivalents	$ 29	$ 29	$ —	$ —	$ 27	$ 27	$ —	$ —
Total assets	$ 29	$ 29	$ —	$ —	$ 27	$ 27	$ —	$ —
Liabilities								
Price risk management liabilities:								
Interest rate swaps	$ 23	$ —	$ 23	$ —	$ 21	$ —	$ 21	$ —
Total price risk management liabilities	$ 23	$ —	$ 23	$ —	$ 21	$ —	$ 21	$ —
LG&E								
Assets								
Cash and cash equivalents	$ 7	$ 7	$ —	$ —	$ 15	$ 15	$ —	$ —
Total assets	$ 7	$ 7	$ —	$ —	$ 15	$ 15	$ —	$ —
Liabilities								
Price risk management liabilities:								
Interest rate swaps	$ 23	$ —	$ 23	$ —	$ 21	$ —	$ 21	$ —
Total price risk management liabilities	$ 23	$ —	$ 23	$ —	$ 21	$ —	$ 21	$ —
KU								
Assets								

	December 31, 2020				December 31, 2019			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 22	$ 22	$ —	$ —	$ 12	$ 12	$ —	$ —
Total assets	$ 22	$ 22	$ —	$ —	$ 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 statement of financial position.

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

Special Use Funds

(PPL)

The special use funds are investments restricted for paying active union employee medical costs. In 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 the fair value of the funds are recorded to the Statement 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.

	December 31, 2020		December 31, 2019	
	Carrying Amount (a)	Fair Value	Carrying Amount (a)	Fair Value
PPL	$ 23,127	$ 28,765	$ 21,893	$ 25,481
PPL Electric	4,236	5,338	3,985	4,589
LKE	6,074	7,589	6,002	6,766
LG&E	2,007	2,499	2,005	2,278
KU	2,618	3,334	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.

18. 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, 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 2020 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" transactions with counterparties, 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 an immaterial amount and $14 million obligation to return cash collateral under master netting arrangements at December 31, 2020 and 2019.

PPL had no obligation to post cash collateral under master netting arrangements at December 31, 2020 and 2019.

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

LKE, LG&E and KU had no cash collateral posted under master netting arrangements at December 31, 2020 and 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. PPL had no such contracts at December 31, 2020.

At December 31, 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 2020, 2019 and 2018, PPL had no cash flow hedges reclassified into earnings associated with discontinued cash flow hedges.

At December 31, 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 December 31, 2020, LG&E held contracts with a notional amount of $64 million that mature in 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 December 31, 2020.

At December 31, 2020 and 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 and anticipated transactions, including the previously announced potential sale of its U.K. utility business. At December 31, 2020, the total exposure hedged by PPL was approximately £4 billion.

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 December 31, 2020 and 2019.

See Note 1 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:

	December 31, 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)	$ —	$ —	$ —	$ 2	$ —	$ —	$ —	$ 4
Cross-currency swaps (b)	94	—	—	—	5	—	—	—
Foreign currency contracts	—	—	—	137	—	—	142	5
Total current	94	—	—	139	5	—	142	9
Noncurrent:								
Price Risk Management Assets/Liabilities (a):								
Interest rate swaps (b)	—	—	—	21	—	—	—	17
Cross-currency swaps (b)	52	—	—	—	149	—	—	—
Total noncurrent	52	—	—	21	149	—	—	17
Total derivatives	$ 146	$ —	$ —	$ 160	$ 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:

Derivative Relationships	Derivative Gain (Loss) Recognized in OCI	Location of Gain (Loss) Recognized in Income on Derivative	Gain (Loss) Reclassified from AOCI into Income
2020			
Cash Flow Hedges:			
Interest rate swaps	$ (9)	Interest Expense	$ (10)
Cross-currency swaps	(15)	Other Income (Expense) - net	(22)
Total	$ (24)		$ (32)
Net Investment Hedges:			
Foreign currency contracts	$ 1		
2019			
Cash Flow Hedges:			
Interest rate swaps	$ (30)	Interest Expense	$ (9)
Cross-currency swaps	17	Other Income (Expense) - net	(9)
Total	$ (13)		$ (18)
Net Investment Hedges:			
Foreign currency contracts	$ 2		
2018			
Cash Flow Hedges:			
Interest rate swaps	$ 4	Interest Expense	$ (8)
Cross-currency swaps	41	Other Income (Expense) - net	42
		Interest Expense	1
Total	$ 45		$ 35
Net Investment Hedges:			
Foreign currency contracts	$ 11		

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	2020	2019	2018
Foreign currency contracts	Other Income (Expense) - net	$ (98)	$ (14)	$ 150
Interest rate swaps	Interest Expense	(5)	(5)	(5)
	Total	$ (103)	$ (19)	$ 145

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized as Regulatory Liabilities/Assets	2020	2019	2018
Interest rate swaps	Regulatory assets - noncurrent	$ (2)	$ (1)	$ 6

The following table presents the effect of cash flow hedge activity on the Statement of Income for the year ended December 31, 2020:

	Location and Amount of Gain (Loss) Recognized in Income on Hedging Relationships	
	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	$ 1,001	$ 169
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	(10)	—
Cross-currency swaps:		
Hedged items	—	22
Amount of gain (loss) reclassified from AOCI to income	—	(22)

The following table presents the effect of cash flow hedge activity on the Statement of Income for the year ended December 31, 2019:

	Location and Amount of Gain (Loss) Recognized in Income on Hedging Relationships	
	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	$ 994	$ 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	(9)	—
Cross-currency swaps:		
Hedged items	—	9
Amount of gain (loss) reclassified from AOCI to income	—	(9)

(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:

	December 31, 2020		December 31, 2019	
	Assets	Liabilities	Assets	Liabilities
Current:				
Price Risk Management				
Assets/Liabilities:				

	December 31, 2020		December 31, 2019	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	$ —	$ 2	$ —	$ 4
Total current	—	2	—	4
Noncurrent:				
Price Risk Management Assets/Liabilities:				
Interest rate swaps	—	21	—	17
Total noncurrent	—	21	—	17
Total derivatives	$ —	$ 23	$ —	$ 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:

Derivative Instruments	Location of Gain (Loss)	2020	2019	2018
Interest rate swaps	Interest Expense	$ (5)	$ (5)	$ (5)

Derivative Instruments	Location of Gain (Loss)	2020	2019	2018
Interest rate swaps	Regulatory assets - noncurrent	$ (2)	$ (1)	$ 6

(PPL, LKE, LG&E and KU)

Offsetting Derivative Instruments

PPL, LKE, LG&E and KU or certain of their subsidiaries have master netting arrangements in place and also enter into agreements pursuant to which they purchase or sell certain energy and other products. Under the agreements, upon termination of the agreement as a result of a default or other termination event, the non-defaulting party typically would have a right to set off amounts owed under the agreement against any other obligations arising between the two parties (whether under the agreement or not), whether matured or contingent and irrespective of the currency, place of payment or place of booking of the obligation.

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

	Assets				Liabilities			
		Eligible for Offset				Eligible for Offset		
	Gross	Derivative Instruments	Cash Collateral Received	Net	Gross	Derivative Instruments	Cash Collateral Pledged	Net
December 31, 2020								
Treasury Derivatives								
PPL	$ 146	$ 34	$ —	$ 112	$ 160	$ 34	$ —	$ 126
LKE	—	—	—	—	23	—	—	23
LG&E	—	—	—	—	23	—	—	23
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)

At December 31, 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
Aggregate fair value of derivative instruments in a net liability position with credit risk-related contingent features	$ 102
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)	102

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

19. Goodwill and Other Intangible Assets

Goodwill

(PPL)

The changes in the carrying amount of goodwill by segment were:

	U.K. Regulated		Kentucky Regulated		Corporate and Other		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Balance at beginning of period (a)	$ 2,483	$ 2,447	$ 662	$ 662	$ 53	$ 53	$ 3,198	$ 3,162
Effect of foreign currency exchange rates	76	34	—	—	—	—	76	34
Other	—	2	—	—	—	—	—	2
Balance at end of period (a)	$ 2,559	$ 2,483	$ 662	$ 662	$ 53	$ 53	$ 3,274	$ 3,198

(a) There were no accumulated impairment losses related to goodwill.

Other Intangible Assets

(PPL)

The gross carrying amount and the accumulated amortization of other intangible assets were:

	December 31, 2020		December 31, 2019	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Subject to amortization:				
Contracts (a)	$ 136	$ 93	$ 136	$ 84
Land rights and easements	460	142	440	135
Licenses and other	21	4	22	3
Total subject to amortization	617	239	598	222
Not subject to amortization due to indefinite life:				
Land rights and easements	380	—	361	—
Other	6	—	6	—
Total not subject to amortization due to indefinite life	386	—	367	—
Total	$ 1,003	$ 239	$ 965	$ 222

(a) Gross carrying amount in 2020 and 2019 includes the fair value at the acquisition date of the OVEC power purchase contract with terms favorable to market recognized as a result of the 2010 acquisition of LKE by PPL.

Current intangible assets are included in "Other current assets" and long-term intangible assets are included in "Other intangibles" on the Balance Sheets.

Amortization expense was as follows:

	2020	2019	2018
Intangible assets with no regulatory offset	$ 11	$ 9	$ 7
Intangible assets with regulatory offset	8	9	8
Total	$ 19	$ 18	$ 15

Amortization expense for each of the next five years is estimated to be:

	2021	2022	2023	2024	2025
Intangible assets with no regulatory offset	$ 11	$ 11	$ 11	$ 11	$ 11
Intangible assets with regulatory offset	8	8	8	8	8
Total	$ 19	$ 19	$ 19	$ 19	$ 19

(PPL Electric)

The gross carrying amount and the accumulated amortization of other intangible assets were:

	December 31, 2020		December 31, 2019	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Subject to amortization:				
Land rights and easements	$ 379	$ 129	$ 370	$ 125
Licenses and other	2	1	3	1
Total subject to amortization	381	130	373	126
Not subject to amortization due to indefinite life:				
Land rights and easements	17	—	17	—
Total	$ 398	$ 130	$ 390	$ 126

Intangible assets are shown as "Intangibles" on the Balance Sheets.

Amortization expense was as follows:

	2020	2019	2018
Intangible assets with no regulatory offset	$ 4	$ 4	$ 4

Amortization expense for each of the next five years is estimated to be:

	2021	2022	2023	2024	2025
Intangible assets with no regulatory offset	$ 4	$ 4	$ 4	$ 4	$ 4

(LKE)

The gross carrying amount and the accumulated amortization of other intangible assets were:

	December 31, 2020		December 31, 2019	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Subject to amortization:				
Land rights and easements	$ 22	$ 4	$ 22	$ 4
OVEC power purchase agreement (a)	125	82	125	74
Total subject to amortization	$ 147	$ 86	$ 147	$ 78

(a) Gross carrying amount represents the fair value at the acquisition date of the OVEC power purchase contract recognized as a result of the 2010 acquisition by PPL. An offsetting regulatory liability was recorded related to this contract, which is being amortized over the same period as the intangible asset, eliminating any income statement impact. See Note 7 for additional information.

Long-term intangible assets are presented as "Other intangibles" on the Balance Sheets.

Amortization expense was as follows:

	2020	2019	2018
Intangible assets with regulatory offset	$ 8	$ 9	$ 8

Amortization expense for each of the next five years is estimated to be:

	2021	2022	2023	2024	2025
Intangible assets with regulatory offset	$ 8	$ 8	$ 8	$ 8	$ 8

(LG&E)

The gross carrying amount and the accumulated amortization of other intangible assets were:

	December 31, 2020		December 31, 2019	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Subject to amortization:				
Land rights and easements	$ 7	$ 1	$ 7	$ 1
OVEC power purchase agreement (a)	86	57	86	51
Total subject to amortization	$ 93	$ 58	$ 93	$ 52

(a) Gross carrying amount represents the fair value at the acquisition date of the OVEC power purchase contract recognized as a result of the 2010 acquisition by PPL. An offsetting regulatory liability was recorded related to this contract, which is being amortized over the same period as the intangible asset, eliminating any income statement impact. See Note 7 for additional information.

Long-term intangible assets are presented as "Other intangibles" on the Balance Sheets.

Amortization expense was as follows:

	2020	2019	2018
Intangible assets with regulatory offset	$ 6	$ 6	$ 6

Amortization expense for each of the next five years is estimated to be:

	2021	2022	2023	2024	2025
Intangible assets with regulatory offset	$ 6	$ 6	$ 6	$ 6	$ 6

(KU)

The gross carrying amount and the accumulated amortization of other intangible assets were:

	December 31, 2020		December 31, 2019	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Subject to amortization:				
Land rights and easements	$ 15	$ 3	$ 15	$ 3
OVEC power purchase agreement (a)	39	25	39	23
Total subject to amortization	$ 54	$ 28	$ 54	$ 26

(a) Gross carrying amount represents the fair value at the acquisition date of the OVEC power purchase contract recognized as a result of the 2010 acquisition by PPL. An offsetting regulatory liability was recorded related to this contract, which is being amortized over the same period as the intangible asset, eliminating any income statement impact. See Note 7 for additional information.

Long-term intangible assets are presented as "Other intangibles" on the Balance Sheets.

Amortization expense was as follows:

	2020	2019	2018
Intangible assets with regulatory offset	$ 2	$ 3	$ 2

Amortization expense for each of the next five years is estimated to be:

	2021	2022	2023	2024	2025
Intangible assets with regulatory offset	$ 2	$ 2	$ 2	$ 2	$ 2

20. Asset Retirement Obligations

(PPL)

WPD has recorded conditional AROs required by U.K. law related to treated wood poles, gas-filled switchgear and fluid-filled cables.

(PPL and PPL Electric)

PPL Electric has identified legal retirement obligations for the retirement of certain transmission assets that could not be reasonably estimated due to indeterminable settlement dates. These assets are located on rights-of-way that allow the grantor to require PPL Electric to relocate or remove the assets. Since this option is at the discretion of the grantor of the right-of-way, PPL Electric is unable to determine when these events may occur.

(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 14 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	
	2020	2019	2020	2019	2020	2019	2020	2019
ARO at beginning of period	$ 282	$ 347	$ 215	$ 296	$ 73	$ 103	$ 142	$ 193
Accretion	17	19	15	17	5	6	10	11
Obligations incurred	—	—	—	—	—	—	—	—
Changes in estimated timing or cost	38	12	40	(2)	13	(2)	27	—
Effect of foreign currency exchange rates	1	—	—	—	—	—	—	—
Obligations settled	(88)	(96)	(88)	(96)	(24)	(34)	(64)	(62)
ARO at end of period	$ 250	$ 282	$ 182	$ 215	$ 67	$ 73	$ 115	$ 142

21. Accumulated Other Comprehensive Income (Loss)

(PPL and LKE)

The after-tax changes in AOCI by component for the years ended December 31 were as follows:

			Defined benefit plans (b)		
	Foreign currency translation adjustments (a)	Unrealized gains (losses) on qualifying derivatives	Prior service costs	Actuarial gain (loss)	Total
PPL					
December 31, 2017	$ (1,089)	$ (13)	$ (7)	$ (2,313)	$ (3,422)
Amounts arising during the year	(444)	36	(11)	(187)	(606)
Reclassifications from AOCI	—	(29)	2	142	115
Net OCI during the year	(444)	7	(9)	(45)	(491)
Adoption of reclassification of certain tax effects from AOCI guidance cumulative effect adjustment	$ —	$ (1)	$ (3)	$ (47)	(51)
December 31, 2018	$ (1,533)	$ (7)	$ (19)	$ (2,405)	$ (3,964)
Amounts arising during the year	108	(11)	(1)	(592)	(496)
Reclassifications from AOCI	—	13	2	87	102
Net OCI during the year	108	2	1	(505)	(394)
December 31, 2019	$ (1,425)	$ (5)	$ (18)	$ (2,910)	$ (4,358)
Amounts arising during the year	267	(19)	(1)	(341)	(94)
Reclassifications from AOCI	—	24	3	205	232
Net OCI during the year	267	5	2	(136)	138
December 31, 2020	$ (1,158)	$ —	$ (16)	$ (3,046)	$ (4,220)
LKE					
December 31, 2017			$ (9)	$ (79)	$ (88)
Amounts arising during the year			—	7	7
Reclassifications from AOCI			2	8	10
Net OCI during the year			2	15	17
Adoption of reclassification of certain tax effects from AOCI guidance cumulative effect adjustment (Note 1)			(2)	(16)	(18)
December 31, 2018			$ (9)	$ (80)	$ (89)
Amounts arising during the year			(1)	(6)	(7)
Reclassifications from AOCI			1	2	3
Net OCI during the year			—	(4)	(4)
December 31, 2019			$ (9)	$ (84)	$ (93)
Amounts arising during the year			(1)	(7)	(8)
Reclassifications from AOCI			2	13	15
Net OCI during the year			1	6	7
December 31, 2020			$ (8)	$ (78)	$ (86)

(a) Amounts relate to the operations of WPD.

(b) For PPL, substantially all of the amounts relate to WPD's pension plans. At December 31, 2020, the combined accumulated other comprehensive loss related to these plans was $2.9 billion.

The following table presents PPL's gains (losses) and related income taxes for reclassifications from AOCI for the years ended December 31, 2020, 2019 and 2018. LKE amounts are insignificant for the years ended December 31, 2020, 2019 and 2018. The defined benefit plan components of AOCI are not reflected in their entirety in the statement of income; rather, they are included in the computation of net periodic defined benefit costs (credits) and subject to capitalization. See Note 12 for additional information.

Details about AOCI	PPL 2020	PPL 2019	PPL 2018	Affected Line Item on the Statements of Income
Qualifying derivatives				
Interest rate swaps	$ (10)	$ (9)	$ (8)	Interest Expense
Cross-currency swaps	(22)	(9)	42	Other Income (Expense) - net
	—	—	1	Interest Expense
Total Pre-tax	(32)	(18)	35	
Income Taxes	8	5	(6)	
Total After-tax	(24)	(13)	29	
Defined benefit plans				
Prior service costs	(4)	(3)	(2)	
Net actuarial loss	(256)	(109)	(178)	
Total Pre-tax	(260)	(112)	(180)	
Income Taxes	52	23	36	
Total After-tax	(208)	(89)	(144)	
Total reclassifications during the year	$ (232)	$ (102)	$ (115)	

SCHEDULE I - LG&E and KU Energy LLC
CONDENSED UNCONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31,

(Millions of Dollars)

	2020	2019	2018
Other Income (Expense) - net			
Equity in Earnings of Subsidiaries	**$ 490**	$ 477	$ 470
Interest Income with Affiliate	**12**	28	25
Total	**502**	505	495
Interest Expense	**23**	30	29
Interest Expense with Affiliate	**37**	32	28
Income Before Income Taxes	**442**	443	438
Income Tax Expense (Benefit)	**(8)**	(25)	(7)
Net Income	**$ 450**	$ 468	$ 445
Total other comprehensive income (loss)	**7**	(4)	17
Comprehensive Income Attributable to Member	**$ 457**	$ 464	$ 462

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

SCHEDULE I - LG&E and KU Energy LLC
CONDENSED UNCONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

(Millions of Dollars)

	2020	2019	2018
Cash Flows from Operating Activities			
Net cash provided by (used in) operating activities	**$ 371**	$ 368	$ 346
Cash Flows from Investing Activities			
Capital contributions to affiliated subsidiaries	**(231)**	(93)	(128)
Net decrease (increase) in notes receivable from affiliates	**5**	(44)	(26)
Net cash provided by (used in) investing activities	**(226)**	(137)	(154)
Cash Flows from Financing Activities			
Net increase (decrease) in notes payable with affiliates	**613**	14	110
Retirement of long-term debt	**(475)**	—	—
Contribution from member	**—**	63	—
Distribution to member	**(283)**	(308)	(302)
Net cash provided by (used in) financing activities	**(145)**	(231)	(192)
Net Increase (Decrease) in Cash and Cash Equivalents	**—**	—	—
Cash and Cash Equivalents at Beginning of Period	**—**	—	—
Cash and Cash Equivalents at End of Period	**$ —**	$ —	$ —
Supplemental disclosures of cash flow information:			
Cash Dividends Received from Subsidiaries	**$ 361**	$ 411	$ 402

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

SCHEDULE I - LG&E and KU Energy LLC
CONDENSED UNCONSOLIDATED BALANCE SHEETS AT DECEMBER 31,
(Millions of Dollars)

	2020	2019
Assets		
Current Assets		
Accounts receivable from affiliates	$ 4	$ 3
Income taxes receivable	2	3
Notes receivable from affiliates	1,100	1,105
Total Current Assets	1,106	1,111
Investments		
Affiliated companies at equity	5,944	5,577
Other Noncurrent Assets		
Deferred income taxes	276	314
Total Assets	$ 7,326	$ 7,002
Liabilities and Equity		
Current Liabilities		
Notes payable to affiliates	$ 251	$ 150
Long-term debt due within one year	250	475
Accounts payable to affiliates	499	489
Taxes	5	—
Other current liabilities	2	6
Total Current Liabilities	1,007	1,120
Long-term Debt		
Long-term debt	—	249
Notes payable to affiliates	1,203	691
Total Long-term Debt	1,203	940
Deferred Credits and Other Noncurrent Liabilities	—	—
Equity	5,116	4,942
Total Liabilities and Equity	$ 7,326	$ 7,002

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

Schedule I - LG&E and KU Energy LLC
Notes to Condensed Unconsolidated Financial Statements

1. Basis of Presentation

LG&E and KU Energy LLC (LKE) is a holding company and conducts substantially all of its business operations through its subsidiaries. Substantially all of its consolidated assets are held by such subsidiaries. LKE uses the equity method to account for its investments in entities in which it has a controlling financial interest. LKE's cash flow and its ability to meet its obligations are largely dependent upon the earnings of these subsidiaries and the distribution or other payment of such earnings to it in the form of dividends or repayment of loans and advances from the subsidiaries. These condensed financial statements and related footnotes have been prepared in accordance with Reg. §210.12-04 of Regulation S-X. These statements should be read in conjunction with the consolidated financial statements and notes thereto of LKE.

LKE indirectly or directly owns all of the ownership interests of its significant subsidiaries. LKE relies primarily on dividends from its subsidiaries to fund LKE's distributions to its member and to meet its other cash requirements. See Note 8 to LKE's consolidated financial statements for discussions related to restricted net assets of its subsidiaries for the purposes of transferring funds to LKE in the form of distributions, loans or advances.

2. Commitments and Contingencies

See Note 14 to LKE's consolidated financial statements for commitments and contingencies of its subsidiaries.

Guarantees

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.

3. Long-Term Debt

See Note 8 to LKE's consolidated financial statements for the terms of LKE's outstanding long-term debt and maturities.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures.

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

The Registrants' principal executive officers and principal financial officers, based on their evaluation of the Registrants' disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Securities Exchange Act of 1934) have concluded that, as of December 31, 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 annual report has been prepared. The aforementioned principal officers have concluded that the disclosure controls and procedures are also effective to ensure that information required to be disclosed in reports filed under the Exchange Act is accumulated and communicated to management, including the principal executive officers and principal financial officers, to allow for timely decisions regarding required disclosure.

(b) Changes in internal control over financial reporting.

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

The Registrants' principal executive officers and principal financial officers have concluded that there were no changes in the Registrants' internal control over financial reporting during the Registrants' fourth fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Registrants' internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

PPL Corporation

PPL's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f) or 15d-15(f). PPL's internal control over financial reporting is a process designed to provide reasonable assurance to PPL's management and Board of Directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in "Internal Control - Integrated Framework" (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in "Internal Control - Integrated Framework" (2013), our management concluded that our internal control over financial reporting was effective December 31, 2020. The effectiveness of our internal control over financial reporting has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report contained on page 85.

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

Management of PPL's non-accelerated filer companies, PPL Electric, LKE, LG&E and KU, are responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f) or 15d-15(f). Each of the aforementioned companies' internal control over financial reporting is a process designed to provide reasonable assurance to management and Board of Directors of these companies regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

Under the supervision and with the participation of our management, including the principal executive officers and principal financial officers of the companies listed above, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in "Internal Control - Integrated Framework" (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in "Internal Control - Integrated Framework" (2013), management of these companies concluded that our internal control over financial reporting was effective as of December 31, 2020. This annual report does not include an attestation report of Deloitte & Touche LLP, the companies' independent registered public accounting firm regarding internal control over financial reporting for these non-accelerated filer companies. The effectiveness of internal control over financial reporting for the aforementioned companies was not subject to attestation by the companies' registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit these companies to provide only management's report in this annual report.

ITEM 9B. OTHER INFORMATION

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

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

PPL Corporation

Additional information for this item will be set forth in the sections entitled "Nominees for Directors" and "Board Committees - Board Committee Membership" in PPL's 2021 Notice of Annual Meeting and Proxy Statement, which will be filed with the SEC not later than 120 days after December 31, 2020, and which information is incorporated herein by reference. There have been no changes to the procedures by which shareowners may recommend nominees to PPL's board of directors since the filing with the SEC of PPL's 2020 Notice of Annual Meeting and Proxy Statement.

PPL has adopted a code of ethics entitled "Standards of Integrity" that applies to all directors, managers, trustees, officers (including the principal executive officers, principal financial officers and principal accounting officers (each, a "principal officer")), employees and agents of PPL and PPL's subsidiaries for which it has operating control (PPL Electric, LKE, LG&E and KU). The "Standards of Integrity" are posted on PPL's Internet website: www.pplweb.com/governance. A description of any amendment to the "Standards of Integrity" (other than a technical, administrative or other non-substantive amendment) will be posted on PPL's Internet website within four business days following the date of the amendment. In addition, if a waiver constituting a material departure from a provision of the "Standards of Integrity" is granted to one of the principal officers, a description of the nature of the waiver, the name of the person to whom the waiver was granted and the date of the waiver will be posted on PPL's Internet website within four business days following the date of the waiver.

PPL also has adopted its "Guidelines for Corporate Governance," which address, among other things, director qualification standards and director and board committee responsibilities. These guidelines, and the charters of each of the committees of PPL's board of directors, are posted on PPL's Internet website: www.pplweb.com/governance.

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

Item 10 is omitted as PPL Electric, LKE, LG&E and KU meet the conditions set forth in General Instruction (I)(1)(a) and (b) of Form 10-K.

EXECUTIVE OFFICERS OF THE REGISTRANTS

Officers of the Registrants are elected annually by their Boards of Directors to serve at the pleasure of the respective Boards. There are no family relationships among any of the executive officers, nor is there any arrangement or understanding between any executive officer and any other person pursuant to which the officer was selected.

There have been no events under any bankruptcy act, no criminal proceedings and no judgments or injunctions material to the evaluation of the ability and integrity of any executive officer during the past five years.

Listed below are the executive officers at December 31, 2020.

PPL Corporation

Name	Age	Positions Held During the Past Five Years	Dates
Vincent Sorgi	49	President and Chief Executive Officer	June 2020 - present
		President and Chief Operating Officer	July 2019 - May 2020
		Executive Vice President and Chief Financial Officer	January 2019 - June 2019
		Senior Vice President and Chief Financial Officer	June 2014 - January 2019
Joanne H. Raphael	61	Executive Vice President, General Counsel and Corporate Secretary	January 2019 - present
		Senior Vice President, General Counsel and Corporate Secretary	June 2015 - January 2019
Joseph P. Bergstein, Jr.	50	Senior Vice President and Chief Financial Officer	July 2019 - present
		Vice President-Investor Relations and Corporate Development & Planning	January 2018 - June 2019
		Vice President-Investor Relations and Treasurer	January 2016 - December 2017
Gregory N. Dudkin (a)	63	President-PPL Electric	March 2012 - present
Paul W. Thompson (a)	63	President and Chief Executive Officer - LKE	July 2020 - present
		Chairman of the Board, Chief Executive Officer and President-LKE	March 2018 - July 2020
		President and Chief Operating Officer	January 2017 - March 2018
		Chief Operating Officer	February 2013 - December 2016
Philip Swift (a)	53	Chief Executive-WPD	November 2018 - present
		Operations Director	July 2013 - November 2018
Marlene C. Beers	49	Vice President and Controller	March 2019 - present
		Vice President-Finance and Regulatory Affairs and Controller-PPL Electric	August 2018 - February 2019
		Controller-PPL Electric	February 2016 - July 2018
Tadd J. Henninger	45	Vice President-Finance and Treasurer	July 2019 - present
		Vice President and Treasurer	January 2018 - July 2019
		Assistant Treasurer	December 2015 - December 2017

(a) Designated an executive officer of PPL by virtue of their respective positions at a PPL subsidiary.

ITEM 11. EXECUTIVE COMPENSATION

PPL Corporation

Information for this item will be set forth in the sections entitled "Compensation of Directors," "The Board's Role in Risk Oversight" and "Executive Compensation" in PPL's 2021 Notice of Annual Meeting and Proxy Statement, which will be filed with the SEC not later than 120 days after December 31, 2020, and which information is incorporated herein by reference.

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

Item 11 is omitted as PPL Electric, LKE, LG&E and KU meet the conditions set forth in General Instructions (I)(1)(a) and (b) of Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

PPL Corporation

Information for this item will be set forth in the section entitled "Stock Ownership" in PPL's 2021 Notice of Annual Meeting and Proxy Statement, which will be filed with the SEC not later than 120 days after December 31, 2020, and which information is incorporated herein by reference. In addition, provided below in tabular format is information as of December 31, 2020, with respect to compensation plans (including individual compensation arrangements) under which equity securities of PPL are authorized for issuance.

Equity Compensation Plan Information

	Number of securities to be issued upon exercise of outstanding options, warrants and rights (2)	Weighted-average exercise price of outstanding options, warrants and rights (3)	Number of securities remaining available for future issuance under equity compensation plans (4)
Equity compensation plans approved by security holders (1)	56,185 – ICP 55,153 – SIP 991,678 – ICPKE 1,103,016 – Total	$ 24.37 – ICP $ 26.59 – SIP $ 26.30 – ICPKE $ 26.22 – Combined	1,447,924 – DDCP 10,210,002 – SIP 988,231 – ICPKE 12,646,157 – Total
Equity compensation plans not approved by security holders (2)			

(1) Includes (a) the ICP, under which stock options, restricted stock, restricted stock units, performance units, dividend equivalents and other stock-based awards were awarded to executive officers of PPL and no awards remain for issuance under this plan; (b) the ICPKE, under which stock options, restricted stock, restricted stock units, performance units, dividend equivalents and other stock-based awards may be awarded to non-executive key employees of PPL and its subsidiaries; (c) the SIP approved by shareowners in 2017 under which stock options, restricted stock, restricted stock units, performance units, dividend equivalents and other stock-based awards may be awarded to executive officers of PPL and its subsidiaries; and (d) the DDCP, under which stock units may be awarded to directors of PPL. See Note 11 to the Financial Statements for additional information.

(2) All of PPL's current compensation plans under which equity securities of PPL are authorized for issuance have been approved by PPL's shareowners.
(3) Relates to common stock issuable upon the exercise of stock options awarded under the ICP, SIP and ICPKE as of December 31, 2020. In addition, as of December 31, 2020, the following other securities had been awarded and are outstanding under the ICP, SIP, ICPKE and DDCP: 127,902 restricted stock units, 421,532 TSR performance awards and 504,914 ROE performance awards under the SIP; 768,434 restricted stock units 204,722 TSR performance awards and 223,750 ROE performance awards under the ICPKE; and 647,832 stock units under the DDCP.
(4) Based upon the following aggregate award limitations under the ICP, SIP, ICPKE and DDCP: (a) under the ICP, 15,769,431 awards (i.e., 5% of the total PPL common stock outstanding as of April 23, 1999) granted after April 23, 1999; (b) under the SIP, 15,000,000 awards; (c) under the ICPKE, 16,573,608 awards (i.e., 5% of the total PPL common stock outstanding as of January 1, 2003) granted after April 25, 2003, reduced by outstanding awards for which common stock was not yet issued as of such date of 2,373,812 resulting in a limit of 14,199,796; and (d) under the DDCP, the number of stock units available for issuance was reduced to 2,000,000 stock units in March 2012. In addition, each of the ICP and ICPKE includes an annual award limitation of 2% of total PPL common stock outstanding as of January 1 of each year.

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

Item 12 is omitted as PPL Electric, LKE, LG&E and KU meet the conditions set forth in General Instructions (I)(1)(a) and (b) of Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

PPL Corporation

Information for this item will be set forth in the sections entitled "Transactions with Related Persons" and "Independence of Directors" in PPL's 2021 Notice of Annual Meeting and Proxy Statement, which will be filed with the SEC not later than 120 days after December 31, 2020 and is incorporated herein by reference.

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

Item 13 is omitted as PPL Electric, LKE, LG&E and KU meet the conditions set forth in General Instructions (I)(1)(a) and (b) of Form 10-K.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

PPL Corporation

Information for this item will be set forth in the section entitled "Fees to Independent Auditor for 2020 and 2019" in PPL's 2021 Notice of Annual Meeting and Proxy Statement, which will be filed with the SEC not later than 120 days after December 31, 2020, and which information is incorporated herein by reference.

PPL Electric Utilities Corporation

For the fiscal years ended 2020 and 2019, Deloitte & Touche LLP (Deloitte) served as PPL Electric's independent auditor. The following table presents an allocation of fees billed, including expenses, by the independent auditor to PPL Electric, for professional services rendered for the audits of PPL Electric's annual financial statements and for fees billed for other services rendered by Deloitte.

	2020	2019
	(in thousands)	
Audit fees (a)	$ 1,737	$ 1,308
Audit-related fees (b)	16	

(a) Includes estimated fees for audit of annual financial statements and review of financial statements included in PPL Electric's Quarterly Reports on Form 10-Q and for services in connection with statutory and regulatory filings or engagements, including comfort letters and consents for financings and filings made with the SEC.
(b) Fees for agreed-upon procedures related to annual EPA filings.

LG&E and KU Energy LLC

For the fiscal years ended 2020 and 2019, Deloitte served as LKE's independent auditor. The following table presents an allocation of fees billed, including expenses, by the independent auditor to LKE, for professional services rendered for the audits of LKE's annual financial statements and for fees billed for other services rendered by Deloitte.

	2020	2019
	(in thousands)	
Audit fees (a)	$ 1,806	$ 1,973
Other	11	—

(a) Includes estimated fees for audit of annual financial statements and review of financial statements included in LKE's Quarterly Reports on Form 10-Q and for services in connection with statutory and regulatory filings or engagements, including comfort letters and consents for financings and filings made with the SEC.

Louisville Gas and Electric Company

For the fiscal years ended 2020 and 2019, Deloitte served as LG&E's independent auditor. The following table presents an allocation of fees billed, including expenses, by the independent auditor to LG&E, for professional services rendered for the audits of LG&E's annual financial statements and for fees billed for other services rendered by Deloitte.

	2020	2019
	(in thousands)	
Audit fees (a)	$ 832	$ 935
Other	5	—

(a) Includes estimated fees for audit of annual financial statements and review of financial statements included in LG&E's Quarterly Reports on Form 10-Q and for services in connection with statutory and regulatory filings or engagements, including comfort letters and consents for financings and filings made with the SEC.

Kentucky Utilities Company

For the fiscal years ended 2020 and 2019, Deloitte served as KU's independent auditor. The following table presents an allocation of fees billed, including expenses, by the independent auditor to KU, for professional services rendered for the audits of KU's annual financial statements and for fees billed for other services rendered by Deloitte.

	2020	2019
	(in thousands)	
Audit fees (a)	$ 955	$ 1,021
Other	6	—

(a) Includes estimated fees for audit of annual financial statements and review of financial statements included in KU's Quarterly Reports on Form 10-Q and for services in connection with statutory and regulatory filings or engagements, including comfort letters and consents for financings and filings made with the SEC.

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

Approval of Fees. The Audit Committee of PPL has procedures for pre-approving audit and non-audit services to be provided by the independent auditor. These procedures are designed to ensure the continued independence of the independent auditor. More specifically, the use of the independent auditor to perform either audit or non-audit services is prohibited unless specifically approved in advance by the Audit Committee of PPL. As a result of this approval process, the Audit Committee of PPL has pre-approved specific categories of services and authorization levels. All services outside of the specified categories and all amounts exceeding the authorization levels are approved by the Chair of the Audit Committee of PPL, who serves as the Committee designee to review and approve audit and non-audit related services during the year. A listing of the approved audit and non-audit services is reviewed with the full Audit Committee of PPL no later than its next meeting.

The Audit Committee of PPL approved 100% of the 2020 and 2019 services provided by Deloitte.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

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

(a) The following documents are filed as part of this report:

1. Financial Statements - Refer to the "Table of Contents" for an index of the financial statements included in this report.

2. Supplementary Data and Supplemental Financial Statement Schedule - included in response to Item 8.

   Schedule I - LG&E and KU Energy LLC Condensed Unconsolidated Financial Statements.

   All other schedules are omitted because of the absence of the conditions under which they are required or because the required information is included in the financial statements or notes thereto.

3. Exhibits

   See Exhibit Index immediately following the signature pages.

SHAREOWNER AND INVESTOR INFORMATION

Annual Meeting: The 2021 annual meeting of shareowners of PPL will be held on Tuesday, May 18, 2021 in a virtual meeting format.

Proxy Statement Material: A proxy statement and notice of PPL's annual meeting will be provided to all shareowners who are holders of record as of February 26, 2021. The latest proxy statement can be accessed at www.pplweb.com/PPLCorpProxy.

PPL Annual Report: The report will be published in the beginning of April and will be provided to all shareowners who are holders of record as of February 26, 2021. The latest annual report can be accessed at www.pplweb.com/PPLCorpProxy.

Dividends: Subject to the declaration of dividends on PPL common stock by the PPL Board of Directors or its Executive Committee, dividends are paid on the first business day of April, July, October and January. The 2021 record dates for dividends are expected to be March 10, June 10, September 10 and December 10.

PPL's Website (www.pplweb.com): Shareowners can access PPL publications such as annual and quarterly reports to the Securities and Exchange Commission (SEC Forms 10-K and 10-Q), other PPL filings, corporate governance materials, news releases, stock quotes and historical performance. Visitors to our website can subscribe to receive automated email alerts for SEC filings, earnings releases, daily stock prices or other financial news.

Financial reports which are available at www.pplweb.com will be mailed without charge upon request.

By mail:
PPL Treasury Dept.
Two North Ninth Street
Allentown, PA 18101

By email: invserv@pplweb.com

By telephone:
610-774-5151 or Toll-free at 1-800-345-3085

Online Account Access: Registered shareowners can activate their account for online access by visiting shareowneronline.com.

Direct Stock Purchase and Dividend Reinvestment Plans (Plan): PPL offers investors the opportunity to acquire shares of PPL common stock through its Plan. Through the Plan, participants are eligible to invest up to $25,000 per calendar month in PPL common stock. Shareowners may choose to have dividends on their PPL common stock fully or partially reinvested in PPL common stock or can receive full payment of cash dividends by check or electronic funds transfer. Participants in the Plan may choose to have their common stock certificates deposited into their Plan account.

Direct Registration System: PPL participates in the Direct Registration System (DRS). Shareowners may choose to have their common stock certificates converted to book entry form within the DRS by submitting their certificates to PPL's transfer agent.

Listed Securities:

New York Stock Exchange

PPL Corporation:
Common Stock (Code: PPL)

PPL Capital Funding, Inc.:
2007 Series A Junior Subordinated Notes due 2067 (Code: PPL/67)
2013 Series B Junior Subordinated Notes due 2073 (Code: PPX)

Fiscal Agents:

Transfer Agent and Registrar; Dividend Disbursing Agent; Plan Administrator
Equiniti Trust Company
Shareowner Services
1110 Centre Pointe Curve, Suite 101
Mendota Heights, MN 55120

Toll Free: 1-800-345-3085
Outside U.S.: 651-450-4064
Website: shareowneronline.com

Indenture Trustee
The Bank of New York Mellon
Corporate Trust Administration
500 Ross Street
Pittsburgh, PA 15262

EXHIBIT INDEX

The following Exhibits indicated by an asterisk preceding the Exhibit number are filed herewith. The balance of the Exhibits has heretofore been filed with the Commission and pursuant to Rule 12(b)-32 are incorporated herein by reference. Exhibits indicated by a [_] are filed or listed pursuant to Item 601(b)(10)(iii) of Regulation S-K.

1(a)	-	Securities Purchase and Registration Rights Agreement, dated March 5, 2014, among PPL Capital Funding, Inc., PPL Corporation, and the several purchasers named in Schedule B thereto (Exhibit 1.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated March 10, 2014)
1(b)	-	Final Terms, dated November 14, 2017, of Western Power Distribution (South West) plc £250,000,000 2.375% Notes due May 2029 (Exhibit 1.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated November 16, 2017)
1(c)	-	Distribution Agreement, dated February 23, 2018, by and among PPL Corporation and J.P. Morgan Securities, LLC, Barclays Capital Inc., Citigroup Global Markets Inc., JPMorgan Chase Bank, National Association, London Branch, Barclays Bank PLC and Citibank N.A. (Exhibit 1.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated February 23, 2018)
1(d)	-	Final Terms, dated March 23, 2018, of Western Power Distribution (South Wales) plc £30,000,000 RPI Index Linked Senior Unsecured Notes due March 2036 (Exhibit 1(b) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2018)
1(e)	-	Final Terms, dated May 11, 2018, of Western Power Distribution (West Midlands) plc £30,000,000 RPI Index Linked Senior Unsecured Notes due March 2028 (Exhibit 1(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended June 30, 2018)
1(f)	-	Final Terms, dated September 5, 2019, of Western Power Distribution (East Midlands) plc £250,000 Fixed Rate Notes due 2031 under the £4,000,000,000 Euro Medium Term Note Programme (Exhibit 1(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended September 30, 2019)
1(g)	-	Final Terms, dated October 5, 2020, of Western Power Distribution (South Wales) plc £250,000,000 1.625 per cent Fixed Rate Note due 2035 under the £400,000,000 Euro Medium Term Note Programme (Exhibit 1.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated October 8, 2020)
2(a)	-	Separation Agreement among PPL Corporation, Talen Energy Holdings, Inc., Talen Energy Corporation, PPL Energy Supply, LLC, Raven Power Holdings LLC, C/R Energy Jade, LLC and Sapphire Power Holdings LLC., dated as of June 9, 2014 (Exhibit 2.1 to PPL Energy Supply, LLC Form 8-K Report (File No. 1-32944) dated June 12, 2014)
2(b)	-	Transaction Agreement among PPL Corporation, Talen Energy Holdings, Inc., Talen Energy Corporation, PPL Energy Supply, LLC, Talen Energy Merger Sub, Inc., C/R Energy Jade, LLC, Sapphire Power Holdings LLC. and Raven Power Holdings LLC, dated as of June 9, 2014 (Exhibit 2.2 to PPL Energy Supply, LLC Form 8-K Report (File No. 1-32944) dated June 12, 2014)
3(a)	-	Amended and Restated Articles of Incorporation of PPL Corporation, effective as of May 25, 2016 (Exhibit 3(i) to PPL Corporation Form 8-K Report (File No. 1-11459) dated May 26, 2016)
3(b)	-	Bylaws of PPL Corporation, effective as of March 23, 2020 (Exhibit 3(ii) to PPL Corporation Form 8-K Report (File No. 1-11459) dated March 27, 2020)
3(c)	-	Amended and Restated Articles of Incorporation of PPL Electric Utilities Corporation, effective as of October 31, 2013 (Exhibit 3(a) to PPL Electric Utilities Corporation Form 10-Q Report (File No. 1-905) for the quarter ended September 30, 2013)
3(d)	-	Bylaws of PPL Electric Utilities Corporation, effective as of October 27, 2015 (Exhibit 3(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended September 30, 2015)
3(e)	-	Articles of Organization of LG&E and KU Energy LLC, effective as of December 29, 2003 (Exhibit 3(a) to Registration Statement filed on Form S-4 (File No. 333-173665))

3(f)-1	-	Amended and Restated Operating Agreement of LG&E and KU Energy LLC, effective as of November 1, 2010 (Exhibit 3(b) to Registration Statement filed on Form S-4 (File No. 333-173665))
3(f)-2	-	Amendment to Amended and Restated Operating Agreement of LG&E and KU Energy LLC, effective as of November 25, 2013 (Exhibit 3(h)-2) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2013)
3(g)-1	-	Amended and Restated Articles of Incorporation of Louisville Gas and Electric Company, effective as of November 6, 1996 (Exhibit 3(a) to Registration Statement filed on Form S-4 (File No. 333-173676))
3(g)-2	-	Articles of Amendment to Articles of Incorporation of Louisville Gas and Electric Company, effective as of April 6, 2004 (Exhibit 3(b) to Registration Statement filed on Form S-4 (File No. 333-173676))
3(h)	-	Bylaws of Louisville Gas and Electric Company, effective as of December 16, 2003 (Exhibit 3(c) to Registration Statement filed on Form S-4 (File No. 333-173676))
3(i)-1	-	Amended and Restated Articles of Incorporation of Kentucky Utilities Company, effective as of December 14, 1993 (Exhibit 3(a) to Registration Statement filed on Form S-4 (File No. 333-173675))
3(i)-2	-	Articles of Amendment to Articles of Incorporation of Kentucky Utilities Company, effective as of April 8, 2004 (Exhibit 3(b) to Registration Statement filed on Form S-4 (File No. 333-173675))
3(j)	-	Bylaws of Kentucky Utilities Company, effective as of December 16, 2003 (Exhibit 3(c) to Registration Statement filed on Form S-4 (File No. 333-173675))
4(a)-1	-	Amended and Restated Employee Stock Ownership Plan, dated December 1, 2016 (Exhibit 4(a) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2016)
4(a)-2	-	Amendment No. 1 to PPL Employee Stock Ownership Plan, dated October 2, 2017 (Exhibit 4(c) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended September 30, 2017)
4(a)-3	-	Amendment No. 2 to PPL Employee Stock Ownership Plan, dated December 1, 2018 (Exhibit 4(a)-3 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2018)
4(a)-4	-	Amendment No. 3 to PPL Employee Stock Ownership Plan, dated January 1, 2019 (Exhibit 4(a)-4 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2018)
4(b)-1	-	Indenture, dated as of November 1, 1997, among PPL Corporation, PPL Capital Funding, Inc. and JPMorgan Chase Bank (formerly The Chase Manhattan Bank), as Trustee (Exhibit 4.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated November 12, 1997)
4(b)-2	-	Supplemental Indenture No. 8, dated as of June 14, 2012, to said Indenture (Exhibit 4(b) to PPL Corporation Form 8-K Report (File No. 1-11459) dated June 14, 2012)
4(b)-3	-	Supplemental Indenture No. 9, dated as of October 15, 2012, to said Indenture (Exhibit 4(b) to PPL Corporation Form 8-K Report (File No. 1-11459) dated October 15, 2012)
4(b)-4	-	Supplemental Indenture No. 10, dated as of May 24, 2013, to said Indenture (Exhibit 4.2 to PPL Corporation Form 8-K Report (File No. 1-11459) dated May 24, 2013)
4(b)-5	-	Supplemental Indenture No. 11, dated as of May 24, 2013, to said Indenture (Exhibit 4.3 to PPL Corporation Form 8-K Report (File No. 1-11459) dated May 24, 2013)

4(b)-6	-	Supplemental Indenture No. 12, dated as of May 24, 2013, to said Indenture (Exhibit 4.4 to PPL Corporation Form 8-K Report (File No. 1-11459) dated May 24, 2013)
4(b)-7	-	Supplemental Indenture No. 13, dated as of March 10, 2014, to said Indenture (Exhibit 4.2 to PPL Corporation Form 8-K Report (File No. 1-11459) dated March 10, 2014)
4(b)-8	-	Supplemental Indenture No. 14, dated as of March 10, 2014, to said Indenture (Exhibit 4.3 to PPL Corporation Form 8-K Report (File No. 1-11459) dated March 10, 2014)
4(b)-9	-	Supplemental Indenture No. 15, dated as of May 17, 2016, to said Indenture (Exhibit 4(b) to PPL Corporation Form 8-K Report (File No. 1-11459) dated May 17, 2016)
4(b)-10	-	Supplemental Indenture No. 16, dated as of September 8, 2017, to said Indenture (Exhibit 4(b) to PPL Corporation Form 8-K Report (File No. 1-11459) dated September 6, 2017)
4(b)-11	-	Supplemental Indenture No. 17, dated as of April 1, 2020, to said Indenture (Exhibit 4(b) to PPL Corporation Form 8-K Report (File No. 1-11459) dated April 3, 2020)
4(c)-1	-	Indenture, dated as of March 16, 2001, among WPD Holdings UK, Bankers Trust Company, as Trustee, Principal Paying Agent, and Transfer Agent and Deutsche Bank Luxembourg, S.A., as Paying and Transfer Agent (Exhibit 4(g) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2009)
4(c)-2	-	First Supplemental Indenture constituting the creation of $200 million 6.75% Notes due 2004, $200 million 6.875% Notes due 2007, $225 million 6.50% Notes due 2008, $100 million 7.25% Notes due 2017 and $300 million 7.375% Notes due 2028, dated as of March 16, 2001, to said Indenture (Exhibit 4(n)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2004)
4(c)-3	-	Second Supplemental Indenture, dated as of January 30, 2003, to said Indenture (Exhibit 4(n)-3 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2004)
4(c)-4	-	Third Supplemental Indenture, dated as of October 31, 2014, to said Indenture (Exhibit 4(b) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended September 30, 2014)
4(c)-5	-	Fourth Supplemental Indenture, dated as of December 1, 2016, to said Indenture (Exhibit 4(d)-5 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2016)
4(c)-6	-	Fifth Supplemental Indenture, dated as of January 2, 2019, to said Indenture (Exhibit 4(d)-6 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2018)
*4(c)-7	-	Sixth Supplemental Indenture, dated as of December 16, 2020, to said Indenture
4(d)-1	-	Indenture, dated as of August 1, 2001, by PPL Electric Utilities Corporation and JPMorgan Chase Bank (formerly The Chase Manhattan Bank), as Trustee (Exhibit 4.1 to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated August 21, 2001)
4(d)-2	-	Supplemental Indenture No. 6, dated as of December 1, 2005, to said Indenture (Exhibit 4(a) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated December 22, 2005)
4(d)-3	-	Supplemental Indenture No. 7, dated as of August 1, 2007, to said Indenture (Exhibit 4(b) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated August 14, 2007)

4(d)-4	-	Supplemental Indenture No. 9, dated as of October 1, 2008, to said Indenture (Exhibit 4(c) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated October 31, 2008)
4(d)-5	-	Supplemental Indenture No. 10, dated as of May 1, 2009, to said Indenture (Exhibit 4(b) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated May 22, 2009)
4(d)-6	-	Supplemental Indenture No. 11, dated as of July 1, 2011, to said Indenture (Exhibit 4.1 to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated July 13, 2011)
4(d)-7	-	Supplemental Indenture No. 12, dated as of July 1, 2011, to said Indenture (Exhibit 4(a) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated July 18, 2011)
4(d)-8	-	Supplemental Indenture No. 13, dated as of August 1, 2011, to said Indenture (Exhibit 4(a) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated August 23, 2011)
4(d)-9	-	Supplemental Indenture No. 14, dated as of August 1, 2012, to said Indenture (Exhibit 4(a) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated August 24, 2012)
4(d)-10	-	Supplemental Indenture No. 15, dated as of July 1, 2013, to said Indenture (Exhibit 4(a) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated July 11, 2013)
4(d)-11	-	Supplemental Indenture No. 16, dated as of June 1, 2014, to said Indenture (Exhibit 4(a) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated June 5, 2014)
4(d)-12	-	Supplemental Indenture No. 17, dated as of October 1, 2015, to said Indenture (Exhibit 4(a) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated October 1, 2015)
4(d)-13	-	Supplemental Indenture No. 18, dated as of March 1, 2016, to said Indenture (Exhibit 4(c) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated March 10, 2016)
4(d)-14	-	Supplemental Indenture No. 19, dated as of May 1, 2017, to said Indenture (Exhibit 4(a) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated May 11, 2017)
4(d)-15	-	Supplemental Indenture No. 20, dated as of June 1, 2018, to said Indenture (Exhibit 4(a) to PPL Corporation Form 8-K Report (File No. 1-11459) dated June 14, 2018)
4(d)-16	-	Supplemental Indenture No. 21, dated as of September 1, 2019, to said Indenture (Exhibit 4(a) to PPL Corporation Form 8-K Report (File No. 1-11459) dated September 6, 2019)
4(d)-17	-	Supplemental Indenture No. 22, dated as of September 15, 2020, to said Indenture (Exhibit 4(a) to PPL Corporation Form 8-K Report (File No. 1-11459) dated October 1, 2020)
4(e)-1	-	Trust Deed constituting £200 million 5.875 percent Bonds due 2027, dated March 25, 2003, between Western Power Distribution (South West) plc and J.P. Morgan Corporate Trustee Services Limited (Exhibit 4(o)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2004)
4(e)-2	-	Supplement, dated May 27, 2003, to said Trust Deed, constituting £50 million 5.875 percent Bonds due 2027 (Exhibit 4(o)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2004)

4(f)-1	-	Pollution Control Facilities Loan Agreement, dated as of October 1, 2008, between Pennsylvania Economic Development Financing Authority and PPL Electric Utilities Corporation (Exhibit 4(a) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated October 31, 2008)
4(f)-2	-	Pollution Control Facilities Loan Agreement, dated as of March 1, 2016, between PPL Electric Utilities Corporation and the Lehigh County Industrial Development Authority (Exhibit 4(a) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated March 10, 2016)
4(f)-3	-	Pollution Control Facilities Loan Agreement, dated as of March 1, 2016, between PPL Electric Utilities Corporation and the Lehigh County Industrial Development Authority (Exhibit 4(b) to PPL Electric Utilities Corporation Form 8-K Report (File No. 1-905) dated March 10, 2016)
4(g)	-	Trust Deed constituting £105 million 1.541 percent Index-Linked Notes due 2053, dated December 1, 2006, between Western Power Distribution (South West) plc and HSBC Trustee (CI) Limited (Exhibit 4(i) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2006)
4(h)	-	Trust Deed constituting £120 million 1.541 percent Index-Linked Notes due 2056, dated December 1, 2006, between Western Power Distribution (South West) plc and HSBC Trustee (CI) Limited (Exhibit 4(j) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2006)
4(i)	-	Trust Deed constituting £225 million 4.80436 percent Notes due 2037, dated December 21, 2006, between Western Power Distribution (South Wales) plc and HSBC Trustee (CI) Limited (Exhibit 4(k) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2006)
4(j)-1	-	Subordinated Indenture, dated as of March 1, 2007, between PPL Capital Funding, Inc., PPL Corporation and The Bank of New York, as Trustee (Exhibit 4(a) to PPL Corporation Form 8-K Report (File No. 1-11459) dated March 20, 2007)
4(j)-2	-	Supplemental Indenture No. 1, dated as of March 1, 2007, to said Subordinated Indenture (Exhibit 4(b) to PPL Corporation Form 8-K Report (File No. 1-11459) dated March 20, 2007)
4(j)-3	-	Supplemental Indenture No. 4, dated as of March 15, 2013, to said Subordinated Indenture (Exhibit 4(b) to PPL Corporation Form 8-K Report (File No. 1-11459) dated March 15, 2013)
4(k)	-	Trust Deed constituting £200 million 5.75 percent Notes due 2040, dated March 23, 2010, between Western Power Distribution (South Wales) plc and HSBC Corporate Trustee Company (UK) Limited (Exhibit 4(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2010)
4(l)	-	Trust Deed constituting £200 million 5.75 percent Notes due 2040, dated March 23, 2010, between Western Power Distribution (South West) plc and HSBC Corporate Trustee Company (UK) Limited (Exhibit 4(b) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2010)
4(m)-1	-	Indenture, dated as of October 1, 2010, between Kentucky Utilities Company and The Bank of New York Mellon, as Trustee (Exhibit 4(q)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(m)-2	-	Supplemental Indenture No. 1, dated as of October 15, 2010, to said Indenture (Exhibit 4(q)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(m)-3	-	Supplemental Indenture No. 2, dated as of November 1, 2010, to said Indenture (Exhibit 4(q)-3 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)

4(m)-4	-	Supplemental Indenture No. 3, dated as of November 1, 2013, to said Indenture (Exhibit 4(b) to PPL Corporation Form 8-K Report (File No. 1-11459) dated November 13, 2013)
4(m)-5	-	Supplemental Indenture No. 4, dated as of September 1, 2015, to said Indenture (Exhibit 4(b) to Kentucky Utilities Company Form 8-K Report (File No. 1-3464) dated September 28, 2015)
4(m)-6	-	Supplemental Indenture No. 5, dated as of August 1, 2016, to said Indenture (Exhibit 4(b) to Kentucky Utilities Company Form 8-K Report (File No. 1-3464) dated August 26, 2016)
4(m)-7	-	Supplemental Indenture No. 6, dated as of August 1, 2018, to Indenture, dated as of October 1, 2010, between Kentucky Utilities Company and The Bank of New York Mellon, as Trustee (Exhibit 4(a) to PPL Corporation 10-Q Report (File No. 1-11459) for the quarter ended September 30, 2018)
4(m)-8	-	Supplemental Indenture No. 7, dated as of March 1, 2019, to said Indenture (Exhibit 4(b) to PPL Corporation Form 8-K Report (File No. 1-11459) dated April 1, 2019)
4(m)-9	-	Supplemental Indenture No. 8, dated as of May 15, 2020, to said Indenture (Exhibit 4(a) to PPL Corporation Form 8-K Report (File No. 1-11459) dated June 3, 2020)
4(n)-1	-	Indenture, dated as of October 1, 2010, between Louisville Gas and Electric Company and The Bank of New York Mellon, as Trustee (Exhibit 4(r)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(n)-2	-	Supplemental Indenture No. 1, dated as of October 15, 2010, to said Indenture (Exhibit 4(r)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(n)-3	-	Supplemental Indenture No. 2, dated as of November 1, 2010, to said Indenture (Exhibit 4(r)-3 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(n)-4	-	Supplemental Indenture No. 3, dated as of November 1, 2013, to said Indenture (Exhibit 4(a) to PPL Corporation Form 8-K Report (File No. 1-11459) dated November 13, 2013)
4(n)-5	-	Supplemental Indenture No. 4, dated as of September 1, 2015, to said Indenture (Exhibit 4(a) to Louisville Gas and Electric Company Form 8-K Report (File No. 1-2893) dated September 28, 2015)
4(n)-6	-	Supplemental Indenture No. 5, dated as of September 1, 2016, to said Indenture (Exhibit 4(b) to Louisville Gas and Electric Company Form 8-K (File No. 1-2893) dated September 15, 2016)
4(n)-7	-	Supplemental Indenture No. 6, dated as of May 15, 2017, to said Indenture (Exhibit 4(b) to Louisville Gas and Electric Company Form 8-K Report (File No. 1-2893) dated June 1, 2017)
4(n)-8	-	Supplemental Indenture No. 7, dated as of March 1, 2019, to said Indenture (Exhibit 4(a) to PPL Corporation Form 8-K Report (File No. 1-11459) dated April 1, 2019)
4(o)-1	-	Indenture, dated as of November 1, 2010, between LG&E and KU Energy LLC and The Bank of New York Mellon, as Trustee (Exhibit 4(s)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(o)-2	-	Supplemental Indenture No. 1, dated as of November 1, 2010, to said Indenture (Exhibit 4(s)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(o)-3	-	Supplemental Indenture No. 2, dated as of September 1, 2011, to said Indenture (Exhibit 4(a) to PPL Corporation Form 8-K Report (File No. 1-11459) dated September 30, 2011)

4(p)-1	-	2002 Series A Carroll County Loan Agreement, dated February 1, 2002, by and between Kentucky Utilities Company, and County of Carroll, Kentucky (Exhibit 4(w)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(p)-2	-	Amendment No. 1 dated as of September 1, 2010 to said Loan Agreement by and between Kentucky Utilities Company, and County of Carroll, Kentucky (Exhibit 4(w)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(q)-1	-	2002 Series B Carroll County Loan Agreement, dated February 1, 2002, by and between Kentucky Utilities Company, and County of Carroll, Kentucky (Exhibit 4(x)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(q)-2	-	Amendment No. 1 dated as of September 1, 2010, to said Loan Agreement by and between Kentucky Utilities Company, and County of Carroll, Kentucky (Exhibit 4(x)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(r)-1	-	2004 Series A Carroll County Loan Agreement, dated October 1, 2004 and amended and restated as of September 1, 2008, by and between Kentucky Utilities Company, and County of Carroll, Kentucky (Exhibit 4(z)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(r)-2	-	Amendment No. 1 dated as of September 1, 2010, to said Loan Agreement by and between Kentucky Utilities Company, and County of Carroll, Kentucky (Exhibit 4(z)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(s)-1	-	2006 Series B Carroll County Loan Agreement, dated October 1, 2006 and amended and restated September 1, 2008, by and between Kentucky Utilities Company, and County of Carroll, Kentucky (Exhibit 4(aa)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(s)-2	-	Amendment No. 1 dated as of September 1, 2010, to said Loan Agreement by and between Kentucky Utilities Company, and County of Carroll, Kentucky (Exhibit 4(aa)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(t)-1	-	2008 Series A Carroll County Loan Agreement, dated August 1, 2008 by and between Kentucky Utilities Company, and County of Carroll, Kentucky (Exhibit 4(cc)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(t)-2	-	Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Kentucky Utilities Company, and County of Carroll, Kentucky (Exhibit 4(cc)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(u)	-	2016 Series A Carroll County Loan Agreement dated as of August 1, 2016 between Kentucky Utilities Company and the County of Carroll, Kentucky (Exhibit 4(a) to Kentucky Utilities Company Form 8-K Report (File No. 1-3464) dated August 26, 2016)
4(v)-1	-	2000 Series A Mercer County Loan Agreement, dated May 1, 2000 and amended and restated as of September 1, 2008, by and between Kentucky Utilities Company, and County of Mercer, Kentucky (Exhibit 4(dd)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(v)-2	-	Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Kentucky Utilities Company, and County of Mercer, Kentucky (Exhibit 4(dd)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)

4(w)-1	-	2002 Series A Mercer County Loan Agreement, dated February 1, 2002, by and between Kentucky Utilities Company, and County of Mercer, Kentucky (Exhibit 4(ee)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(w)-2	-	Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Kentucky Utilities Company, and County of Mercer, Kentucky (Exhibit 4(ee)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(x)-1	-	2002 Series A Muhlenberg County Loan Agreement, dated February 1, 2002, by and between Kentucky Utilities Company, and County of Muhlenberg, Kentucky (Exhibit 4(ff)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(x)-2	-	Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Kentucky Utilities Company, and County of Muhlenberg, Kentucky (Exhibit 4(ff)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(y)	-	2018 Series A Carroll County Loan Agreement, dated as of August 1, 2018, by and between Kentucky Utilities Company and County of Carroll, Kentucky (Exhibit 4(b) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended September 30, 2018)
4(z)-1	-	2001 Series A Jefferson County Loan Agreement, dated November 1, 2001, by and between Louisville Gas and Electric Company, and Jefferson County, Kentucky (Exhibit 4(jj)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(z)-2	-	Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Louisville Gas and Electric Company, and Jefferson County, Kentucky (Exhibit 4(jj)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(aa)-1	-	2001 Series B Jefferson County Loan Agreement, dated November 1, 2001, by and between Louisville Gas and Electric Company, and Jefferson County, Kentucky (Exhibit 4(kk)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(aa)-2	-	Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Louisville Gas and Electric Company, and Jefferson County, Kentucky (Exhibit 4(kk)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(bb)-1	-	2003 Series A Louisville/Jefferson County Metro Government Loan Agreement, dated October 1, 2003, by and between Louisville Gas and Electric Company and Louisville/Jefferson County Metro Government, Kentucky (Exhibit 4(ll)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(bb)-2	-	Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Louisville Gas and Electric Company, and Louisville/Jefferson County Metro Government, Kentucky (Exhibit 4(ll)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(cc)-1	-	2005 Series A Louisville/Jefferson County Metro Government Loan Agreement, dated February 1, 2005 and amended and restated as of September 1, 2008, by and between Louisville Gas and Electric Company, and Louisville/Jefferson County Metro Government, Kentucky (Exhibit 4(mm)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(cc)-2	-	Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Louisville Gas and Electric Company, and Louisville/Jefferson County Metro Government, Kentucky (Exhibit 4(mm)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)

4(dd)-1	-	2007 Series A Louisville/Jefferson County Metro Government Loan Agreement, dated as of March 1, 2007 and amended and restated as of September 1, 2008, by and between Louisville Gas and Electric Company, and Louisville/Jefferson County Metro Government, Kentucky (Exhibit 4(nn)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(dd)-2	-	Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Louisville Gas and Electric Company, and Louisville/Jefferson County Metro Government, Kentucky (Exhibit 4(nn)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(ee)	-	2007 Series B Louisville/Jefferson County Metro Government Amended and Restated Loan Agreement, dated November 1, 2010, by and between Louisville Gas and Electric Company and Louisville/Jefferson County Metro Government, Kentucky (Exhibit 4(oo) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(ff)-1	-	2001 Series A Trimble County Loan Agreement, dated November 1, 2001, by and between Louisville Gas and Electric Company, and County of Trimble, Kentucky (Exhibit 4(qq)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(ff)-2	-	Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Louisville Gas and Electric Company, and the County of Trimble, Kentucky (Exhibit 4(qq)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(gg)	-	2017 Series A Trimble County Loan Agreement, dated as of June 1, 2017, by and between Louisville Gas and Electric Company and the County of Trimble, Kentucky (Exhibit 4(a) to Louisville Gas and Electric Company Form 8-K Report (File No. 1-2893) dated June 1, 2017)
4(hh)-1	-	2001 Series B Trimble County Loan Agreement, dated November 1, 2001, by and between Louisville Gas and Electric Company, and County of Trimble, Kentucky (Exhibit 4(rr)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(hh)-2	-	Amendment No. 1 dated September 1, 2010, to said Loan Agreement by and between Louisville Gas and Electric Company, and County of Trimble, Kentucky (Exhibit 4(rr)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2010)
4(ii)	-	2016 Series A Trimble County Loan Agreement dated as of September 1, 2016 between Louisville Gas and Electric Company and the County of Trimble, Kentucky (Exhibit 4(a) to Louisville Gas and Electric Company Form 8-K (File No. 1-2893) dated September 15, 2016)
4(jj)	-	Trust Deed, dated November 26, 2010, between Central Networks East plc and Central Networks West plc, the Issuers, and Deutsche Trustee Company Limited relating to Central Networks East plc and Central Network West plc £3 billion Euro Medium Term Note Programme (Exhibit 4(pp) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2015)
4(kk)-1	-	Indenture, dated April 21, 2011, between PPL WEM Holdings PLC, as Issuer, and The Bank of New York Mellon, as Trustee (Exhibit 10.2 to PPL Corporation Form 8-K Report (File No. 1-11459) dated April 21, 2011)
4(kk)-2	-	Supplemental Indenture No. 1, dated April 21, 2011, to said Indenture (Exhibit 10.3 to PPL Corporation Form 8-K Report (File No. 1-11459) dated April 21, 2011)
4(kk)-3	-	Second Supplemental Indenture, dated as of October 30, 2014, to said Indenture (Exhibit 4(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended September 30, 2014)

4(ll)-1 - Trust Deed, dated April 27, 2011, by and among Western Power Distribution (East Midlands) plc and Western Power Distribution (West Midlands) plc, as Issuers, and HSBC Corporate Trustee Company (UK) Limited as Note Trustee (Exhibit 4.1 to PPL Corporation Form 8-K Report (File No.1-11459) dated May 17, 2011)

4(ll)-2 - Amended and Restated Trust Deed, dated September 10, 2013, by and among Western Power Distribution (East Midlands) plc, Western Power Distribution (West Midlands) plc, Western Power Distribution (South West) plc and Western Power Distribution (South Wales) plc as Issuers, and HSBC Corporate Trustee Company (UK) Limited as Note Trustee (Exhibit 4.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated October 18, 2013)

4(ll)-3 - £3,000,000,000 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 September 9, 2016 (Exhibit 4(oo)-3 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2016)

4(ll)-4 - £3,000,000,000 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 September 15, 2017 (Exhibit 4(b) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended September 30, 2017)

4(ll)-5 - Amended and Restated Trust Deed, relating to the £3,000,000,000 Euro Medium Term Note Programme of the Issuers, dated September 9, 2016, 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(a)-1 to PPL Corporation 10-Q Report (File No. 1-11459) for the quarter ended

4(ll)-6 - Supplement Prospectus, dated March 15, 2018 to the £3,000,000,000 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 September 15, 2017 (Exhibit 4(a)-2 to PPL Corporation 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2018)

4(ll)-7 - Amended and Restated Trust Deed, dated August 14, 2018, 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(c) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended September 30, 2018)

*4(ll)-8 - £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 12, 2019

4(ll)-9 - Amended and Restated Trust Deed, dated August 12, 2019, 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(mm)-8 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2019)

4(ll)-10 - £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)

4(ll)-11	-	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(mm)	-	Trust Deed constituting £500 million 3.625% Senior Unsecured Notes due 2023, dated November 6, 2015, by and among Western Power Distribution plc as Issuer, and HSBC Corporate Trustee Company (UK) Limited as Note Trustee (Exhibit 4.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated November 6, 2015)
4(nn)	-	Subscription Agreement, dated November 14, 2017, by and among Western Power Distribution(South West) plc as Issuer, HSBC Bank plc, Mizuho International plc, The Royal Bank of Scotland plc (trading as NatWest Markets), Banco Santander, S.A., Barclays Bank PLC, Lloyds Bank plc, Merrill Lynch International, MUFG Securities EMEA plc and RBC Europe Limited. (Exhibit 4.3 to PPL Corporation Form 8-K Report (File No. 1-11459) dated November 14, 2017)
4(oo)	-	Trust Deed, dated October 16, 2018, between Western Power Distribution plc as Issuer, and HSBC Corporate Trustee Company (UK) Limited as Trustee (Exhibit 4(d) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended September 30, 2018)
4(pp)	-	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(qq)	-	Description of PPL Corporation's common stock, par value $0.01 per share
4(rr)	-	Description of PPL Capital Funding, Inc.'s Junior Subordinated Notes 2007 Series A due 2067, as guaranteed by PPL Corporation (Exhibit 4(rr) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2019)
4(ss)	-	Description of PPL Capital Funding, Inc.'s Junior Subordinated Notes 2013 Series B due 2073, as guaranteed by PPL Corporation (Exhibit 4(ss) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2019)
4(tt)	-	Description of PPL Electric Utilities Corporation's common stock, no par value per share (Exhibit 4(tt) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2019)
10(a)-1	-	$150 million Revolving Credit Agreement, dated as of March 26, 2014, among PPL Capital Funding, Inc., as Borrower, PPL Corporation, as Guarantor and The Bank of Nova Scotia, as Administrative Agent, Issuing Lender and Lender (Exhibit 10.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated April 1, 2014)
10(a)-2	-	First Amendment to said Revolving Credit Agreement, dated as of March 17, 2015 (Exhibit 10(c)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2015)
10(a)-3	-	Second Amendment to said Revolving Credit Agreement, dated as of March 17, 2016 (Exhibit 10(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended June 30, 2016)
10(a)-4	-	Third Amendment to said Revolving Credit Agreement, dated as of March 17, 2017 (Exhibit 10(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2017)
10(a)-5	-	Fourth Amendment to said Revolving Credit Agreement, dated as of March 16, 2018 (Exhibit 10(b)-5 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2018)

10(a)-6	-	Fifth Amendment to said Revolving Credit Agreement, dated as of March 8, 2019 (Exhibit 10.2 to PPL Corporation Form 8-K Report (File No. 11459) dated March 8, 2019)
10(a)-7	-	Sixth Amendment to said Revolving Credit Agreement, dated as of March 12, 2020 (Exhibit 10(e) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2020)
10(b)	-	Employee Matters Agreement, among PPL Corporation, Talen Energy Corporation, C/R Energy Jade, LLC, Sapphire Power Holdings LLC. and Raven Power Holdings LLC, dated as of June 9, 2014 (Exhibit 10.1 to PPL Energy Supply, LLC Form 8-K Report (File No. 1-32944) dated June 12, 2014)
10(c)-1	-	$300 million Amended and Restated Revolving Credit Agreement, dated as of July 28, 2014, among PPL Electric Utilities Corporation, as the Borrower, the Lenders from time to time party thereto and Wells Fargo Bank, National Association, as Administrative Agent, Issuing Lender and Swingline Lender (Exhibit 10(e) to PPL Electric Utilities Corporation Form 10-Q Report (File No. 1-905) for the quarter ended June 30, 2014)
10(c)-2	-	Notice of Automatic Extension, dated as of September 29, 2014, to said Amended and Restated Credit Agreement (Exhibit 10(b) to PPL Electric Utilities Corporation Form 10-Q Report (File No. 1-905) for the quarter ended September 30, 2014)
10(c)-3	-	Amendment No. 1 to said Credit Agreement, dated as of January 29, 2016 (Exhibit 10.2 to PPL Corporation Form 8-K Report (File No. 1-11459) dated February 3, 2016)
10(c)-4	-	Commitment Extension and Increase Agreement and Amendment No. 2 to said Credit Agreement, dated as of December 1, 2016 (Exhibit 10(e)-4 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2016)
10(c)-5	-	Commitment Extension Agreement and Amendment No. 3 to said Credit Agreement, dated as of January 26, 2018 (Exhibit 10(e)-5 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2017)
10(c)-6	-	Amendment No. 4 to said Credit Agreement, dated as of March 8, 2019 (Exhibit 10.3 to PPL Corporation Form 8-K Report (File No. 1-11459) dated March 8, 2019)
10(d)-1	-	$300 million Revolving Credit Agreement, dated as of July 28, 2014, among PPL Capital Funding, Inc., as the Borrower, PPL Corporation, as the Guarantor, the Lenders from time to time party thereto and Wells Fargo Bank, National Association, as Administrative Agent, Issuing Lender and Swingline Lender (Exhibit 10(d) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended June 30, 2014)
10(d)-2	-	Amendment No. 1 to said Credit Agreement, dated as of January 29, 2016 (Exhibit 10.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated February 3, 2016)
10(d)-3	-	Commitment Extension and Increase Agreement and Amendment No. 2 to said Credit Agreement, dated as of December 1, 2016 (Exhibit 10(f)-3 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2016)
10(d)-4	-	Commitment Extension Agreement and Amendment No. 3 to said Credit Agreement, dated as of January 26, 2018 (Exhibit 10(f)-4 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2017)
10(d)-5	-	Amendment No. 4 to said Credit Agreement, dated as of March 8, 2019 (Exhibit 10.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated March 8, 2019

10(e)-1	-	$400 million Amended and Restated Revolving Credit Agreement, dated as of July 28, 2014, among Kentucky Utilities Company, as the Borrower, the Lenders from time to time party thereto and Wells Fargo Bank, National Association, as Administrative Agent, Issuing Lender and Swingline Lender (Exhibit 10(f) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended June 30, 2014)
10(e)-2	-	Amendment No. 1 to said Credit Agreement, dated as of January 29, 2016 (Exhibit 10.4 to PPL Corporation Form 8-K Report (File No. 1-11459) dated February 3, 2016)
10(e)-3	-	Commitment Extension Agreement and Amendment No. 2 to said Credit Agreement, dated as of January 4, 2017 (Exhibit 10(g)-3 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2016)
10(e)-4	-	Commitment Extension Agreement and Amendment No. 3 to said Credit Agreement, dated as of January 26, 2018 (Exhibit 10(g)-4 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2017)
10(e)-5	-	Amendment No. 4 to said Credit Agreement, dated as of March 8, 2019 (Exhibit 10.5 to PPL Corporation Form 8-K Report (File No. 1-11459) dated March 8, 2019)
10(f)-1	-	$500 million Amended and Restated Revolving Credit Agreement, dated as of July 28, 2014, among Louisville Gas and Electric Company, as the Borrower, the Lenders from time to time party thereto and Wells Fargo Bank, National Association, as Administrative Agent, Issuing Lender and Swingline Lender (Exhibit 10(g) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended June 30, 2014)
10(f)-2	-	Amendment No. 1 to said Credit Agreement, dated as of January 29, 2016 (Exhibit 10.3 to PPL Corporation Form 8-K Report (File No. 1-11459) dated February 3, 2016)
10(f)-3	-	Commitment Extension Agreement and Amendment No. 2 to said Credit Agreement, dated as of January 4, 2017 (Exhibit 10(h)-3 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2016)
10(f)-4	-	Commitment Extension Agreement and Amendment No. 3 to said Credit Agreement, dated as of January 26, 2018 (Exhibit 10(h)-4 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2017)
10(f)-5	-	Amendment No. 4 to said Credit Agreement, dated as of March 8, 2019 (Exhibit 10.4 to PPL Corporation Form 8-K Report (File No. 1-11459) dated March 8, 2019)
10(g)	-	£210 million Multicurrency Revolving Credit Facility Agreement, dated January 13 2016, among Western Power Distribution plc and HSBC Bank PLC and Mizuho Bank, Ltd. as Joint Coordinators and Bookrunners, Mizuho Bank, Ltd. as Facility Agent and the other banks party thereto as Mandated Lead Arrangers (Exhibit 10.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated January 19, 2016)
10(h)	-	£5,000,000 Letter of Credit Facility entered into between Western Power Distribution (South West) plc and Svenska Handelsbanken AB dated as of February 20, 2018 (Exhibit 10(e) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2018)
10(i)	-	£75,000,000 Facility Letter entered into between Western Power Distribution (South West) plc and Svenska Handelsbanken AB dated as of February 28, 2018 (Exhibit 10(f) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2018)

10(j)	-	Confirmation of Forward Sale Transaction, dated May 8, 2018, between the Company and JPMorgan Chase Bank, National Association, London Branch (Exhibit 10.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated May 11, 2018)
10(k)	-	Confirmation of Forward Sale Transaction, dated May 8, 2018, between the Company and Barclays Bank PLC (Exhibit 10.2 to PPL Corporation Form 8-K Report (File No. 1-11459) dated May 11, 2018)
10(l)	-	Additional Confirmation of Forward Sale Transaction, dated May 10, 2018, between the Company and JPMorgan Chase Bank, National Association, London Branch (Exhibit 10.3 to PPL Corporation Form 8-K Report (File No. 1-11459) dated May 11, 2018)
10(m)	-	Additional Confirmation of Forward Sale Transaction, dated May 8, 2018, between the Company and Barclays Bank PLC (Exhibit 10.4 to PPL Corporation Form 8-K Report (File No. 1-11459) dated May 11, 2018)
10(n)	-	£50,000,000 Facility Agreement dated as of June 7, 2019, among Western Power Distribution plc, as the Borrower, National Westminster Bank plc as Original Lender, and National Westminster Bank plc as Agent (Exhibit 10(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended June 30, 2019)
10(o)	-	$100,000,000 Term Loan Credit Agreement, dated as of April 1, 2020, among PPL Capital Funding, Inc., as Borrower, PPL Corporation, as Guarantor, and Canadian Imperial Bank of Commerce, New York Branch, as Administrative Agent and Lender (Exhibit 10(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2020)
10(p)	-	$100,000,000 Term Loan Credit Agreement, dated as of April 1, 2020, among PPL Capital Funding, Inc., as Borrower, PPL Corporation, as Guarantor, and U.S. Bank National Association, as Administrative Agent and Lender (Exhibit 10(b) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2020)
10(q)	-	$200,000,000 Credit Agreement, dated as of March 27, 2020, among PPL Capital Funding, Inc., as Borrower, PPL Corporation, as Guarantor, and The Bank of Nova Scotia, as Administrative Agent and Lender (Exhibit 10(c) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2020)
10(r)	-	$50,000,000 Revolving Credit Agreement, dated as of March 12, 2020, among PPL Capital Funding, Inc., as Borrower, PPL Corporation, as Guarantor, and The Bank of Nova Scotia, as Administrative Agent and Lender (Exhibit 10(d) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2020)
10(s)	-	£845 million Multicurrency Revolving Facilities Agreement, dated May 13, 2020, among Western Power Distribution (East Midlands) plc, Western Power Distribution (West Midlands) plc, Western Power Distribution (South West) plc, and Western Power Distribution (South Wales) plc as the Borrowers, Mizuho Bank, Ltd and National Westminster Bank plc as Joint Coordinators, HSBC UK Bank plc, Lloyds Bank plc, Mizuho Bank Ltd, National Westminster Bank plc, Royal Bank of Canada plc and Santander UK plc as Bookrunners and Mandated Lead Arrangers, MUFG Bank, Ltd as Mandated Lead Arranger, and Lloyds Bank plc as Facility Agent (Exhibit 10(a) to PPL Corporation Form 10-Q Report (File No. 1-
*10(t)	-	Amendment and Restatement Agreement, dated September 30, 2020, related to £100,000,000 Term Loan Agreement, dated May 24, 2016, between Western Power Distribution (East Midlands) plc and MUFG Bank, Ltd (formerly known as The Bank of Tokyo-Mitsubishi UFJ, Ltd)
[_]10(u)-1	-	Amended and Restated Directors Deferred Compensation Plan, dated June 12, 2000 (Exhibit 10(h) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2000)

[ ]10(u)-2 - Amendment No. 1 to said Directors Deferred Compensation Plan, dated December 18, 2002 (Exhibit 10(m)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2002)

[ ]10(u)-3 - Amendment No. 2 to said Directors Deferred Compensation Plan, dated December 4, 2003 (Exhibit 10(q)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2003)

[ ]10(u)-4 - Amendment No. 3 to said Directors Deferred Compensation Plan, dated as of January 1, 2005 (Exhibit 10(cc)-4 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2005)

[ ]10(u)-5 - Amendment No. 4 to said Directors Deferred Compensation Plan, dated as of May 1, 2008 (Exhibit 10(x)-5 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2008)

[ ]10(u)-6 - Amendment No. 5 to said Directors Deferred Compensation Plan, dated May 28, 2010 (Exhibit 10(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended June 30, 2010)

[ ]10(u)-7 - Amendment No. 6 to said Directors Deferred Compensation Plan, dated as of April 15, 2015 (Exhibit 10(b) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2015)

[ ]10(v)-1 - PPL Corporation Directors Deferred Compensation Plan Trust Agreement, dated as of April 1, 2001, between PPL Corporation and Wachovia Bank, N.A. (as successor to First Union National Bank), as Trustee (Exhibit 10(hh)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2012)

[ ]10(v)-2 - PPL Officers Deferred Compensation Plan, PPL Supplemental Executive Retirement Plan and PPL Supplemental Compensation Pension Plan Trust Agreement, dated as of April 1, 2001, between PPL Corporation and Wachovia Bank, N.A. (as successor to First Union National Bank), as Trustee (Exhibit 10(hh)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2012)

[ ]10(v)-3 - PPL Revocable Employee Nonqualified Plans Trust Agreement, dated as of March 20, 2007, between PPL Corporation and Wachovia Bank, N.A., as Trustee (Exhibit 10(c) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2007)

[ ]10(v)-4 - PPL Employee Change in Control Agreements Trust Agreement, dated as of March 20, 2007, between PPL Corporation and Wachovia Bank, N.A., as Trustee (Exhibit 10(d) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2007)

[ ]10(v)-5 - PPL Revocable Director Nonqualified Plans Trust Agreement, dated as of March 20, 2007, between PPL Corporation and Wachovia Bank, N.A., as Trustee (Exhibit 10(e) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2007)

[ ]10(w)-1 - Amended and Restated Officers Deferred Compensation Plan, dated December 8, 2003 (Exhibit 10(r) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2003)

[ ]10(w)-2 - Amendment No. 1 to said Officers Deferred Compensation Plan, dated as of January 1, 2005 (Exhibit 10(ee)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2005)

[ ]10(w)-3 - Amendment No. 2 to said Officers Deferred Compensation Plan, dated as of January 22, 2007 (Exhibit 10(bb)-3 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2006)

[_]10(w)-4	-	Amendment No. 3 to said Officers Deferred Compensation Plan, dated as of June 1, 2008 (Exhibit 10(z)-4 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2008)
[_]10(w)-5	-	Amendment No. 4 to said Officers Deferred Compensation Plan, dated as of February 15, 2012 (Exhibit 10(ff)-5 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2011)
[_]10(w)-6	-	Amendment No. 5 to said Executive Deferred Compensation Plan, dated as of May 8, 2014 (Exhibit 10(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended June 30, 2014)
[_]10(w)-7	-	Amendment No. 6 to said Executive Deferred Compensation Plan, dated as of December 16, 2015 (Exhibit [_]10(q)-7 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2015)
[_]10(w)-8	-	Amendment No. 7 to said Executive Deferred Compensation Plan, dated as of January 1, 2019 (Exhibit [_]10(x)-8 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2018)
[_]10(x)-1	-	Amended and Restated Supplemental Executive Retirement Plan, dated December 8, 2003 (Exhibit 10(s) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2003)
[_]10(x)-2	-	Amendment No. 1 to said Supplemental Executive Retirement Plan, dated December 16, 2004 (Exhibit 99.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated December 17, 2004)
[_]10(x)-3	-	Amendment No. 2 to said Supplemental Executive Retirement Plan, dated as of January 1, 2005 (Exhibit 10(ff)-3 to PPL Corporation Form 10-K Report (File 1-11459) for the year ended December 31, 2005)
[_]10(x)-4	-	Amendment No. 3 to said Supplemental Executive Retirement Plan, dated as of January 22, 2007 (Exhibit 10(cc)-4 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2006)
[_]10(x)-5	-	Amendment No. 4 to said Supplemental Executive Retirement Plan, dated as of December 9, 2008 (Exhibit 10(aa)-5 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2008)
[_]10(x)-6	-	Amendment No. 5 to said Supplemental Executive Retirement Plan, dated as of February 15, 2012 (Exhibit 10(gg)-6 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2011)
[_]10(x)-7	-	Amendment No. 6 to the Amended and Restated Supplemental Executive Retirement Plan, dated March 23, 2018 (Exhibit 10(g) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2018)
[_]10(y)-1	-	Amended and Restated Incentive Compensation Plan, effective January 1, 2003 (Exhibit 10(p) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2002)
[_]10(y)-2	-	Amendment No. 1 to said Incentive Compensation Plan, dated as of January 1, 2005 (Exhibit 10(gg)-2 to PPL Corporation Form 10-K Report (File 1-11459) for the year ended December 31, 2005)
[_]10(y)-3	-	Amendment No. 2 to said Incentive Compensation Plan, dated as of January 26, 2007 (Exhibit 10(dd)-3 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2006)

[ ]10(y)-4	-	Amendment No. 3 to said Incentive Compensation Plan, dated as of March 21, 2007 (Exhibit 10(f) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2007)
[ ]10(y)-5	-	Amendment No. 4 to said Incentive Compensation Plan, effective December 1, 2007 (Exhibit 10(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended September 30, 2008)
[ ]10(y)-6	-	Amendment No. 5 to said Incentive Compensation Plan, dated as of December 16, 2008 (Exhibit 10(bb)-6 to PPL Corporation Form 10-K Report (File 1-11459) for the year ended December 31, 2008)
[ ]10(y)-7	-	Form of Stock Option Agreement for stock option awards under the Incentive Compensation Plan (Exhibit 10(a) to PPL Corporation Form 8-K Report (File No. 1-11459) dated February 1, 2006)
[ ]10(y)-8	-	Form of Restricted Stock Unit Agreement for restricted stock unit awards under the Incentive Compensation Plan (Exhibit 10(b) to PPL Corporation Form 8-K Report (File No. 1-11459) dated February 1, 2006)
[ ]10(y)-9	-	Form of Performance Unit Agreement for performance unit awards under the Incentive Compensation Plan (Exhibit 10(ss) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2007)
[ ]10(z)	-	Amended and Restated Incentive Compensation Plan for Key Employees, effective October 25, 2018 (Exhibit 10(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended September 30, 2018)
[ ]10(aa)	-	Short-term Incentive Plan (Annex B to Proxy Statement of PPL Corporation, dated April 12, 2016)
[ ]10(bb)	-	Employment letter, dated May 31, 2006, between PPL Services Corporation and William H. Spence (Exhibit 10(pp) to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2006)
[ ]10(cc)	-	Form of Retention Agreement entered into between PPL Corporation and Gregory N. Dudkin (Exhibit 10(h) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2007)
[ ]10(dd)-1	-	Form of Severance Agreement entered into between PPL Corporation and William H. Spence (Exhibit 10(i) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2007)
[ ]10(dd)-2	-	Amendment to said Severance Agreement (Exhibit 10(a) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended June 30, 2009)
[ ]10(ee)	-	Form of Change in Control Severance Protection Agreement entered into between PPL Corporation and Joseph P. Bergstein, Jr., Gregory N. Dudkin, Joanne H. Raphael, Vincent Sorgi, Philip Swift, and Paul W. Thompson (Exhibit 10(b) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended March 31, 2012)
[ ]10(ff)-1	-	PPL Corporation Amended and Restated 2012 Stock Incentive Plan, effective October 25, 2018 (Exhibit 10(b) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended September 30, 2018)
[ ]10(ff)-2	-	Form of Performance Unit Agreement for performance unit awards under the Stock Incentive Plan (Exhibit 10(tt)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2012)

[_]10(ff)-3	-	Form of Performance Contingent Restricted Stock Unit Agreement for restricted stock unit awards under the Stock Incentive Plan (Exhibit 10(tt)-3 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2012)
[_]10(ff)-4	-	Form of Nonqualified Stock Option Agreement for stock option awards under the Stock Incentive Plan (Exhibit 10(tt)-4 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2012)
[_]10(ff)-5	-	Form of Total Shareholder Return Performance Unit Agreement for performance units under the Amended and Restated 2012 Stock Incentive Plan (Exhibit 10(dd)-5 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2017)
[_]10(ff)-6	-	Form of Return on Equity Performance Unit Agreement for performance units under the Amended and Restated 2012 Stock Incentive Plan (Exhibit 10(dd)-6 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2017)
[_]10(gg)	-	PPL Corporation Executive Severance Plan, effective as of July 26, 2012 (Exhibit 10(d) to PPL Corporation Form 10-Q Report (File No. 1-11459) for the quarter ended June 30, 2012)
[_]10(hh)	-	Form of Western Power Distribution Phantom Stock Option Award Agreement for stock option awards under the Western Power Distribution Long-Term Incentive Plan (Exhibit [_]10(bbb)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2014)
[_]10(ii)	-	Form of Grant Letter dated May 29, 2015 (Exhibit 10.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated June 1, 2015)
[_]10(jj)-1	-	Amended and Restated Personal Contract dated August 13, 2013, between Western Power Distribution (South West) plc and Philip Swift (Exhibit [_]10(kk)-1 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2018)
[_]10(jj)-2	-	Ill-Health Retirement Arrangement letter agreement dated March 2, 2016, between Western Power Distribution (South West) plc and Philip Swift (Exhibit [_]10(kk)-2 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2018)
[_]10(jj)-3	-	Pension Arrangement letter agreement dated March 2, 2016, between Western Power Distribution (South West) plc and Philip Swift (Exhibit [_]10(kk)-3 to PPL Corporation Form 10-K Report (File No. 1-11459) for the year ended December 31, 2018)
*21	-	Subsidiaries of PPL Corporation
*23(a)	-	Consent of Deloitte & Touche LLP - PPL Corporation
*23(b)	-	Consent of Deloitte & Touche LLP - PPL Electric Utilities Corporation
*23(c)	-	Consent of Deloitte & Touche LLP - Louisville Gas and Electric Company
*23(d)	-	Consent of Deloitte & Touche LLP - Kentucky Utilities Company

*24	-	Power of Attorney
*31(a)	-	Certificate of PPL's principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31(b)	-	Certificate of PPL's principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31(c)	-	Certificate of PPL Electric's principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31(d)	-	Certificate of PPL Electric's principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31(e)	-	Certificate of LKE's principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31(f)	-	Certificate of LKE's principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31(g)	-	Certificate of LG&E's principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31(h)	-	Certificate of LG&E's principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31(i)	-	Certificate of KU's principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31(j)	-	Certificate of KU's principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*32(a)	-	Certificate of PPL's principal executive officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*32(b)	-	Certificate of PPL Electric's principal executive officer and principal financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*32(c)	-	Certificate of LKE's principal executive officer and principal financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*32(d)	-	Certificate of LG&E's principal executive officer and principal financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*32(e)	-	Certificate of KU's principal executive officer and principal financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*99(a)	-	PPL Corporation and Subsidiaries Long-term Debt Schedule

101.INS	-	XBRL Instance Document for PPL Corporation, PPL Energy Supply, LLC, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company - 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 for PPL Corporation, PPL Corporation, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company
101.CAL	-	XBRL Taxonomy Extension Calculation Linkbase for PPL Corporation, PPL Corporation, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company
101.DEF	-	XBRL Taxonomy Extension Definition Linkbase for PPL Corporation, PPL Corporation, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company
101.LAB	-	XBRL Taxonomy Extension Label Linkbase for PPL Corporation, PPL Corporation, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company
101.PRE	-	XBRL Taxonomy Extension Presentation Linkbase for PPL Corporation, PPL Corporation, PPL Electric Utilities Corporation, LG&E and KU Energy LLC, Louisville Gas and Electric Company and Kentucky Utilities Company
104		The Cover Page Interactive Data File is formatted as Inline XBRL and contained in Exhibits 101.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PPL Corporation
(Registrant)

By /s/ Vincent Sorgi
Vincent Sorgi -
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

/s/ Vincent Sorgi
Vincent Sorgi -
President and Chief Executive Officer
and Director
(Principal Executive Officer)

/s/ Joseph P. Bergstein, Jr.
Joseph P. Bergstein, Jr. -
Senior Vice President and
Chief Financial Officer
(Principal Financial Officer)

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

Directors:

Arthur P. Beattie	William H. Spence
John W. Conway	Natica von Althann
Steven G. Elliott	Keith H. Williamson
Venkata Rajamannar Madabhushi	Phoebe A. Wood
Craig A. Rogerson	Armando Zagalo de Lima

/s/ Vincent Sorgi
Vincent Sorgi, Attorney-in-fact

February 18, 2021

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PPL Electric Utilities Corporation
(Registrant)

By /s/ Gregory N. Dudkin
Gregory N. Dudkin -
President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

/s/ Gregory N. Dudkin
Gregory N. Dudkin -
President
(Principal Executive Officer)

/s/ Stephen K. Breininger
Stephen K. Breininger -
Vice President-Finance and Regulatory Affairs and Controller
(Principal Financial Officer and Principal Accounting Officer)

Directors:

/s/ Joseph P. Bergstein, Jr.	/s/ Joanne H. Raphael
Joseph P. Bergstein, Jr.	Joanne H. Raphael
/s/ Gregory N. Dudkin	/s/ Vincent Sorgi
Gregory N. Dudkin	Vincent Sorgi

Date: February 18, 2021

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LG&E and KU Energy LLC
(Registrant)

By /s/ Paul W. Thompson
Paul W. Thompson -
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

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

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

Directors:

/s/ Lonnie E. Bellar
Lonnie E. Bellar

/s/ Paul W. Thompson
Paul W. Thompson

/s/ Kent W. Blake
Kent W. Blake

/s/ Joseph P. Bergstein, Jr.
Joseph P. Bergstein, Jr.

/s/ Vincent Sorgi
Vincent Sorgi

Date: February 18, 2021

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Louisville Gas and Electric Company
(Registrant)

By /s/ Paul W. Thompson
Paul W. Thompson -
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

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

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

Directors:

/s/ Lonnie E. Bellar	/s/ Paul W. Thompson
Lonnie E. Bellar	Paul W. Thompson
/s/ Kent W. Blake	/s/ Joseph P. Bergstein, Jr.
Kent W. Blake	Joseph P. Bergstein, Jr.

Date: February 18, 2021

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Kentucky Utilities Company
(Registrant)

By /s/ Paul W. Thompson
Paul W. Thompson -
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

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

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

Directors:

/s/ Lonnie E. Bellar Lonnie E. Bellar	/s/ Paul W. Thompson Paul W. Thompson
/s/ Kent W. Blake Kent W. Blake	/s/ Joseph P. Bergstein, Jr. Joseph P. Bergstein, Jr.

Date: February 18, 2021

Transfer of Assets

The following assets were transferred from LG&E to KU in 2020:

June 2020	Transformer transfer	$29,597.27
June 2020	Transformer transfer	18,898.52
June 2020	Transformer transfer	2,346.09
September 2020	Transfer of Hardin County transformer	986,468.87
December 2020	Transformer transfer	6,369.30
December 2020	Transformer transfer	31,473.45

The following asset was transferred from KU to LG&E in 2020:

September 2020	Transfer of Blue Lick transformer	$2,864,631.26

Electronic Joint Application of Kentucky Utilities Company and Louisville Gas and Electric Company for Approval of the Transfer of Spare Transformers, Case No. 2020-00097, Order (Ky. PSC May 26, 2020)

INTERCOMPANY MONTHLY INVOICES

Monthly invoices are prepared for reimbursement of non-fuel related expenses incurred by LG&E or KU for LG&E, KU, LG&E and KU Services Company (LKS), LG&E and KU Energy LLC (LKE) and subsidiaries. The invoices are provided to LKS, LKE, and subsidiaries by the 10th business day of the subsequent month with payment due by the 13th business day of the month.

The invoices and cash disbursement requests related to fuel and fuel-related products are paid throughout the month whenever cumulative unreimbursed amounts of invoices exceed $1 million. All billings between the regulated utilities (LG&E/KU) and non-regulated entities (LKS/LKE) are billed and settled on a net basis.

Monthly reconciliation and balancing procedures are performed for all entities receiving and providing intercompany charges to ensure the accuracy of such transactions.

In addition, monthly charges from PPL Corporation and its subsidiaries are received by LKS. Certain of these transactions which are directly attributable to LG&E and KU are charged to LG&E and KU, but are billed and settled through LKS.

LG&E and KU have a service agreement in place to provide rental of data center facilities to a subsidiary of PPL Corporation. Data center rental and telecommunication expenses are billed and settled by LKS on behalf of LG&E and KU to PPL EU Services Corporation. Mutual assistance services and sale of goods not readily available from the market are billed by LG&E and KU to PPL Electric Utilities, Inc. (and vice versa) as incurred, and settled through LG&E, KU or LKS. No mutual assistance or sales or purchases of goods not readily available from the market were incurred in 2020.

INTERCOMPANY POWER SALES AND PURCHASES

Monthly journal entries are prepared for off-system sales, off-system and native load purchases, and intercompany power sales and purchases between LG&E and KU. The After-the-Fact Billing system (AFB) is used to stack hourly energy, which allocates energy sources (generation and purchased power) to energy sinks (KU native load, LG&E native load and off-system sales (OSS)). The stacking is performed based on the energy cost where lowest cost energy is allocated to native load and highest cost energy is allocated to OSS, consistent with the companies' Power Supply System Agreement.

Outputs from the AFB program (queries) are used as inputs into an Excel spreadsheet. The spreadsheet calculates the allocation of third party and intercompany purchases between LG&E and KU. It also calculates the split between native load and off-system purchases, and uses the generation expenses for both companies to calculate the allocation of OSS between the companies.

COSTS OF JOINTLY OWNED TRIMBLE COUNTY UNITS

LG&E and KU, together with Illinois Municipal Electric Agency and Indiana Municipal Power Agency (IMEA & IMPA), jointly own Trimble County Unit 2 (TC2), a 732 net MW summer capacity coal-fired unit. LG&E also owns 75% of Trimble County Unit 1 (TC1), a 493 net MW summer capacity coal-fired unit, with IMEA & IMPA owning the remaining 25%. The ownership of these two coal-fired units is depicted in the table below.

	TC1	**TC2**	**TC 2 LG&E - KU only**
LG&E	75.00%	14.25%	19.00%
KU		60.75%	81.00%
Total LG&E and KU		75.00%	100.00%
IMEA/IMPA	25.00%	25.00%	
Total ownership	100.00%	100.00%	

All capital costs and operation and maintenance expense charges for TC2 are allocated among the joint owners according to their respective ownership percentages, with LG&E's and KU's allocated 75% charged 81% to KU and 19% to LG&E. All capital costs and operation and maintenance expense charges for TC1 are allocated among the joint owners according to their respective ownership percentages, with LG&E charged 75% of the charges. Fuel expenses are allocated based on the percentage of total generation sent to the joint owners.

All capital costs and operation and maintenance expense charges incurred for both TC2 and TC1 are allocated 25% to IMEA & IMPA. LG&E's and KU's combined 75% of these costs is allocated based on the nameplate ratings and percentage ownership, with 52% charged to LG&E and 48% charged to KU.

ALLOCATION OF JOINTLY-USED BUILDINGS AND EQUIPMENT

LG&E Center

The LG&E Center is owned by a third party and leased by LG&E and KU Energy LLC. Expenses incurred for renting a portion of the LG&E Center are billed to affiliates of LKE by its billing agent, LG&E and KU Services Company (LKS), for the occupation of office space by employees of LKS, LG&E and KU.

The monthly allocation of rent expense for the LG&E Center (comprised of a portion of the basement, a portion of the first floor (lobby), the second through sixteenth floors, a portion of the eighteenth floor, the twentieth floor, the twenty-third floor, and common areas for which LKE is billed) is based on the Number of Employees ratio as described in the Cost Allocation Manual (CAM). Charges are allocated to LG&E, KU and LG&E and KU Capital LLC (LKC). The rented portion of the eighteenth floor is not included in the building lease. The operation and maintenance expenses are allocated for the LG&E Center, which is based on the Number of Employees ratio as described in the CAM. Expenses are charged to LKE in equal portions over each annual period and adjusted annually. These expenses are not considered part of LKE's minimum lease payments.

Jointly-Used Assets

Jointly-Used Assets are buildings and related assets such as parking lots and driveways which were originally constructed and owned by a single company (generally either LG&E or KU) but are subsequently being used by more than one company. Rent is charged to the companies benefitting from the use of the building assets by the company owning the building.

Jointly used assets include the following locations:

- Broadway Office Complex (including the Health Clinic)
- One Quality Street
- Dix Transmission Control
- LG&E Building Leasehold Improvements
- Pineville Call Center
- Morganfield
- Riverport
- East Operations Safety and Technical Training Center
- Auburndale Health Clinic

In addition, the Simpsonville Data Center is a *jointly-owned* asset (by LG&E, KU and LKC) which is jointly-used by PPL EU Services Corporation. Rent is charged to PPL based on the terms of a specific agreement between LG&E and KU Services Company (LKS) and PPL EU Services Corporation, known as the Hosting Services Agreement.

LKS Assets

Certain assets (PCs and LG&E Building leasehold improvements) reside on the books of LKS and are solely owned by LKS. These assets are used by the LKS employees to aid them in the performance of their services for its affiliates, including LG&E and KU. The depreciation on these assets is initially recorded on LKS and then allocated to LG&E, KU and LKC based on the ratios as defined in the CAM.

Certain other assets (IT assets, office furniture, etc.) reside on the books of LKS. These assets are jointly owned by LKS and other affiliates. The depreciation on these assets is initially recorded on LKS and then allocated to LKC.

COSTS OF JOINTLY OWNED COMBUSTION TURBINES

Simple Cycle Combustion Turbines

LG&E and KU jointly own ten simple cycle combustion turbines (CT) located at the Paddy's Run facility, Trimble County Generating Station, and E.W. Brown facility. All operations and maintenance expenses attributable to the Paddy's Run, Trimble County, and E.W. Brown CTs are accumulated and billed according to the percentage of ownership. The percentage of ownership and megawatt capacity is listed in the table below (capacity based on net summer capability).

Facility	MW Capacity	LG&E	KU
Paddy's Run 13	147	53%	47%
Trimble County 5	159	29%	71%
Trimble County 6	159	29%	71%
Trimble County 7	159	37%	63%
Trimble County 8	159	37%	63%
Trimble County 9	159	37%	63%
Trimble County 10	159	37%	63%
E.W. Brown 5	130	53%	47%
E.W. Brown 6	146	38%	62%
E.W. Brown 7	146	38%	62%

Automated allocations of costs using ownership percentages are processed in the Oracle General Ledger system and generate intercompany transactions between LG&E and KU. All transactions flow through the intercompany receivable account. The costs for the Paddy's Run and Trimble County CTs are accumulated in LG&E and transferred to KU per the ownership percentage. The costs for the E.W. Brown CTs are accumulated in KU and transferred to LG&E per the ownership percentage.

When costs are accumulated in LG&E and transferred to KU, an intercompany receivable is debited and the appropriate expense is credited. KU debits the appropriate expense account and credits an intercompany receivable. When costs are accumulated in KU and transferred to LG&E, an intercompany receivable is debited and the appropriate expense is credited. LG&E debits the appropriate expense account and credits an intercompany receivable. The amounts are then netted to establish an intercompany receivable for KU or LG&E and an intercompany payable for LG&E or KU.

Capital charges are paid by one of the utilities and allocated to the other based on percentage of ownership. Additionally, manual journal entries are prepared each month for the applicable portion of the gas used by the CTs. The journal entries split the gas cost between LG&E and KU based on the percentage of ownership.

Combined Cycle Gas Combustion Turbine

In 2015, LG&E and KU completed the construction of a natural gas combined cycle (NGCC) unit at the Cane Run site owned by LG&E. This unit has a 662 MW net summer capacity and is jointly owned by LG&E (22%) and KU (78%). Capital costs of Cane Run 7 are allocated according to the 22% LG&E and 78% KU ownership split.

Automated allocations of costs using the Cane Run 7 ownership percentages are processed in the Oracle General Ledger system and generate intercompany transactions between LG&E and KU. Operation and maintenance costs are accumulated at LG&E and transferred to KU, and an intercompany receivable is debited and the appropriate expense is credited. KU debits the appropriate expense account and credits an intercompany receivable. The amounts are then netted with other intercompany transactions between LG&E and KU to establish an intercompany receivable for KU or LG&E and an intercompany payable for LG&E or KU.

CASH COLLECTED AND PAID BY LG&E ON BEHALF OF KU

For the convenience of our suppliers and customers for purchased power and off system sales, and due to generating units being jointly dispatched, KU and LG&E have combined their billing and payments. This gives the appearance of one company to customers and suppliers.

Internally, sales and purchases are split between KU and LG&E and each company records its payable and receivable to the appropriate account.

As LG&E makes payments to various vendors for purchased power, the disbursement request is split into the appropriate portions applicable to each company. LG&E issues the payment through its Accounts Payable Department and bills KU for the expenditures made on behalf of KU. The Oracle General Ledger system automatically creates the intercompany payable and receivable as transactions are posted. The amount KU owes LG&E is included on the intercompany billing from LG&E.

As LG&E receives payments for power sales, the money received is split into the appropriate amounts for each company and a monthly journal entry for the cash received on behalf of KU is recorded to create a payable to KU.

As payments are received by LG&E (KU) for off system sales, some of the same customers may have sold power to LG&E (KU). For the customers' convenience, when the contract allows, the payments are netted. Netted payments are booked by each utility as the gross amount of the receivable and payable.

In addition, certain other receivables and payables which benefit both LG&E and KU are processed through only one of the companies for convenience or efficiency. The cash received and disbursement requests are split into the appropriate portions applicable to each company.

Intercompany receivables and payables are billed on the normal billing to the respective company and settled on the 13th business day of the month following the transaction. See Tab 3 for a description of the intercompany monthly invoices.

Intercompany interest is calculated for these transactions that are paid/held and settled. Interest is calculated on a daily-accumulated balance of monies received and paid by LG&E on behalf of KU, and vice versa. Consistent with the 2011 Utility Money Pool Agreement, interest is calculated from the day the money is received or paid through the day of the Intercompany cash settlement. In June 2020 the FERC order (ES20-21-000) required the interest rate on short-term debt not exceed the highest of the 30-day London Interbank Offered Rate (LIBOR) at the date of the

LG&E and KU Services Company

Cost Allocation Manual

Effective [January 1, 2020]

CAM	Cost Allocation Manual
CCS	Customer Care System
FERC	Federal Energy Regulatory Commission
HR	Human Resources
IT	Information Technology
KPSC	Kentucky Public Service Commission
KU	Kentucky Utilities Company
LG&E	Louisville Gas and Electric Company
LKC	LG&E and KU Capital LLC
LKE	LG&E and KU Energy LLC
LKE Foundation	LG&E and KU Foundation
LKS	LG&E and KU Services Company
PPL	PPL Corporation
PPL Capital	PPL Capital Funding, Inc.
PPLEU	PPL Electric Utilities Corporation
PPLEU Services	PPL EU Services Corporation
PPL Insurance	PPL Power Insurance, Ltd.
PPL Services	PPL Services Corporation
PUHCA 2005	The Public Utility Holding Company Act of 2005
SEC	U.S. Securities and Exchange Commission
VSCC	Virginia State Corporation Commission

Table of Contents

I. INTRODUCTION

PUHCA 2005 states that centralized service companies must maintain and make available to the FERC their books, accounts and other records in the specific manner and preserve them for the required periods as the FERC prescribes in Title 18 Code of Federal Regulations Part 368 of the FERC Uniform System of Accounts. These records must be in sufficient detail to permit examination, audit, and verification, as necessary and appropriate for the protection of utility customers with respect to jurisdictional rates. The purpose of this CAM is to document the methods, policies and procedures that LKS will follow in performing certain services for affiliate companies and in receiving certain services or charges for affiliated companies from PPL Services, PPLEU Services and other PPL entities. In developing this CAM the overriding goal was to protect investors and consumers by ensuring the methods, policies and procedures contained in this CAM were PUHCA 2005 compliant so that LKS, PPL Services, and PPLEU Services costs are fully segregated, and fairly and equitably allocated among the affiliate companies. LKS was authorized to conduct business as a service company for LKE and its various subsidiaries and affiliates by order of the SEC on December 6, 2000, and commenced operations January 1, 2001. LKE is a Kentucky limited liability company and the parent of KU and LG&E. KU and LG&E are subject to the jurisdiction of and oversight by the KPSC. In addition, KU is subject to the jurisdiction of and oversight by the VSCC. PPL Services and PPLEU Services are Delaware corporations authorized to conduct business as service companies for PPL and its various subsidiaries and affiliates, including LKE. Under Kentucky regulatory law, KU and LG&E are required to have a cost allocation manual on file with the KPSC. KU is required to have a services agreement for any affiliate transaction approved by the VSCC prior to the transaction.

Periodic changes to the CAM may be necessary due to future management decisions, changes in the law, interpretations by state or federal regulatory bodies, changes in structure or activities of affiliates, or other internal procedures.

II. CORPORATE ORGANIZATION

OVERVIEW

LKE is an indirect wholly-owned subsidiary of PPL, headquartered in Allentown, Pennsylvania. LKE has five direct subsidiaries: LG&E, KU, LKC, and LKS. LKE has an affiliate relationship with LKE Foundation due to overseeing all operations of the foundation.

LKE and its utility subsidiaries are engaged principally in the generation, transmission, distribution and sale of electricity. LG&E is also engaged in the storage, distribution, and sale of natural gas. LKE and its subsidiaries are subject to the regulatory provisions of PUHCA 2005. LG&E and KU are subject to regulation by the FERC and the KPSC. KU is also subject to regulation by the VSCC.

PPL is a holding company with nine direct subsidiaries, including LKE, PPLEU, PPL Services, PPLEU Services, PPL Capital Funding, Inc., PPL Insurance, and PPL Energy Funding

Corporation, the direct parent of CEP Reserves Inc. PPL, PPLEU, PPL Services and PPLEU Services are subject to the provisions of PUHCA 2005.

LKE's UTILITY OPERATIONS

LG&E, incorporated in Kentucky in 1913, is a regulated public utility engaged in the generation, transmission, distribution and sale of electric energy and the storage, distribution and sale of natural gas. LG&E is a wholly-owned subsidiary of LKE. LG&E supplies electricity and natural gas to customers in Louisville and adjacent areas in Kentucky.

KU, incorporated in Kentucky in 1912 and in Virginia in 1991, is a regulated public utility engaged in the generation, transmission, distribution and sale of electric energy in Kentucky and Virginia. KU is a wholly-owned subsidiary of LKE.

LG&E and KU have mutual assistance agreements with PPLEU for system restoration in emergencies.

SERVICE COMPANIES

LKS, a Kentucky corporation, is a centralized service company registered under PUHCA 2005 and is authorized to conduct business as a service company for LKE and its various subsidiaries and affiliates by order of the SEC dated December 6, 2000, and commencing operation January 1, 2001. LKS is the service company for affiliated entities, including LKE, LG&E, KU, and LKC and provides a variety of administrative, management, engineering, construction, environmental and support services. LKS provides its services at cost, as permitted under PUHCA 2005.

Development of the LKS organization was predicated on the fact that if the employee performed activities benefiting more than one affiliate, that employee would become a part of the LKS organization. In many respects, employees working in typical finance, administrative and general, management and other support departments are fully subject to LKS organizational placement.

Many operational employees dedicated to providing a service to just one affiliate, by definition, are not subject to LKS placement. However, management and support staff overseeing the business activities of more than one of these operational groups are subject to LKS placement.

As a result of PPL's acquisition of LKE, PPL became a multi-state utility holding company subject to PUHCA 2005. PPL Services and PPLEU Services, Delaware corporations, are centralized services companies registered under PUHCA 2005 and authorized to conduct business as service companies for PPL and its various subsidiaries and affiliates. PPL Services and PPLEU Services are the service companies for affiliated PPL entities, including PPL Electric Utilities Corporation, and provide a variety of administrative, management, environmental, and support services. PPL Services and PPLEU Services provide their services at cost, as permitted under PUHCA 2005.

OTHER BUSINESS OPERATIONS

LKE Foundation, a charitable foundation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, makes charitable contributions to qualified entities.

LKC is a holding company for other LKE non-utility businesses which are generally inactive from an operational standpoint, but have certain remaining support or contingent business obligations.

LKS transacts business for LKE Foundation, LKC and PPL and its affiliates on behalf of LKE.

LKE also receives services from CEP Reserves Inc. that benefit its non-utility activities.

III. TRANSACTIONS WITH AFFILIATES

OVERVIEW

LKE formed LKS, as a service company to provide services for affiliated companies. PPL formed PPL Services and PPLEU Services as service companies to provide services for affiliated companies. LKS, PPL Services, PPLEU Services, and affiliated companies (or their parent entities) may enter into service agreements, which may establish the general terms and conditions for providing those services, including those mentioned in Section IV of the CAM.

At formation, certain LG&E, KU and LKE employees became employees of LKS and such employees continued to provide services to the regulated and non-regulated entities. Similarly, at formation, certain PPL employees became employees of PPL Services and PPLEU Services and such employees continued to provide services to the regulated and non-regulated entities.

Regulated affiliates receive services at cost, pursuant to the service agreements. Non-regulated affiliates generally receive services at cost; however, certain services may permit pricing at fair-market value. The provisions included in contracts or service agreements govern transactions among LKS, PPL Services, PPLEU Services, and their regulated and non-regulated affiliates.

KU and LG&E are required by the KPSC and the VSCC to use the "stand alone" method for allocating their respective tax liabilities (or tax benefits) so that such tax liabilities (or tax benefits) will not exceed the tax liabilities (or tax benefits) each would incur if it filed its tax returns separately from the consolidated returns filed by PPL. KU and LG&E have filed a separate PPL Corporation and Subsidiaries tax allocation agreement with the KPSC and the VSCC. The allocation of the respective tax liabilities (or tax benefits) of KU and LG&E therefore are not within the scope of this CAM.

<u>Definitions of Cost</u>

> ***Tariff Rate*** – The price charged to customers under applicable tariffs on file with federal or state regulatory commissions.
> ***Fair Market Value*** – The price held out by a providing entity to the general public in the normal course of business (i.e. the price at which a reasonable buyer and a reasonable seller are willing to transact in the normal course of business).
> ***Cost*** – The charge used for transactions with affiliates for which no tariff rate or fair market value is applicable. LKS follows the definition of cost defined in PUHCA 2005.

IV. DESCRIPTION OF SERVICES

The following table provides service descriptions along with the frequency of services provided and the primary affiliate receiving the services. See below for definitions of frequency and primary affiliates. The table also contains the cost assignment methods used to allocate indirectly attributable costs for these services, when necessary. Note that a departmental charge ratio may also be used for any service with indirectly attributable costs, but only if the use of the cost assignment method for the service would not result in the fair assignment of costs.

Detailed descriptions of cost assignment methods are provided in Section V. Also see section V for definitions of directly assignable, directly attributable and indirectly attributable. The cost assignment methods in the table below should be used only when costs of a good or service cannot be directly assignable or directly attributable.

Definitions of Frequency

Ongoing – Provided on a prearranged, continuous basis (i.e., daily)
Frequent – Provided as requested on a regular basis (i.e., several times per month)
Infrequent – Provided as requested on an irregular basis (i.e., several times per year)

Definitions of Primary Affiliates

All charges by LKS, PPL Services, and PPLEU Services to affiliated entities follow the principle of fully distributed cost. Primary affiliates receiving the service are designated below as:

R – Regulated (LG&E and KU)
NR – Non-regulated (LKE, LKC, and LKE Foundation)
A – All

Service	Description	Assignment Method	Frequency	Primary Affiliate
Customer and Customer-Related Services				
Customer Service	Providing call center and customer communication services for both electric and gas customers.	Number of Customers Ratio	Ongoing	R
Sales and Marketing	Providing programs for establishing strategies, oversight for marketing, sales and branding of utility and related services, and conducting marketing and sales programs for economic development and demand side management.	Number of Customers Ratio	Frequent	R
Economic Development and Major Accounts	Maintaining community development, partnerships with state, regional, and local economic development allies, and customized products and services.	Number of Customers Ratio	Frequent	R
Meter Reading Services	Providing meter reading and meter data services, including maintaining inventory, quality and environmental issues, policy and standards, technical support, and logistics.	Number of Meters Ratio	Ongoing	R
Cash Remittance	Providing remittance processing, customer payments, and collection services.	Revenue Ratio	Ongoing	R
Billing Integrity	Administering and providing customer billings and credit reviews.	Number of Customers Ratio	Ongoing	R
Energy Efficiency	Providing energy efficiency programs to residential and commercial customers to encourage implementation of energy saving measures.	Number of Customers Ratio	Ongoing	R

Service		Description	Assignment Method	Frequency	Primary Affiliate
	Smart Grid Strategy	Providing leadership and direction for smart meter and smart grid strategy development, investment and decision analysis to support value-added infrastructure deployments.	Number of Customers Ratio	Ongoing	R
	Field Services	Completing customer requested service orders generated through Residential Service Center, Business Service Center, KU Business Offices, Billing Integrity and Meter Assets. Supporting Meter Shop activities and Public Safety Response Team needs.	Total Utility Plant Assets Ratio	Ongoing	R
	CCS Retail Business Readiness	Providing end user support services, development and capture of business metrics and development, and delivery of training for the Company's CCS.	Number of Customers Ratio	Ongoing	R
Power Production and Generation Services					
	Project Engineering	Coordinating and managing all major generation construction.	Generation Ratio	Infrequent	R
	System Laboratory	Providing system laboratory services to the generating stations.	Total Utility Plant Assets Ratio	Ongoing	R
	Generation	Providing centralized, fleet-wide technical expertise for generation asset management, technical guidance for various functional initiatives and coordination of operational research and development.	Total Utility Plant Assets Ratio; Generation Ratio	Ongoing	R

Service		Description	Assignment Method	Frequency	Primary Affiliate
	Generation Services	Providing management services and oversight to Power Generation.	Total Utility Plant Assets Ratio; Generation Ratio	Ongoing	R
	Fuel Procurement	Procuring coal, natural gas, oil and other bulk materials for generation facilities and ensuring compliance with price and quality provisions of fuel contracts.	Contract Ratio	Ongoing	R
Transmission Operations & Services					
	Strategy, Reliability and Tariffs	Providing transmission system reliability planning and identifying current and future upgrades that are needed to maintain reliability. Providing facility ratings, drawings and reliability metrics. Coordinating and managing transmission tariffs and agreements with outside parties for use of the transmission system.	Transmission Ratio,	Ongoing	R
	Operations and Construction	Coordinating and managing all maintenance and capital upgrades to transmission substations. Coordinating and managing all maintenance and capital upgrades to the transmission lines. Providing transmission system control center services. Managing and maintaining the Energy Management System. Coordinating and managing the balance between scheduled transmission usage and actual transmission usage by other companies.	Transmission Ratio; Total Utility Plant Assets Ratio	Ongoing	R
	Reliability and Compliance	Ensuring that the Transmission Department is complying with all applicable regulatory standards.	Transmission Ratio	Ongoing	R

Service	Description	Assignment Method	Frequency	Primary Affiliate
Energy Supply and Analysis Services				
Energy Marketing	Providing market services to take advantage of the highest excess generation prices in the open market.	Generation Ratio	Ongoing	R
Market Forecasting	Providing management services for financial forecasts of the utility market.	Generation Ratio	Frequent	R
Load Forecasting	Providing short- and long-term load forecasting services.	Generation Ratio	Frequent	R
Generation Planning and Analysis	Providing short- and long-term generation planning services	Generation Ratio	Ongoing	R
Distribution Operations Services				
Network Trouble and Dispatch	Providing dispatch services, reporting outage situations and coordinating restoration.	Number of Customers Ratio	Ongoing	R
Electric Engineering	Providing development engineering and construction standards, distribution system planning and analysis, substation construction project management and telecommunications systems design and analyses.	Total Utility Plant Assets Ratio	Ongoing	R

Service		Description	Assignment Method	Frequency	Primary Affiliate
	Distribution Asset Management	Leading management and investment decisions regarding distribution assets, including resource allocation, developing uniform standards and procedures, determining performance targets and managing assets information and data.	Number of Customers Ratio; Total Utility Plant Assets Ratio	Ongoing	R
	Forestry	Providing vegetation and tree management.	Total Utility Plant Assets Ratio	Frequent	R
	Substation Construction and Maintenance	Providing engineering and design services for substation construction, maintenance and operations areas.	Total Utility Plant Assets Ratio	Frequent	R
	Electric Reliability/Analysis	Providing reliability engineering for operation centers, data analytics, support of distribution information technology applications, and mapping services.	Total Utility Plant Assets Ratio	Ongoing	R
Safety and Technical Training					
	Safety and Technical Training	Providing safety governance and technical training to company operations areas.	Number of Employees Ratio; Revenue, Total Assets and Number of Employees Ratio; Generation Ratio; Total Utility Plant Assets Ratio; Transmission Ratio	Frequent	R

Service	Description	Assignment Method	Frequency	Primary Affiliate
Financial Planning and Budgeting Services				
Budgeting	Providing services related to managing, coordinating and reporting for the budgeting and forecasting process.	Revenue, Total Assets and Number of Employees Ratio; Transmission Ratio; Generation Ratio; Number of Customers Ratio	Frequent	A
Financial Planning	Providing financial planning and forecasting, investment analysis and investment planning reporting.	Revenue, Total Assets and Number of Employees Ratio	Frequent	A
Controller Organization Services				
Accounting and Reporting	Providing accounting and reporting in conformity with U.S. Generally Accepted Accounting Principles (GAAP) and the FERC Uniform System of Accounts (USofA), accounting research and interpretation and promulgation of accounting and internal control procedures, performing U.S. GAAP general ledger account and project analyses, reconciliations and consolidation, internal and external financial reports, and business and financial system support and consultation.	Revenue, Total Assets and Number of Employees Ratio	Ongoing	A
Property Accounting	Maintaining, analyzing and reporting related to property records.	Total Utility Plant Assets Ratio	Ongoing	R

Service	Description	Assignment Method	Frequency	Primary Affiliate
Revenue Accounting	Managing and analyzing internal and external revenue reporting.	Revenue Ratio	Ongoing	R
Corporate Tax and Payroll Organization Services				
Payroll	Providing payroll services including the managing of payroll systems.	Number of Employees Ratio	Ongoing	A
Tax Accounting, Compliance and Reporting	Preparing consolidated and subsidiary federal, state and local income tax returns; current and deferred tax accounting; utility gross receipts tax; sales/use tax; property tax; LKE Foundation returns; and supporting roles for project development and tax legislation.	Revenue, Total Assets and Number of Employees Ratio	Ongoing	A
Audit Services				
Audit Services	Providing independent and objective assurance along with consulting services and internal controls system review.	Revenue, Total Assets and Number of Employees Ratio	Ongoing	A
Sarbanes-Oxley Compliance Services				
Sarbanes-Oxley Compliance	Providing coordination, implementation and maintenance of the Company's program for compliance with the Sarbanes-Oxley Act of 2002.	Revenue, Total Assets and Number of Employees Ratio	Ongoing	A
Treasury Services				
Treasury and Corporate Finance	Providing management and monitoring of cash flows including review and acquisition of business entity	Revenue, Total Assets and Number	Ongoing	A

Service		Description	Assignment Method	Frequency	Primary Affiliate
		cash requirements and procurement of short-term financing and credit lines. Providing overall finance options including evaluating new financing vehicles and instruments, analyzing existing financing positions and raising long-term funds for all entities.	of Employees Ratio		
	Risk Management	Managing outside providers of risk services comprised of providing insurance and assisting affiliated entities in managing property and liability risks including claims, security, environmental, safety and consulting services.	Revenue, Total Assets and Number of Employees Ratio	Ongoing	R
	Credit Administration	Providing management of credit risk for wholesale energy sales and major vendors.	Generation Ratio	Ongoing	R
	Energy Marketing Trading Controls	Performing reporting on the trading portfolios. Performing validation of significant transactions, valuation algorithms, ensuring trading system security and testing trading system enhancements.	Generation Ratio	Ongoing	R
Supply Chain and Logistics Services					
	Supply Chain	Maintaining and analyzing the supplier base and performing supplier selection activities including contract negotiations and ongoing compliance. Providing order management, materials handling and logistics and inventory management services. Providing order management and general field support services for system maintenance, developing and monitoring of key performance metrics,	Revenue, Total Assets and Number of Employees Ratio; Number of Employees Ratio	Ongoing	A

Service		Description	Assignment Method	Frequency	Primary Affiliate
		supplying day to day variance and reconciliation reporting services and performing supplier certification services. Identifying qualified minority and women owned businesses that are able to participate in competitive bidding opportunities, perform on-going work and ultimately become key suppliers to LKE and subsidiaries.			
	Accounts Payable	Processing payments for purchase orders, check requests, employees' expense reimbursements, etc., and providing ad-hoc research and analysis.	Revenue, Total Assets and Number of Employees Ratio	Ongoing	A
IT Services					
	IT Security	Providing services associated with non-project management, security and administrative support. This function includes developing and administering security policies and procedures. Providing services associated with compliance activities and security related administration support. This function includes development, implementation and on-going compliance activities for the NERC Critical Infrastructure Protection (CIP) Program.	Network Users Ratio; Number of Employees Ratio	Ongoing	A
	IT Applications Development and Support	Providing services associated with each of the existing applications that IT provides to the business. These services include costs incurred related to application license fees and application support costs. Providing services associated with existing end user tools and related productivity software; Providing end user support services, and development.	Network Users Ratio; Number of Employees Ratio; Number of Customers Ratio; Ultimate Users Ratio	Ongoing	A

Service		Description	Assignment Method	Frequency	Primary Affiliate
	IT Infrastructure and Operations	Providing services related to the corporate-wide shared computing infrastructure, including servers, storage and data center operations. Providing services related to all corporate-wide network capabilities including wide area transport networks, local area networks, wireless networks, telephone systems, telecommunications for SCADA and two-way radio systems. Providing services related to a number of enterprise applications including e-mail, SharePoint, instant messaging and others. This function includes the operations of the NERC Critical Infrastructure Protection (CIP) Program.	Network Users Ratio; Number of Employees Ratio	Ongoing	A
	IT Governance	Providing services including business relationship management, project management, requirements, and planning.	Network Users Ratio; Number of Employees Ratio	Ongoing	A
	IT Business Services	Providing services including business analysis, testing, service management and process management	Network Users Ratio; Number of Employees Ratio	Ongoing	A
	IT Major Projects	Providing services including software system implementations projects and software system upgrade projects.	Network Users Ratio; Number of Employees Ratio; Ultimate Users Ratio	Ongoing	A

Service	Description	Assignment Method	Frequency	Primary Affiliate
Compliance, Legal, and Environmental Affairs Services				
Legal	Providing various legal services for all affiliated entities including in-house counsel and staff assistance in the areas of, among others, corporate and securities law, employment law, energy, public utility and regulatory law, contract law, litigation, environmental law and intellectual property law, evaluating legal claims and managing legal fees for outside counsel.	Revenue, Total Assets and Number of Employees Ratio	Ongoing	A
Compliance	Providing various compliance services for all affiliated entities including compliance assessment and risk management, code of conduct, anti-fraud, ethics, helpline management and Critical Infrastructure Protection (CIP) Compliance.	Number of Employees Ratio; Total Utility Plant Assets Ratio	Ongoing	A
Environmental Affairs	Providing management services related to performing analyses, monitoring and advocacy of regulatory and legislative environmental matters including securing of permits and approvals, providing environmental technical expertise, environmental compliance and representing the Company in industry groups and before regulatory agencies dealing with environmental issues.	Generation Ratio	Frequent	R
Regulatory Affairs and Government Affairs Management Services				
Regulatory Affairs	Providing management services for compliance with all laws, regulations and other policy requirements, including regulatory filings, expert testimony, tariff administration and compliance, pricing support, and	Revenue Ratio	Ongoing	R

Service		Description	Assignment Method	Frequency	Primary Affiliate
		development and monitoring of positions regarding ongoing regulatory matters.			
	Government Affairs Management	Maintaining relationships with government policy makers and conducting lobbying activities.	Revenue Ratio	Frequent	A
Corporate Communications and Public Affairs Management Services					
	Internal Communications	Providing employee and customer-directed communications including company intranet/internet, employee newsletters, announcements, speeches, graphic design, presentations and customer newsletters and bill inserts.	Number of Employees Ratio	Frequent	A
	External and Brand Communications	Providing all administrative and management support for external communication services, brand image management and corporate events.	Number of Customers Ratio	Frequent	A
	Public Affairs Management	Providing community relations functions, communicating public information to local organizations and providing oversight for communications to employees.	Number of Customers Ratio	Frequent	A
Operating Services					
	Facilities and Buildings	Providing building and grounds maintenance including coordination of office furniture and equipment	Facilities Ratio; Transmission Ratio; Generation Ratio	Ongoing	A

Service		Description	Assignment Method	Frequency	Primary Affiliate
		purchases/leases, space utilization and layout, and building code and fire protection services.			
	Security	Providing security personnel, security and monitoring devices for all affiliated entities.	Number of Employees Ratio	Ongoing	A
	Production Mail	Providing production mail services for customer bills and other large customer mailings.	Number of Customers Ratio	Ongoing	R
	Document	Providing document printing, reproduction services including mail delivery, scanning, off-site storage and document service desk support.	Number of Employees Ratio	Ongoing	A
	Process Management and Performance	Provide business process improvements, operational performance measures, benchmarking studies, and rate case analysis for all of Customer Service.	Number of Customers Ratio	Ongoing	R
	Right-of-Way	Obtaining and retaining easements or fee simple property for placement and operation of company and affiliate equipment as well as managing real estate assets and maintaining real estate records.	Number of Customers Ratio	Ongoing	R
Transportation Services					
	Transportation	Providing and operating transportation fleet for all affiliated companies including developing fleet policy, administering regulatory compliance programs, managing repair and maintenance of vehicles and procuring vehicles	Total Utility Plant Assets Ratio; Vehicle Cost Allocation Ratio	Ongoing	A

Service		Description	Assignment Method	Frequency	Primary Affiliate
HR Services					
	HR Compensation	Providing services relating to the establishment and oversight of compensation policies for employees.	Number of Employees Ratio	Frequent	A
	HR Benefits	Providing services relating to the establishment and oversight of benefits plans for employees, retirees and survivors. This also includes vendor management, compliance with various laws and regulations, administrative vendor billings and maintenance of all personnel records.	Number of Employees Ratio	Frequent	A
	Other HR Services	Providing initiatives and programs designed to support the company's diversity strategy, with an emphasis on creating, designing and implementing the strategies and programs to achieve the company's diversity vision. This includes fostering and managing the internal and external relationships necessary to driving initiatives within the company and wider community customer base. Providing initiatives and programs designed to support personal and professional growth, with an emphasis on employee and leadership training, individual and career development, performance management, coaching, mentoring, succession planning and employee engagement. Providing communication and oversight for union matters, negotiation of union contracts and union dispute resolution services.	Number of Employees Ratio	Frequent	A

Service	Description	Assignment Method	Frequency	Primary Affiliate
Health and Safety	Providing services relating to the establishment and oversight of health and safety policies for employees.	Number of Employees Ratio	Frequent	A
Executive Management Services				
Executive Management	Providing executive leadership to the corporation, the cost of which is comprised of the compensation and benefits of the corporate officers and executive assistants.	Generation Ratio; Number of Customers Ratio; Network Users Ratio; Number of Employees Ratio; Revenue Ratio; Revenue, Total Assets and Number of Employees Ratio; Total Utility Plant Assets Ratio; Transmission Ratio	Ongoing	A

V. COST ASSIGNMENT METHODS

OVERVIEW

The costs of services provided by LKS, PPL Services, and PPLEU Services will be directly assigned, distributed or allocated by activity, project, program, work order or other appropriate basis. The primary basis for charges to affiliates is the direct charge method (see section VI for time reporting procedures). The methodologies listed below pertain to all other costs which are not directly assigned but which make up the fully distributed cost of providing the service.

> ***Directly Assignable*** – Expenses incurred for activities and services exclusively for the benefit of one affiliate. In many respects, these types of expenses relate to non-LKS employees that perform dedicated services to one affiliate, although LKS, PPL Services and PPLEU Services employees also directly report where feasible.
>
> ***Directly Attributable*** – Expenses incurred for activities and services that benefit more than one affiliate and which can be apportioned using direct measures of costs causation.
>
> ***Indirectly Attributable*** – Expenses incurred for activities and services that benefit more than one affiliate and which can be apportioned using general measures of cost causation.
>
> ***Unattributable*** – Expenses or portions thereof incurred for activities and services that have been determined as not appropriate for apportionment. The unattributable portions of these costs relate primarily to activities such as corporate diversification, political or philanthropic endeavors and, as such, may be charged, in whole or in part, to LKC.

ASSIGNMENT METHODS

LKS, PPL Services, and PPLEU Services will allocate the costs of service among the affiliated companies using one of several methods that most accurately distributes the costs. The method of cost allocation varies based on the department rendering the service. Any of the methods may be adjusted for any known and reasonably quantifiable events, or at such time as may be required due to significant changes in the business, but are generally determined annually. Any changes in the ratios, unless otherwise indicated, will be determined no later than May 1st of the following calendar year, and charges to date will be reallocated for any significant changes in the ratio from that used in the prior year. The assignment methods used by LKS, PPL Services, and PPLEU Services are as follows:

Contract Ratio – Based on the sum of the physical amount (i.e. tons of coal, mmbtu of natural gas) of the contract for coal and natural gas fuel burned for the immediately preceding twelve consecutive calendar months, the numerator of which is for an operating company and the denominator of which is for all operating companies. This ratio is calculated on an annual basis.

Departmental Charge Ratio – A specific department ratio based upon various factors. The departmental charge ratio typically applies to indirectly attributable costs such as departmental administrative, support, and/or material and supply costs that benefit more than one affiliate and that require allocation using general measures of cost causation. Methods for assignment are department-specific depending on the type of service being performed and are documented and monitored by the Budget Analysts for each department. The numerator and denominator vary by department. The ratio is based upon various factors such as labor hours, labor dollars, departmental or entity headcount, capital expenditures, operations and maintenance costs, retail energy sales, charitable contributions, generating plant sites, average allocation of direct reports, net book value of utility plant, total line of business assets, electric capital expenditures, substation assets and transformer assets. The Departmental Charge Ratio will only be used with prior approval by the Controller when other applicable ratios would not result in the fair assignment of costs. These ratios are calculated on an annual basis.

Facilities Ratio – Based on a two-tiered approach with one tier based on the number of employees by department or line of business and the other tier based on the applicable department or line of business ratio. The numerator for the number of employees is the number of employees by department or line of business at the facility and the denominator is the total employees at the facility. The numerator and denominator for the applicable department or line of business for the service provided as described in this document.

Generation Ratio – Based on the annual forecast of megawatt hours, the numerator of which is for an operating company and the denominator of which is for all operating companies. This ratio is calculated on an annual basis.

Network Users Ratio – Based on the number of IT network users at the end of the previous calendar year. A two-step assignment methodology is utilized to properly allocate costs to the proper legal entity. The numerator for the first step of this ratio is the total number of network users for each specific company, and the denominator is the total number of network users for all companies in which an allocator is assigned (i.e. LG&E, KU, LKS and PPL). For the second step, the ratio of LKS network users, to total network users will then be allocated to the other companies (LG&E, KU, and LKC) based on each company's ratio of LKS labor hours to total LKS labor hours. This ratio is calculated on an annual basis.

Number of Customers Ratio – Based on the number of retail electric and/or gas customers. This ratio will be determined based on the actual number of customers at the end of the previous calendar year. In some cases, the ratio may be calculated based on the type of customer class being served (i.e. Residential, Commercial or Industrial). The numerator is the total number of each Company's retail customers. The denominator is the total number of retail customers for both LG&E and KU. This ratio is calculated on an annual basis.

Number of Employees Ratio – Based on the number of employees benefiting from the performance of a service. This ratio will be determined based on actual counts of applicable employees at the end of the previous calendar year. A two-step assignment methodology is utilized to properly allocate LKS employee costs to the proper legal entity. The numerator for the first step of this ratio is the total number of employees for each specific company, and the denominator is the total number of employees for all companies in which an allocator is assigned (i.e. LG&E, KU and LKS). For the second step, the ratio of LKS to total employees will then be allocated to the other companies (LG&E, KU and LKC) based on each company's ratio of labor hours to total labor hours. LKC has no employees, but non-utility related labor is charged to it. In some cases, the ratio may be calculated based on the number of employees at a specific location for the first step with the ratio of LKS to total employees being allocated based on labor hours of the employees at the specific location. This ratio is calculated on an annual basis.

Number of Meters Ratio – Based on the number or types of meters being utilized by customer classes within the system for the immediately preceding twelve consecutive calendar months. The numerator is equal to the number of meters for each utility and the denominator is equal to the total meters for KU and LG&E. This ratio is calculated on an annual basis.

Ownership Percentages – Based on the contractual ownership percentages of jointly-owned generating units, information technology, facilities and other capital projects. This ratio is updated as a result of a new jointly-owned capital projects and is based on the benefit to the respective company. The numerator is the specific company's forecasted usage. The denominator is the total forecasted usage of all respective companies.

Revenue Ratio – Based on the sum of the revenue for the immediately preceding twelve consecutive calendar months, the numerator of which is for an operating company and the denominator of which is for all operating companies. This ratio is calculated on an annual basis.

Revenue, Total Assets and Number of Employees Ratio – Based on an average of the revenue, total assets and number of employees ratios. The numerator is the sum of Revenue Ratio, Total Assets Ratio and Number of Employees Ratio for the specific company. The denominator is three – the number of ratios being averaged. This ratio is calculated on an annual basis.

Total Assets Ratio – Based on the total assets at year-end for the preceding year. In the event of joint ownership of a specific asset, asset ownership percentages are utilized to assign costs. The numerator is the total assets for each specific company at the end of the preceding year. The denominator is the sum of total assets for each company in which an allocator is assigned (LG&E, KU and LKC). This ratio is calculated on an annual basis.

Total Utility Plant Assets Ratio – Based on the total utility plant assets at year-end for the preceding year, the numerator of which is for an operating company and the denominator of which is for all operating companies. In the event of joint ownership of a specific asset, ownership percentages are utilized to assign costs. This ratio is calculated on an annual basis.

Transmission Ratio –The Transmission Coordination Agreement (TCA) provides "the contractual basis for the coordinated planning, operation, and maintenance of the combined" LG&E and KU transmission system. Pursuant to the terms of the TCA, LG&E/KU "operate their transmission systems as a single control area." The TCA establishes cost and revenue allocations between LG&E and KU. The Transmission Ratio is based upon Schedule A

(Allocation of Operating Expenses of the Transmission System Operator) of the TCA. Transmission System Operator Company allocation percentages are calculated during June of each year to be effective July 1st of each year using the previous year's summation of the Transmission Peak Demands as found in FERC Form 1 for Kentucky Utilities Company (KU) and Louisville Gas & Electric Company (LG&E) page 400 line 17(b).

Ultimate Users Ratio – Based on the number of ultimate users of an IT product or service (i.e., software, hardware, mobile devices, etc.) at the end of the previous calendar year. A two-step assignment methodology is utilized to properly allocate costs to the proper legal entity. The numerator for the first step of this ratio is the total number of ultimate users for each specific company, and the denominator is the total number of ultimate users for all companies in which an allocator is assigned (i.e. LG&E, KU, LKS and PPL). For the second step, the ratio of LKS ultimate users, to total ultimate users will then be allocated to the other companies (LG&E, KU, and LKC) based on each company's ratio of LKS labor hours to total LKS labor hours. This ratio is calculated on an annual basis.

Vehicle Cost Allocation Ratio – Based on the costs associated with providing and operating transportation fleet for all affiliated companies including developing fleet policy, administering regulatory compliance programs, managing repair and maintenance of vehicles and procuring vehicles. Such rates are applied based on the specific equipment employment and the measured usage of services by the various company entities. This ratio is calculated monthly based on the actual transportation charges from the previous month. The numerator is the department labor charged to a specific company. The denominator is the total labor costs for the specific department. The ratio is then multiplied by the total transportation costs to determine the amount charged to each company.

VI. TIME DISTRIBUTION, BILLING AND ASSET TRANSFER POLICIES

OVERVIEW

LKS utilizes Oracle or other financial systems in which project/task combinations are set up to equate to services. In some cases, departments have set up many projects/tasks that map to services. In many cases, there is a one to one relationship between the project/task and the service. The Oracle system also automatically captures the home company (providing the service) and the charge company (receiving the service). Regardless of the method of reporting, charges related to specific services reside on the company receiving the service and therefore can be identified for billing purposes as well as for preparation of LKS financial statements. This ensures that:

1. Separation of costs among LG&E, KU, LKE's non-regulated subsidiaries and other PPL affiliates will be maintained
2. Intercompany transactions and related billings are structured so that non-regulated activities are not subsidized by regulated affiliates and regulated affiliates do not subsidize other regulated affiliates
3. Adequate audit trails exist on the books and records

BILLING POLICIES

Billings for transactions among LKS, PPL Services, PPLEU Services, and other affiliates are issued on a timely basis with documentation sufficient to provide the receiving party with enough detail to understand the nature of the billing, the relevant components, and other information as required by affiliates. Financial settlements for transactions are made within 30 days. Interest charges, which are based on market rates for similar maturities of similarly rated entities as of the date of the loan, may apply. LKS is authorized to act as payment and billing agent on behalf of LKE, LG&E, KU and LKC.

ASSET TRANSFERS

Unless otherwise permitted by regulatory authority or exception, (i) transfers or sales of assets from regulated affiliates to non-regulated affiliates will be priced at the greater of cost or fair market value; (ii) transfers or sales of assets from non-regulated affiliates to regulated affiliates will be priced at the lower of cost or fair market value and (iii) transfers of assets between regulated affiliates shall be priced at no more than cost less depreciation. Settlement of liabilities will be treated in the same manner.

TIME DISTRIBUTION

LKS has three methods of distribution to record employee salaries and wages while providing services for the affiliated entities: Positive time reporting, allocation time reporting and exception time reporting. Each department's job activities will dictate the time reporting method used.

Positive Time Reporting

Positive time reporting or direct time reporting requires all employees in a department to track all chargeable hours every day. Time may be charged to the nearest quarter hour.

Departments that have positive time reporting have labor-based activities that are easily trackable given the project/task code combinations noted above. All employees are given appropriate project numbers that are associated with the service that is being provided. The proper coding for direct assignment of costs is on various source documents, including the timekeeping system and disbursement requests. Each department or project manager is responsible for ensuring employees charge the appropriate charge codes for the services performed. This form of time reporting is documented in the timekeeping system, which upon completion, is approved by the employees' immediate supervisor.

Allocation Time Reporting

Allocation time reporting allows for certain departments to set up a predefined allocation percentage to affiliated company project/tasks. This is typically the case when the department is transaction-based, therefore, performing routine, similar tasks benefiting multiple affiliates. Each department will use its ratio (see ratio assignment listing in section V) that was assigned by its Budget Analyst to allocate the appropriate time to individual charge numbers that are associated to that department's services. Unless otherwise permitted by regulatory authority or exception, the selection of ratios and the calculation of allocation percentages should be derived from or bear relationship to an empirical analysis of a prior representative period. These allocation percentages are reviewed on an annual basis to update to actual allocation percentages when needed.

Exception Time Reporting

If an employee was working on a completely new project that had not been defined within the monthly or annual allocation process, then the employee would be given the new allocation with project/task code, update his/her time allocation accordingly and get his/her manager's approval. If an allocation from a previous pay period needs to be adjusted then that correction must be entered into the timekeeping system.

issuance plus up to 200 basis points, or the Prime Rate. Using the money pool rate, interest is calculated and a monthly journal entry is manually created to record the interest related to the intercompany receivable/payable. In 2020 this interest rate averaged 0.99%.

a PPL company

Kimberly B. Pate
Virginia State Corporation Commission
Director - Division of Utility Accounting and Finance
Tyler Building – Fourth Floor
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Richmond, VA 23219

Old Dominion Power Company
State Regulation and Rates
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April 30, 2021

RE: Kentucky Utilities Company d/b/a Old Dominion Power Company for Authority to Engage in Affiliate Transactions Pursuant to Va. Code § 56-76 et seq. (*Case Nos. PUE-2015-00126, PUR-2018-00049, and PUR-2020-00256*)

Dear Ms. Pate:

Pursuant to the aforementioned Commission's Orders, Kentucky Utilities Company ("KU"), d/b/a Old Dominion Power Company, ("KU/ODP"), hereby files the following information in the Appendices of these said Orders:

1. KU's, *Annual Report of Affiliate Transactions* for the calendar year January 1, 2020 through December 31, 2020
2. Federal Energy Regulatory Commission Form 60 Report for 2020
3. PPL Corp. Entities Participating in Tax Allocation Agreement in 2019
4. Legal Verification Page regarding KU/ODP's Allocated and Separate Return Tax Liabilities.
5. LG&E and KU Services Billings to KU/ODP by FERC account by month in Excel format
6. Costs by Service Affiliate, Service Category, and FERC Account per month in Excel format.

As requested, this information is being submitted via e-mail. If you have any questions, please contact me or contact Don Harris at (502) 627-2021.

Sincerely,

Rick E. Lovekamp

cc: Robert F. Sartelle, Manager, Division of Utility Accounting and Finance

2020 VA ARAT
KU Provider of Service (Receivables)
VSCC-1 By Month and CAM Category

CAM Category	Jan-2020	Feb-2020	Mar-2020	Apr-2020	May-2020	Jun-2020	Jul-2020	Aug-2020	Sep-2020	Oct-2020	Nov-2020	Dec-2020	Total
Compliance, Legal, and Environmental Affairs Services	$ -	$ 52,026.49	$ 2,705.40	$ -	$ -	$ (248.53)	$ -	$ -	$ -	$ -	$ 0.00	$ -	$ 54,483.36
Controller Organization Services	(3.45)	-	0.00	-	-	-	-	-	-	-	-	-	(3.45)
Corporate Communications and Public Affairs Management Services	-	-	-	-	-	-	-	-	-	-	-	(61.88)	(61.88)
Corporate Tax and Payroll Organization Services	3,006.18	7,223.15	4,443.86	14,889.02	1,549.12	2,165.11	3,258.01	2,162.75	2,090.84	2,681.28	1,041.13	798.43	45,308.88
Customer and Customer-Related Services	107,570.07	27,101.22	26,066.38	103,777.33	55,483.12	224.84	1,630.43	19,569.42	42,174.00	1,635.30	2,111.87	3,320.16	390,664.14
Distribution Operations Services	125,378.99	39,073.74	32,634.19	12,030.97	6,792.67	8,264.56	46,479.63	25,881.20	45,786.94	15,429.71	10,718.29	377,882.09	746,352.98
Energy Supply and Analysis Services	(0.00)	-	-	-	27.36	66.06	582.11	5,793.04	4,093.39	-	-	-	10,561.96
Executive Management Services	-	-	(0.00)	-	-	-	-	-	-	-	-	-	(0.00)
Financial Planning and Budgeting Services	(6.28)	-	-	-	(5.86)	118.79	-	-	-	-	-	-	106.65
HR Services	7,124.01	20,667.69	12,273.98	14,414.58	3,877.37	499,392.88	(491,610.16)	330,812.73	282,707.24	(82,826.81)	(391.07)	5,057.59	601,500.03
IT Services	167,761.01	146,226.42	259,695.33	180,680.07	164,404.05	147,591.93	175,458.47	158,800.04	157,341.85	177,312.24	130,262.24	198,530.32	2,064,063.97
Operating Services	25,693.49	59,502.35	25,480.14	(8,434.02)	26,936.89	37,377.97	133,723.72	23,895.06	26,493.68	26,003.25	26,135.96	47,487.06	450,295.55
Power Production and Generation Services	352,544.53	287,456.73	467,618.78	391,937.21	167,410.46	460,706.82	373,022.27	243,274.85	301,986.08	396,847.03	237,814.45	548,747.90	4,229,367.11
Regulatory Affairs and Government Affairs Management Services	-	-	-	-	465.21	-	-	-	-	-	-	-	465.21
Safety and Technical Training	(216.38)	255.96	(251.29)	(163.27)	(472.46)	-	-	(290.01)	-	(0.35)	-	-	(1,137.80)
Supply Chain and Logistics Services	36,112.79	-	40,636.14	80.36	-	(2.97)	-	(5.53)	-	12.51	-	-	76,833.30
Transmission Operations & Services	270,610.60	76,740.05	822,608.52	64,350.44	75,878.59	1,239,241.61	66,864.23	66,877.86	3,539,491.92	81,625.97	64,533.36	20,800.49	6,389,623.64
Transportation Services	860.58	-	-	23.92	-	-	-	533.11	48.01	-	-	-	1,465.62
Treasury Services	223.68	861.84	531.53	613.23	202.49	259.61	305.35	219.47	210.58	236.96	67.31	(914.35)	2,817.70
Total	**$ 1,096,659.82**	**$717,135.64**	**$ 1,694,442.96**	**$774,199.84**	**$ 502,549.01**	**$ 2,395,158.68**	**$309,714.06**	**$877,523.99**	**$ 4,402,424.53**	**$618,957.09**	**$472,293.54**	**$ 1,201,647.81**	**$ 15,062,706.97**

The current LG&E and KU Services Cost Allocation Manual (CAM), effective January 1, 2020, provides a description of services, the nature and frequency of services provided, and the cost apportionment methodologies.
The CAM was most recently filed with the Commission on March 24, 2021 (Case No. PUR-2020-00200).

Exhibit No. VSCC-1A	$ 13,426,886.92
Exhibit No. VSCC-1B	1,233,644.06
Exhibit No. VSCC-1C	170,747.02
Exhibit No. VSCC-1D	231,428.97
Total	**$ 15,062,706.97**

Convenience Payments:	
Cash Received by LG&E on behalf of KU	$ 39,617,255.96
Power Sales/Purchases	20,049,723.49
Capital Expenditures	19,800,141.39
IMEA/IMPA incremental capital by Affiliates	7,599,047.39
Materials/Fuels	7,577,549.36
Outside Services	4,580,700.45
Cash Received by LKS on behalf of KU	4,042,501.61
Other	185,730.74
Total	**$ 103,452,650.39**

Other Excluded Non-Service Transactions:	
Lending to the LG&E Money Pool	$ 401,044,000.00
Tax Settlements	7,000,944.00
Other Net Accruals and Misc	1,691,423.76
Total	**$ 409,736,367.76**
Grand Total	**$ 528,251,725.12**

KENTUCKY UTILITIES COMPANY
ANNUAL REPORT OF AFFILIATE TRANSACTIONS WITH
LOUISVILLE GAS AND ELECTRIC COMPANY
January 1, 2020 - December 31, 2020

No. 10

Kentucky Utilities Company, d/b/a/ Old Dominion Power Company, shall file an Annual Report of Affiliate Transactions undertaken with Louisville Gas and Electric Company and LG&E and KU Services Company with the Director of the Division of Utility Accounting and Finance (formerly "Public Utility Accounting") of the Commission by no later than May 1 of each year, for the preceding calendar year, beginning May 1, 1999. Such report should include the following information:

1) identification of the affiliates involved in each transaction;
2) description of each affiliate arrangement/agreement and case number in which the transactions were approved;
3) dates of each affiliate arrangement/agreement;
4) description of transactions by component cost by month and in total;
5) description of services provided;
6) profit component of each arrangement/agreement where services are provided to an affiliate and how such component is determined;
7) comparable market values and documentation related to each arrangement/agreement;
8) percent/dollar amount of each affiliate arrangement/agreement charged to expense and/or capital accounts;
9) allocation bases/factors for allocated costs; please see also the Company's Cost Allocation Manual for a description of allocation methods used;
10) list and description of each utility asset transfer over $250,000;
11) list by functional group of utility assets transfers valued less than $250,000;
12) dollar amount either paid to, or received by, KU/ODP for each transaction per month.

RESPONSES:

1) Louisville Gas and Electric Company

2) A) Amended and Restated Utility Services Agreement, Case Number: PUE-2015-00126
B) Amended and Restated Utility Services Agreement, Case Number: PUR-2020-00256

3) A) February 24, 2016
B) December 15, 2020

4) Component costs are:

Period	Capital Expenditures	Direct-Indirect Labor	Equipment/ Facilities	Benefits/ Overheads[1]	Materials/ Fuels	Office and Administrative Services	Outside Services	Transmission	Total
Jan-2020	$ 599,333.90	$ 64,119.02	$ 21,278.13	$ 38,963.13	$ 136,985.97	$ 5,062.90	$ 48,136.45	$ 73,168.94	$ 987,048.44
Feb-2020	276,765.05	103,658.37	21,755.39	68,447.25	94,832.63	9,874.82	17,585.09	26,680.70	619,599.30
Mar-2020	1,008,518.41	65,151.93	22,148.10	46,726.73	152,519.27	6,596.98	270,848.59	8,085.63	1,580,595.64
Apr-2020	396,432.11	88,457.26	20,536.76	49,655.61	96,347.83	800.63	2,424.69	4,946.95	659,601.84
May-2020	162,514.56	47,597.15	26,519.12	25,759.44	108,792.96	2,074.79	22,245.48	30.67	395,534.17
Jun-2020	1,551,053.26	53,812.90	19,020.36	25,410.58	139,458.47	1,318.16	-	66.06	1,790,139.79
Jul-2020	369,685.10	61,267.65	20,179.76	32,304.04	97,202.59	40,781.52	4,594.44	582.11	626,597.21
Aug-2020	223,462.78	54,526.08	17,919.18	25,678.54	96,053.64	8,438.68	358.12	5,793.04	432,230.06
Sep-2020	3,821,591.70	34,270.86	23,040.98	543,897.85	103,891.95	6,713.92	3,414.58	4,093.39	4,540,915.23
Oct-2020	250,492.57	70,787.92	17,408.16	35,451.81	109,207.66	17,118.86	26,421.69	56,616.19	583,504.86
Nov-2020	142,633.35	38,333.26	17,926.42	26,728.05	131,824.22	7,451.46	582.31	16,763.47	382,242.54
Dec-2020	521,756.49	52,553.54	19,625.60	42,990.21	97,081.33	8,132.79	13,813.41	72,924.47	828,877.84
Total	**$ 9,324,239.28**	**$ 734,535.94**	**$ 247,357.96**	**$ 962,013.24**	**$ 1,364,198.52**	**$ 114,365.51**	**$ 410,424.85**	**$ 269,751.62**	**$ 13,426,886.92**

5) Services provided are:

Compliance, Legal, and Environmental Affairs Services	$ 54,483.36
Controller Organization Services	(3.45)
Corporate Communications and Public Affairs Management Services	(61.88)
Corporate Tax and Payroll Organization Services	45,308.88
Customer and Customer-Related Services	367,770.19
Distribution Operations Services	501,151.86
Energy Supply and Analysis Services	10,561.96
Financial Planning and Budgeting Services	106.65
HR Services	601,500.03
IT Services	940,559.05
Operating Services	206,075.49
Power Production and Generation Services	4,229,367.11
Regulatory Affairs and Government Affairs Management Services	465.21
Safety and Technical Training	(1,137.80)
Supply Chain and Logistics Services	76,833.30
Transmission Operations & Services	6,389,623.64
Transportation Services	1,465.62
Treasury Services	2,817.70
Total[2]	**$ 13,426,886.92**

6) LG&E's and KU's cost allocation policies are to use at-cost pricing for affiliate transactions, without any profit component.

7) Transfers or sales of assets, goods or services between KU and LG&E are priced at cost, which approximates market value.

8) The percentage of costs charged to capital or expense are as follows:

Capital	$ 9,324,239.28	69.44%
Expense	4,102,647.64	30.56%
	$ 13,426,886.92	100.00%

9) Allocation percentages for overhead calculations on labor as applicable in 2020 are as follows:

Part-Time Labor	69.33%
Temporary Labor and Overtime	18.78%
Full-Time Labor	69.33%

Allocation percentages for overhead calculations on material issued from inventory in 2020 are as follows:

Stores, Freight & Handling - T & D	11.50%
Stores, Freight & Handling - Production	10.00%

Allocation percentages on labor and non-labor for capital projects in 2020 are as follows:

Administrative and General	1.52%
Construction Overheads - Production	0.42%
Construction Overheads - Transmission	7.63%
Construction Overheads - Distribution	8.83%

Allocation percentages for overhead calculations on all labor from departments to which a vehicle is assigned for 2020 are as follows:

Vehicle Cost Allocation	15.15%

10) There was one asset transfer from KU to LG&E over $250,000:
Transformer $ 2,864,631.26

11) There were no asset transfers under $250,000.

12) Receivables are netted against payables to the same affiliate (see response to question 4 in Exhibit No. 2A) and net settlements occur in the following month.

[1] A portion of labor overhead amounts are not included. Due to system configuration and functionality given the volume of transactions, labor overheads are not separately identifiable as services provided by or for the affiliate, but are included as a reduction to the amounts included in Benefits/Overheads in component costs on Exhibit No. VSCC-2A.

[2] A portion of labor overhead amounts are not included. Due to system configuration and functionality given the volume of transactions, labor overheads are not separately identifiable as services provided by or for the affiliate, but are included as a reduction to the amounts included in services provided on Exhibit No. VSCC-2A.

KENTUCKY UTILITIES COMPANY
ANNUAL REPORT OF AFFILIATE TRANSACTIONS WITH
LG&E AND KU SERVICES COMPANY
January 1, 2020 - December 31, 2020

No. 10

Kentucky Utilities Company, d/b/a/ Old Dominion Power Company, shall file an Annual Report of Affiliate Transactions undertaken with Louisville Gas and Electric Company and LG&E and KU Services Company with the Director of the Division of Utility Accounting and Finance (formerly "Public Utility Accounting") of the Commission by no later than May 1 of each year, for the preceding calendar year, beginning May 1, 1999. Such report should include the following information:

1) identification of the affiliates involved in each transaction;
2) description of each affiliate arrangement/agreement and case number in which the transactions were approved;
3) dates of each affiliate arrangement/agreement;
4) description of transactions by component cost by month and in total;
5) description of services provided;
6) profit component of each arrangement/agreement where services are provided to an affiliate and how such component is determined;
7) comparable market values and documentation related to each arrangement/agreement;
8) percent/dollar amount of each affiliate arrangement/agreement charged to expense and/or capital accounts;
9) allocation bases/factors for allocated costs; please see also the Company's Cost Allocation Manual for a description of allocation methods used;
10) list and description of each utility asset transfer over $250,000;
11) list by functional group of utility assets transfers valued less than $250,000;
12) dollar amount either paid to, or received by, KU/ODP for each transaction per month.

RESPONSES:

1) LG&E and KU Services Company

2) A) Amended and Restated Utility Services Agreement, Case Number: PUE-2015-00126
B) Amended and Restated Utility Services Agreement, Case Number: PUR-2020-00256

3) A) February 24, 2016
B) December 15, 2020

4) Component costs are:

Period	Direct-Indirect Labor	Equipment/ Facilities	Benefits/ Overheads[1]	Materials/ Fuels	Office and Administrative Services	Outside Services	Grand Total
Jan-2020	$ 93,432.64	$ 716.50	$ -	$ -	$ 2,898.65	$ -	$ 97,047.79
Feb-2020	80,066.75	-	-	-	3,152.10	1,753.90	84,972.75
Mar-2020	94,926.02	757.00	5.70	-	5,595.01	-	101,283.73
Apr-2020	99,341.33	384.00	-	-	2,309.08	-	102,034.41
May-2020	84,240.02	482.00	3,720.00	(395.21)	2,158.31	4,246.13	94,451.25
Jun-2020	82,648.77	387.50	496,054.00	(273.08)	2,129.80	11,508.31	592,455.30
Jul-2020	98,084.50	475.00	(496,054.00)	(3,373.68)	931.96	70,489.48	(329,446.74)
Aug-2020	100,509.43	162.50	328,057.00	-	5,922.10	(1,920.69)	432,730.34
Sep-2020	86,715.49	-	(241,943.00)	84.35	3,113.63	975.24	(151,054.29)
Oct-2020	99,941.46	500.00	(86,114.00)	-	5,232.78	3,328.40	22,888.64
Nov-2020	74,765.40	275.00	-	(37.59)	2,484.60	-	77,487.41
Dec-2020	104,069.17	232.00	0.04	-	4,492.26	-	108,793.47
Total	**$ 1,098,740.98**	**$ 4,371.50**	**$ 3,725.74**	**$ (3,995.21)**	**$ 40,420.28**	**$ 90,380.77**	**$ 1,233,644.06**

5) Services provided are:

Customer and Customer-Related Services	$ 22,893.95
Distribution Operations Services	13,772.15
IT Services	1,122,470.40
Operating Services	74,507.56
Total[2]	**$ 1,233,644.06**

6) LG&E and KU Services Company's cost allocation policies are to use at-cost pricing for affiliate transactions, without any profit component.

7) Transfers or sales of assets, goods or services between KU and LG&E and KU Services Company are priced at cost, which approximates market value.

8) The percentage of costs charged to capital or expense are as follows:

Capital	$ -	0.00%
Expense	$ 1,233,644.06	100.00%
	$ 1,233,644.06	100.00%

9) Allocation percentages for overhead calculations on labor as applicable in 2020 are as follows:

Part-Time Labor	69.33%
Temporary Labor and Overtime	18.78%
Full-Time Labor	69.33%

Allocation percentages for overhead calculations on material issued from inventory in 2020 are as follows:

Stores, Freight & Handling - T & D	11.50%
Stores, Freight & Handling - Production	10.00%

Allocation percentages on labor and non-labor for capital projects in 2020 are as follows:

Administrative and General	1.52%
Construction Overheads - Production	0.42%
Construction Overheads - Transmission	7.63%
Construction Overheads - Distribution	8.83%

Allocation percentages for overhead calculations on all labor from departments to which a vehicle is assigned for 2020 are as follows:

Vehicle Cost Allocation	15.15%

10) There were no utility asset transfers over $250,000.

11) There were no utility asset transfers under $250,000.

12) Receivables are netted against payables to the same affiliate (see response to question 4 in Exhibit No. 2B) and net settlements occur in the following month. All PPL charges except for mutual assistance and goods not readily available from the market are settled through LKS. The details for the PPL charges settled through LKS can be found in Exhibit Nos. 1C and 2C.

[1] Most labor overhead amounts are not included. Due to system configuration and functionality given the volume of transactions, labor overheads are not separately identifiable as services provided by or for the affiliate, but are included as a reduction to the amounts included in Benefits/Overheads in component costs on Exhibit No. VSCC-2B.

[2] Most labor overhead amounts are not included. Due to system configuration and functionality given the volume of transactions, labor overheads are not separately identifiable as services provided by or for the affiliate, but are included as a reduction to the amounts included in services provided on Exhibit No. VSCC-2B.

KENTUCKY UTILITIES COMPANY
ANNUAL REPORT OF AFFILIATE TRANSACTIONS WITH
LG&E AND KU SERVICES COMPANY (PPL EU SERVICES CORPORATION)
January 1, 2020 - December 31, 2020

No. 11

Kentucky Utilities Company, d/b/a/ Old Dominion Power Company, shall file an Annual Report of Affiliate Transactions indirectly undertaken for the benefit of non-regulated affiliates with the Director of the Division of Utility Accounting and Finance (formerly "Public Utility Accounting") of the Commission by no later than May 1 of each year, for the preceding calendar year, beginning May 1, 1999. Such report should include the following information:

1) identification of the non-regulated affiliates involved in each transaction;
2) description of each affiliate arrangement/agreement and case number in which the transactions were approved;
3) dates of each affiliate arrangement/agreement;
4) description of transactions by component cost by month and in total;
5) description of services provided;
6) profit component of each arrangement/agreement where services are provided to an affiliate and how such component is determined;
7) comparable market values and supporting documentation for each type of service provided;
8) dollar amount either paid to, or received by, KU/ODP for each transaction per month.

RESPONSES:

1) LG&E and KU Services Company (on behalf of PPL EU Services Corporation)

2) Data Hosting Agreement, Case Number: PUR-2018-00049

3) June 29, 2018

4) Component costs are:

Period	Equipment/ Facilities	Total
Jan-2020	$ 12,563.59	$ 12,563.59
Feb-2020	12,563.59	12,563.59
Mar-2020	12,563.59	12,563.59
Apr-2020	12,563.59	12,563.59
May-2020	12,563.59	12,563.59
Jun-2020	12,563.59	12,563.59
Jul-2020	12,563.59	12,563.59
Aug-2020	12,563.59	12,563.59
Sep-2020	12,563.59	12,563.59
Oct-2020	12,563.59	12,563.59
Nov-2020	12,563.59	12,563.59
Dec-2020	32,547.53	32,547.53
Total	**$ 170,747.02**	**$ 170,747.02**

5) Services provided are:

IT Services	$ 1,034.52
Operating Services	169,712.50
Total	**$ 170,747.02**

6) KU's cost allocation policies are to use at-cost pricing for affiliate transactions, without any profit component.

7) Transfers or sales of assets, goods or services between KU and LG&E and KU Services Company (on behalf of PPL EU Services Corporation) are priced at cost, which approximates market value.

8) Settlements of current month receivables are due in the following month and are processed through LKS.

KENTUCKY UTILITIES COMPANY
ANNUAL REPORT OF AFFILIATE TRANSACTIONS WITH
LG&E AND KU SERVICES COMPANY (PPL ELECTRIC UTILITIES CORPORATION)
January 1, 2020 - December 31, 2020

No. 11

Kentucky Utilities Company, d/b/a/ Old Dominion Power Company, shall file an Annual Report of Affiliate Transactions indirectly undertaken for the benefit of non-regulated affiliates with the Director of the Division of Utility Accounting and Finance (formerly "Public Utility Accounting") of the Commission by no later than May 1 of each year, for the preceding calendar year, beginning May 1, 1999. Such report should include the following information:

1) identification of the non-regulated affiliates involved in each transaction;
2) description of each affiliate arrangement/agreement and case number in which the transactions were approved;
3) dates of each affiliate arrangement/agreement;
4) description of transactions by component cost by month and in total;
5) description of services provided;
6) profit component of each arrangement/agreement where services are provided to an affiliate and how such component is determined;
7) comparable market values and supporting documentation for each type of service provided;
8) dollar amount either paid to, or received by, KU/ODP for each transaction per month.

RESPONSES:

1) LG&E and KU Services Company (on behalf of PPL Electric Utilities Corporation)

2) Mutual Assistance Agreement, Case No. PUR-2018-00049

3) June 29, 2018

4) Component costs are:

Period	Direct-Indirect Labor	Benefits/ Overheads	Total
Jan-2020	$ -	$ -	$ -
Feb-2020	-	-	-
Mar-2020	-	-	-
Apr-2020	-	-	-
May-2020	-	-	-
Jun-2020	-	-	-
Jul-2020	-	-	-
Aug-2020	-	-	-
Sep-2020	-	-	-
Oct-2020	-	-	-
Nov-2020	-	-	-
Dec-2020	173,545.95	57,883.02	231,428.97
Total	**$ 173,545.95**	**$ 57,883.02**	**$ 231,428.97**

5) Services provided are:

Distribution Operations Services	$ 231,428.97
Total	**$ 231,428.97**

6) KU's cost allocation policies are to use at-cost pricing for affiliate transactions, without any profit component.

7) Transfers or sales of assets, goods or services between KU and LG&E and KU Services Company (on behalf of PPL Electric Utilities Corporation) are priced at cost, which approximates market value.

8) Settlements of current month receivables are due in the following month and are processed through LKS.

2020 VA ARAT
KU Recipient of Service (Payables)
VSCC-2 By Month and CAM Category

CAM Category	Jan-2020	Feb-2020	Mar-2020	Apr-2020	May-2020	Jun-2020	Jul-2020	Aug-2020	Sep-2020	Oct-2020	Nov-2020	Dec-2020	Total
Audit Services	$ 62,787.94	$ 59,870.14	$ 58,350.36	$ 58,488.86	$ 56,117.27	$ 66,365.67	$ 62,246.50	$ 58,435.73	$ 62,994.58	$ 62,096.86	$ 57,951.95	$ 62,571.27	$ 728,277.13
Compliance, Legal, and Environmental Affairs Services	461,191.70	1,137,110.11	1,254,051.27	1,138,460.72	1,111,413.50	823,886.77	676,733.93	444,152.91	391,691.36	1,861,462.26	1,141,304.32	911,260.77	11,352,719.62
Controller Organization Services	254,634.72	233,317.54	259,008.76	289,504.22	239,086.69	255,548.11	259,126.76	249,276.15	250,830.85	264,479.12	240,744.38	273,991.35	3,069,548.65
Corporate Communications and Public Affairs Management Services	128,395.48	131,156.15	139,124.60	130,640.68	116,257.01	124,188.11	108,818.43	125,368.51	120,666.09	112,951.29	101,520.55	143,499.80	1,482,586.70
Corporate Tax and Payroll Organization Services	538,526.23	471,090.05	536,813.34	497,584.29	444,133.20	524,630.33	500,678.99	488,658.00	511,272.16	489,312.09	315,492.55	280,632.68	5,598,823.91
Customer and Customer-Related Services	1,411,360.09	1,341,636.24	1,497,548.07	1,390,545.08	1,357,834.38	1,353,914.53	1,344,048.24	1,266,155.91	1,280,993.78	1,339,923.22	1,303,756.88	1,513,963.17	16,401,679.59
Distribution Operations Services	966,798.80	910,549.69	1,254,652.00	1,331,974.31	1,038,885.03	966,739.07	946,095.32	1,081,711.74	899,583.03	1,028,648.38	792,088.74	1,107,175.18	12,324,901.29
Energy Supply and Analysis Services	451,980.05	277,669.90	298,358.00	281,145.85	275,437.39	280,600.19	323,203.33	314,382.16	282,647.55	287,670.59	261,206.38	303,445.68	3,637,747.07
Executive Management Services	571,918.35	540,979.95	548,969.01	590,493.90	444,558.33	449,727.77	566,245.11	440,596.69	415,322.44	598,480.26	355,130.30	468,186.30	5,990,608.41
Financial Planning and Budgeting Services	214,394.12	195,764.33	208,209.19	200,571.05	202,579.28	204,719.54	199,527.13	198,180.67	193,361.73	195,387.53	173,360.85	186,839.71	2,372,895.13
HR Services	1,881,108.49	1,686,835.90	2,282,243.84	1,749,073.99	1,682,247.70	2,270,353.26	1,509,709.44	1,642,440.27	2,666,004.90	1,412,597.92	1,473,338.97	1,479,082.56	21,735,037.24
IT Services	2,605,674.44	2,532,274.60	2,878,450.44	4,847,317.42	4,349,523.26	3,266,982.62	3,687,224.96	4,213,817.86	5,290,116.10	4,896,955.50	4,707,864.49	5,182,342.45	48,458,544.14
Operating Services	1,093,821.36	1,152,259.15	1,004,195.64	1,074,039.83	1,189,989.49	1,213,734.68	1,773,854.62	1,050,724.39	1,187,699.33	1,031,166.12	956,413.10	1,579,035.37	14,306,933.08
Power Production and Generation Services	2,764,509.12	2,755,726.39	2,937,807.76	2,839,318.67	2,544,289.02	2,666,063.00	2,803,741.22	2,520,284.98	2,624,925.05	3,028,448.44	2,456,730.33	2,244,096.35	32,185,940.33
Regulatory Affairs and Government Affairs Management Services	11,168.25	11,314.59	18,715.67	15,043.05	13,993.03	15,237.51	15,439.85	14,635.74	13,432.66	11,588.11	10,227.13	13,021.81	163,817.40
Safety and Technical Training	184,137.23	233,873.57	192,651.74	176,211.29	165,889.57	174,347.20	161,801.52	184,916.28	200,514.59	182,856.13	160,258.47	194,121.74	2,211,579.33
Sarbanes-Oxley Compliance Services	11,007.33	10,018.01	11,002.65	9,820.39	10,113.73	10,712.79	10,587.27	9,963.09	9,283.42	9,594.18	7,060.80	11,068.78	120,232.44
Supply Chain and Logistics Services	272,477.83	462,790.88	296,517.54	310,138.81	565,778.48	518,232.89	280,280.27	1,129,904.24	282,430.25	301,202.28	266,404.94	334,314.96	5,020,473.37
Transmission Operations & Services	1,609,174.65	1,483,515.16	1,597,353.97	1,902,958.43	1,757,725.77	1,971,421.64	1,651,009.04	1,542,297.70	2,773,758.42	1,881,271.29	1,465,619.42	1,807,804.55	21,443,910.04
Transportation Services	26,543.77	28,576.71	28,474.28	27,025.92	26,188.95	26,826.12	21,959.16	15,483.69	25,671.07	23,309.41	24,527.30	38,879.25	313,465.63
Treasury Services	137,710.73	134,544.57	180,544.69	252,898.64	171,925.26	184,488.82	158,662.79	128,943.74	141,578.29	152,198.83	123,570.62	132,268.32	1,899,335.30
Total	**$ 15,659,320.68**	**$ 15,790,873.63**	**$ 17,483,042.82**	**$ 19,113,255.40**	**$ 17,763,966.34**	**$ 17,368,720.62**	**$ 17,060,993.88**	**$ 17,120,330.45**	**$ 19,624,777.65**	**$ 19,171,599.81**	**$ 16,394,572.47**	**$ 18,267,602.05**	**$ 210,819,055.80**

The current LG&E and KU Services Cost Allocation Manual (CAM), effective January 1, 2020, provides a description of services, the nature and frequency of services provided, and the cost apportionment methodologies.
The CAM was most recently filed with the Commission on March 24, 2021 (Case No. PUR-2020-00200).

Exhibit No. VSCC-2A	$ 31,601,846.86
Exhibit No. VSCC-2B	176,531,723.91
Exhibit No. VSCC-2C	2,342,305.22
Exhibit No. VSCC-2D	343,179.81
Total	**$ 210,819,055.80**

Convenience Payments:	
Coal Purchases	$ 253,255,260.46
Capital Expenditures	87,513,465.21
Gas Purchases	86,565,186.35
Jointly Owned Plant Alloc	67,489,111.43
Power Sales/Purchases	45,211,754.76
Outside Services	37,212,277.78
Fringe Benefits/Overheads	28,700,692.59
Start-Up Fuel/Reagent Purchases	23,534,557.24
Equipment/Facilities	8,676,735.29
Purchased Material	6,391,074.38
Cash received by KU on behalf of LG&E	2,807,805.49
Other	14,108,947.58
Total	**$ 661,466,868.56**

Other Excluded Non-Service Transactions	
Borrowing from the LKE Money Pool	$ 162,215,000.00
Borrowing from the LG&E Money Pool	$ 31,841,000.00
Tax Settlements	51,010,416.00
Other Net Accruals and Misc	(316,041.87)
Total	**$ 244,750,374.13**
Grand Total	**$ 1,117,036,298.49**

KENTUCKY UTILITIES COMPANY
ANNUAL REPORT OF AFFILIATE TRANSACTIONS WITH
LOUISVILLE GAS AND ELECTRIC COMPANY
January 1, 2020 - December 31, 2020

No. 10

Kentucky Utilities Company, d/b/a/ Old Dominion Power Company, shall file an Annual Report of Affiliate Transactions undertaken with Louisville Gas and Electric Company and LG&E and KU Services Company with the Director of the Division of Utility Accounting and Finance (formerly "Public Utility Accounting") of the Commission by no later than May 1 of each year, for the preceding calendar year, beginning May 1, 1999. Such report should include the following information:

1) identification of the affiliates involved in each transaction;
2) description of each affiliate arrangement/agreement and case number in which the transactions were approved;
3) dates of each affiliate arrangement/agreement;
4) description of transactions by component cost by month and in total;
5) description of services provided, consistent with the Company's Cost Allocation Manual;
6) profit component of each arrangement/agreement where services are provided by an affiliate and how such component is determined;
7) comparable market values and documentation related to each arrangement/agreement;
8) percent/dollar amount of each affiliate arrangement/agreement charged to expense and/or capital accounts;
9) allocation bases/factors for allocated costs; please see also the Company's Cost Allocation Manual for a description of allocation methods used;
10) list and description of each utility asset transfer over $250,000;
11) list by functional group of utility assets transfers valued less than $250,000;
12) dollar amount either paid to, or received by, KU/ODP per month.

RESPONSES:

1) Louisville Gas and Electric Company

2) A) Amended and Restated Utility Services Agreement, Case Number: PUE-2015-00126
B) Amended and Restated Utility Services Agreement, Case Number: PUR-2020-00256

3) A) February 24, 2016
B) December 15, 2020

4) Component costs are:

Period	Capital Expenditures	Direct-Indirect Labor	Equipment/ Facilities	Benefits/ Overheads	Materials/ Fuels	Office and Administrative Services	Outside Services	Transmission	Total
Jan-2020	$ 80,937.26	$ 1,157,360.34	$ 39,795.41	$ 760,074.63	$ 619.66	$ 247.33	$ 52,630.06	$ 44,857.67	$ 2,136,522.36
Feb-2020	123,533.12	1,172,815.65	37,972.05	758,766.62	129,944.77	2,145.65	71,717.75	40,466.79	2,337,362.40
Mar-2020	623,113.74	1,256,820.85	37,594.74	1,058,930.61	47,216.89	4,149.60	56,810.12	51,756.39	3,136,392.94
Apr-2020	317,420.66	1,116,811.69	38,498.45	730,755.17	46,851.78	(140.75)	56,222.39	36,418.05	2,342,837.44
May-2020	473,489.20	1,053,329.38	41,269.17	689,405.56	430,820.02	(2,218.90)	68,768.14	38,054.32	2,792,916.89
Jun-2020	255,598.39	1,083,707.87	43,265.72	1,345,814.70	242,595.97	4,491.31	50,759.93	48,285.69	3,074,519.58
Jul-2020	425,409.46	1,108,078.92	40,547.32	637,876.75	5,806.30	70.15	56,270.20	98,921.31	2,372,980.41
Aug-2020	173,056.75	1,079,328.98	40,280.70	768,888.26	314.67	2,786.97	65,717.41	78,697.35	2,209,071.09
Sep-2020	1,487,806.65	1,142,182.35	43,220.11	1,566,303.13	1,362.31	2,171.62	59,629.80	52,510.53	4,355,186.50
Oct-2020	590,454.48	1,233,749.73	41,596.07	674,119.40	32,629.72	(69.10)	73,143.22	67,524.40	2,713,147.92
Nov-2020	46,850.15	1,063,965.40	42,373.58	677,340.91	35,076.22	12,326.94	57,910.60	44,073.12	1,979,916.92
Dec-2020	359,339.92	955,461.57	41,309.21	655,147.82	1,226.81	11,313.63	81,875.47	45,317.98	2,150,992.41
Total	**$ 4,957,009.78**	**$ 13,423,612.73**	**$ 487,722.53**	**$ 10,323,423.56**	**$ 974,465.12**	**$ 37,274.45**	**$ 751,455.09**	**$ 646,883.60**	**$ 31,601,846.86**

5) Services provided are:

Compliance, Legal, and Environmental Affairs Services	$ 55,175.05
Corporate Communications and Public Affairs Management Services	(3,718.85)
Corporate Tax and Payroll Organization Services	27,153.11
Customer and Customer-Related Services	149,328.86
Distribution Operations Services	1,043,528.89
Energy Supply and Analysis Services	643,187.88
HR Services	2,313,101.18
IT Services	625,828.80
Operating Services	727,732.91
Power Production and Generation Services	22,859,241.96
Regulatory Affairs and Government Affairs Management Services	6,565.62
Safety and Technical Training	40,554.40
Supply Chain and Logistics Services	1,347,312.35
Transmission Operations & Services	1,746,494.05
Transportation Services	20,696.87
Treasury Services	(336.22)
Total	**$ 31,601,846.86**

6) LG&E's and KU's cost allocation policies are to use at-cost pricing for affiliate transactions, without any profit component.

7) Transfers or sales of assets, goods or services between KU and LG&E are priced at cost, which approximates market value.

8) The percentage of costs charged to capital or expense are as follows:

Capital	$ 4,957,009.78	15.69%
Expense	26,644,837.08	84.31%
	$ 31,601,846.86	100.00%

9) Allocation percentages for overhead calculations on labor as applicable in 2020 are as follows:

Part-Time Labor	65.18%
Temporary Labor and Overtime	18.60%
Full-Time Labor	65.18%

Allocation percentages for overhead calculations on material issued from inventory in 2020 are as follows:

Stores, Freight & Handling - T & D	6.83%
Stores, Freight & Handling - Production	8.25%

Allocation percentages on labor and non-labor for capital projects in 2020 are as follows:

Administrative and General	1.55%
Construction Overheads - Production	9.42%
Construction Overheads - Transmission	1.27%
Construction Overheads - Electric Distribution	19.04%

Allocation percentages for overhead calculations on all labor from departments to which a vehicle is assigned for 2020 are as follows:

Vehicle Cost Allocation	8.03%

10) There was one asset transfer from LG&E to KU over $250,000:
Transformer $ 986,468.87

11) Transfer of assets from LG&E to KU under $250,000 are as follows:
Transfer of distribution equipment $ 88,684.63

12) Payables are netted against receivables from the same affiliate (see response to question 4 in Exhibit No. 1A) and net settlements occur in the following month.

Exhibit No. VSCC-2B

KENTUCKY UTILITIES COMPANY
ANNUAL REPORT OF AFFILIATE TRANSACTIONS WITH
LG&E AND KU SERVICES COMPANY
January 1, 2020 - December 31, 2020

No. 10

Kentucky Utilities Company, d/b/a/ Old Dominion Power Company, shall file an Annual Report of Affiliate Transactions undertaken with Louisville Gas and Electric Company and LG&E and KU Services Company with the Director of the Division of Utility Accounting and Finance (formerly "Public Utility Accounting") of the Commission by no later than May 1 of each year, for the preceding calendar year, beginning May 1, 1999. Such report should include the following information:

1) identification of the affiliates involved in each transaction;
2) description of each affiliate arrangement/agreement and case number in which the transactions were approved;
3) dates of each affiliate arrangement/agreement;
4) description of transactions by component cost by month and in total;
5) description of services provided, consistent with the Company's Cost Allocation Manual;
6) profit component of each arrangement/agreement where services are provided by an affiliate and how such component is determined;
7) comparable market values and documentation related to each arrangement/agreement;
8) percent/dollar amount of each affiliate arrangement/agreement charged to expense and/or capital accounts;
9) allocation bases/factors for allocated costs; please see also the Company's Cost Allocation Manual for a description of allocation methods used;
10) list and description of each utility asset transfer over $250,000;
11) list by functional group of utility assets transfers valued less than $250,000;
12) dollar amount either paid to, or received by, KU/ODP per month.

RESPONSES:

1) LG&E and KU Services Company

2) A) Amended and Restated Utility Services Agreement, Case Number: PUE-2015-00126
B) Amended and Restated Utility Services Agreement, Case Number: PUR-2020-00256

3) A) February 24, 2016
B) December 15, 2020

4) Component costs are:

Period	Capital Expenditures	Direct-Indirect Labor	Equipment/ Facilities	Benefits/ Overheads	Materials/ Fuels	Office and Administrative Services	Outside Services	Total
Jan-2020	$ 1,688,230.23	$ 5,546,541.42	$ 862,512.05	$ 3,870,077.81	$ 82,251.46	$ 614,752.26	$ 681,530.10	$ 13,345,895.33
Feb-2020	1,803,378.79	5,031,270.37	932,570.03	3,448,549.42	77,080.46	515,316.19	1,386,746.69	13,194,911.95
Mar-2020	1,665,928.36	5,577,570.50	946,467.41	3,986,269.99	76,610.50	421,559.78	1,457,587.41	14,131,993.95
Apr-2020	2,909,325.19	5,552,309.35	2,143,670.67	3,762,842.89	76,505.21	372,288.82	1,573,426.81	16,390,368.94
May-2020	2,131,409.98	5,065,823.64	2,306,140.23	3,570,380.97	4,204.57	397,362.31	1,281,541.49	14,756,863.19
Jun-2020	2,573,799.20	5,408,351.79	971,686.19	3,524,756.07	85,079.37	238,051.89	1,273,564.84	14,075,289.35
Jul-2020	2,908,627.58	5,306,052.40	1,319,837.74	3,401,497.33	70,453.77	290,411.50	1,082,183.77	14,379,064.09
Aug-2020	2,467,591.10	5,149,357.92	1,901,573.22	3,330,273.89	82,793.55	263,410.13	1,557,976.59	14,752,976.40
Sep-2020	3,704,206.15	5,085,750.42	1,701,958.01	3,546,912.51	90,163.62	240,858.06	724,889.25	15,094,738.02
Oct-2020	2,938,911.36	5,272,896.22	1,941,510.50	3,261,045.39	76,884.02	327,430.99	2,327,011.08	16,145,689.56
Nov-2020	2,930,873.42	4,443,985.58	1,970,000.66	3,375,992.34	87,430.90	309,001.53	1,206,071.55	14,323,355.98
Dec-2020	3,424,488.24	4,297,910.01	2,106,886.06	4,094,870.20	90,093.09	405,882.89	1,520,446.66	15,940,577.15
Total	**$ 31,146,769.60**	**$ 61,737,819.62**	**$ 19,104,812.77**	**$ 43,173,468.81**	**$ 899,550.52**	**$ 4,396,326.35**	**$ 16,072,976.24**	**$ 176,531,723.91**

5) Services provided are:

Audit Services	$ 728,277.13
Compliance, Legal, and Environmental Affairs Services	11,147,275.69
Controller Organization Services	2,985,814.74
Corporate Communications and Public Affairs Management Services	1,486,305.55
Corporate Tax and Payroll Organization Services	5,571,670.80
Customer and Customer-Related Services	16,252,087.91
Distribution Operations Services	11,281,372.40
Energy Supply and Analysis Services	2,994,559.19
Executive Management Services	5,493,459.56
Financial Planning and Budgeting Services	2,248,518.20
HR Services	19,421,936.06
IT Services	47,295,971.61
Operating Services	13,399,117.93
Power Production and Generation Services	9,326,698.37
Regulatory Affairs and Government Affairs Management Services	157,251.78
Safety and Technical Training	2,171,024.93
Sarbanes-Oxley Compliance Services	120,232.44
Supply Chain and Logistics Services	3,673,161.02
Transmission Operations & Services	19,697,415.99
Transportation Services	292,768.76
Treasury Services	786,803.85
Total	**$ 176,531,723.91**

6) LG&E and KU Services Company's cost allocation policies are to use at-cost pricing for affiliate transactions, without any profit component.

7) Transfers or sales of assets, goods or services between KU and LG&E and KU Services Company are priced at cost, which approximates market value.

8) The percentage of costs charged to capital or expense are as follows:

Capital	$ 31,146,769.60	17.64%
Expense	145,384,954.31	82.36%
	$ 176,531,723.91	100.00%

9) Allocation percentages for overhead calculations on labor as applicable in 2020 are as follows:

Part-Time Labor	72.67%
Temporary Labor and Overtime	23.12%
Full-Time Labor	72.67%

Allocation percentages on labor and non-labor for capital projects in 2020 are as follows:

Administrative and General	1.05%

Allocation percentages for overhead calculations on all labor from departments to which a vehicle is assigned for 2020 are as follows:

Vehicle Cost Allocation	2.11%

10) There were no utility asset transfers over $250,000.

11) There were no utility asset transfers under $250,000.

12) Payables are netted against receivables from the same affiliate (see response to question 4 in Exhibit No. 1B) and net settlements occur in the following month. All PPL charges except for mutual assistance and goods not readily available from the market are settled through LKS. The details for the PPL charges settled through LKS can be found in Exhibit Nos. 1C, 2C and 2D.

KENTUCKY UTILITIES COMPANY
ANNUAL REPORT OF AFFILIATE TRANSACTIONS WITH
LG&E AND KU SERVICES COMPANY (PPL SERVICES CORPORATION)
January 1, 2020 - December 31, 2020

No. 11

Kentucky Utilities Company, d/b/a/ Old Dominion Power Company, shall file an Annual Report of Affiliate Transactions undertaken with Louisville Gas and Electric Company and LG&E and KU Services Company with the Director of the Division of Utility Accounting and Finance (formerly "Public Utility Accounting") of the Commission by no later than May 1 of each year, for the preceding calendar year, beginning May 1, 1999. Such report should include the following information:

1) identification of the non-regulated affiliates involved in each transaction;
2) description of each affiliate arrangement/agreement and case number in which the transactions were approved;
3) dates of each affiliate arrangement/agreement;
4) description of transactions by component cost by month and in total;
5) description of services provided;
6) profit component of each arrangement/agreement where services are provided to an affiliate and how such component is determined;
7) comparable market values and supporting documentation for each type of service provided;
8) dollar amount either paid to, or received by, KU/ODP for each transaction per month.

RESPONSES:

1) LG&E and KU Services Company (on behalf of PPL Services Corporation)

2) A) Amended and Restated Utility Services Agreement, Case Number: PUE-2015-00126
B) Amended and Restated Utility Services Agreement, Case Number: PUR-2020-00256

3) A) February 24, 2016
B) December 15, 2020

4) Component costs are:

Period	Equipment/ Facilities	Materials/ Fuels	Office and Administrative Services	Outside Services	Total
Jan-2020	$ 13,175.49	$ -	$ -	$ 135,064.03	$ 148,239.52
Feb-2020	15,826.91	-	-	214,184.95	230,011.86
Mar-2020	14,300.27	262.82	-	171,733.58	186,296.67
Apr-2020	12,019.33	-	5,970.45	333,657.73	351,647.51
May-2020	33,512.81	-	(4,515.68)	156,905.92	185,903.05
Jun-2020	15,207.89	-	-	175,395.24	190,603.13
Jul-2020	14,018.07	-	-	266,555.15	280,573.22
Aug-2020	12,043.22	-	-	117,795.98	129,839.20
Sep-2020	12,087.86	-	-	134,355.31	146,443.17
Oct-2020	7,328.88	-	-	276,938.99	284,267.87
Nov-2020	15,391.43	-	-	47,295.37	62,686.80
Dec-2020	15,170.08	-	-	130,623.14	145,793.22
Total	**$ 180,082.24**	**$ 262.82**	**$ 1,454.77**	**$ 2,160,505.39**	**$ 2,342,305.22**

5) Services provided are:

Compliance, Legal, and Environmental Affairs Services	$ 150,268.88
Controller Organization Services	83,733.91
Customer and Customer-Related Services	262.82
Executive Management Services	497,148.85
Financial Planning and Budgeting Services	124,376.93
IT Services	536,743.73
Operating Services	180,082.24
Treasury Services	769,687.86
Total	**$ 2,342,305.22**

6) KU's cost allocation policies are to use at-cost pricing for affiliate transactions, without any profit component.

7) Transfers or sales of assets, goods or services between KU and LG&E and KU Services Company (on behalf of PPL Services Corporation) are priced at cost, which approximates market value.

8) Net settlements occur in the following month through LKS. See the response to question 12 on Exhibit No. 2B.

KENTUCKY UTILITIES COMPANY
ANNUAL REPORT OF AFFILIATE TRANSACTIONS WITH
LG&E AND KU SERVICES COMPANY (PPL POWER INSURANCE, LTD.)
January 1, 2020 - December 31, 2020

No. 11

Kentucky Utilities Company, d/b/a/ Old Dominion Power Company, shall file an Annual Report of Affiliate Transactions undertaken with Louisville Gas and Electric Company and LG&E and KU Services Company with the Director of the Division of Utility Accounting and Finance (formerly "Public Utility Accounting") of the Commission by no later than May 1 of each year, for the preceding calendar year, beginning May 1, 1999. Such report should include the following information:

1) identification of the non-regulated affiliates involved in each transaction;
2) description of each affiliate arrangement/agreement and case number in which the transactions were approved;
3) dates of each affiliate arrangement/agreement;
4) description of transactions by component cost by month and in total;
5) description of services provided;
6) profit component of each arrangement/agreement where services are provided to an affiliate and how such component is determined;
7) comparable market values and supporting documentation for each type of service provided;
8) dollar amount either paid to, or received by, KU/ODP for each transaction per month.

RESPONSES:

1) LG&E and KU Services Company (on behalf of PPL Power Insurance, Ltd.)

2) Utility Service Agreement for Insurance, Case Number: PUE-2014-00008

3) March 21, 2014

4) Component costs are:

Period	Stop-loss Insurance	Total
Jan-2020	$ 28,663.47	$ 28,663.47
Feb-2020	28,587.42	28,587.42
Mar-2020	28,359.26	28,359.26
Apr-2020	28,401.51	28,401.51
May-2020	28,283.21	28,283.21
Jun-2020	28,308.56	28,308.56
Jul-2020	28,376.16	28,376.16
Aug-2020	28,443.76	28,443.76
Sep-2020	28,409.96	28,409.96
Oct-2020	28,494.46	28,494.46
Nov-2020	28,612.77	28,612.77
Dec-2020	30,239.27	30,239.27
Total	**$ 343,179.81**	**$ 343,179.81**

5) Services provided are:

Treasury Services	$ 343,179.81
Total	**$ 343,179.81**

6) KU's cost allocation policies are to use at-cost pricing for affiliate transactions, without any profit component.

7) Transfers or sales of assets, goods or services between KU and LG&E and KU Services Company (on behalf of PPL Power Insurance, Ltd.) are priced at cost, which approximates market value.

8)

Period	Payment Amount	Date Paid
Jan-2020	$ 28,663.47	1/27/2020
Feb-2020	28,587.42	2/14/2020
Mar-2020	28,359.26	3/9/2020
Apr-2020	28,401.51	4/9/2020
May-2020	28,283.21	5/14/2020
Jun-2020	28,308.56	6/17/2020
Jul-2020	28,376.16	7/9/2020
Aug-2020	28,443.76	8/10/2020
Sep-2020	28,409.96	9/11/2020
Oct-2020	28,494.46	10/13/2020
Nov-2020	28,612.77	11/6/2020
Dec-2020	28,578.97	12/10/2020
Dec-2020	1,660.30	12/17/2020
Total	**$ 343,179.81**	

2020 VA ARAT
KU Recipient of Service (Payables)
LKS billings to KU/ODP by FERC account by month
Order Granting Approval, Appendix Item 12b
CASE NO. PUR-2018-00049

12b) An annual schedule showing LKS billings to KU/ODP by FERC account, month, and amount as they are recorded on KU/ODP's books

RESPONSE:

Services

FERC Account	Jan-2020	Feb-2020	Mar-2020	Apr-2020	May-2020	Jun-2020	Jul-2020	Aug-2020	Sep-2020	Oct-2020	Nov-2020	Dec-2020	Total
107	$ 1,446,544.02	$ 1,580,747.41	$ 1,457,672.87	$ 2,741,796.94	$ 1,949,087.29	$ 2,364,327.86	$ 2,709,958.05	$ 2,273,834.83	$ 3,530,125.82	$ 2,751,320.77	$ 2,785,718.38	$ 3,265,492.72	$ 28,856,626.96
108	241,686.21	222,631.38	208,255.49	167,528.25	182,322.69	209,471.34	198,669.53	193,756.27	174,080.33	187,590.59	145,155.04	158,995.52	2,290,142.64
163	123,578.06	109,165.32	103,656.69	104,994.77	116,037.38	104,073.14	103,206.87	111,954.63	108,218.09	108,090.55	96,121.43	103,744.29	1,292,841.22
165	343,775.82	401,090.04	381,140.97	1,643,712.87	1,808,599.39	462,022.24	845,523.85	1,331,231.81	1,222,739.35	1,329,287.63	1,655,324.52	1,332,588.57	12,757,037.06
182.3	-	-	327.84	3,542.67	2,307.00	10,485.67	7,970.99	2,420.04	-	3,269.36	-	-	30,323.57
183	-	24.34	12.17	1,189.60	6.09	6.85	0.57	22.31	4,338.51	1,585.76	2,613.41	9,363.75	19,163.36
184	1,422,982.98	1,327,919.90	1,407,593.70	1,642,178.11	1,414,957.69	1,435,878.20	1,385,003.21	1,416,273.62	1,288,790.35	1,354,659.54	1,263,866.07	1,232,703.27	16,592,806.64
186	-	-	-	96,903.70	-	17,290.90	194,681.54	15,175.84	1,027.11	224.40	-	-	325,303.49
219	-	-	-	-	-	-	-	-	-	-	-	(1,552.86)	(1,552.86)
232	-	-	-	-	-	-	-	-	-	-	-	192.38	192.38
408.1	439,531.89	389,944.51	439,738.34	430,594.51	392,572.13	442,271.53	430,685.86	418,068.36	419,270.93	429,873.75	240,752.72	199,205.30	4,672,509.83
426.4	61,116.12	60,258.80	71,713.15	57,261.44	44,883.29	47,124.56	56,263.33	50,651.15	48,884.52	57,310.78	47,520.39	46,411.49	649,399.02
426.5	38,046.35	27,543.14	16,220.97	9,004.26	7,617.71	9,354.74	10,192.90	15,236.25	10,079.10	25,923.22	55,954.53	134,382.27	359,555.44
456.1	-	-	-	-	-	-	-	-	2.38	-	-	-	2.38
500	328,852.07	219,895.04	198,384.89	184,829.63	140,259.26	173,954.53	151,268.64	150,923.90	145,136.38	155,237.82	124,541.89	151,045.86	2,124,329.91
501	82,606.88	76,869.21	86,373.99	82,684.72	63,272.14	71,068.81	69,432.41	66,699.23	61,972.15	64,380.11	59,202.33	66,970.60	851,532.58
502	6,448.66	7,777.58	407.30	407.06	590.98	421.23	578.13	1,233.78	757.37	1,356.19	643.57	720.43	21,342.28
506	192,010.78	138,575.44	248,761.52	254,481.58	179,108.23	343,585.29	233,266.25	215,373.40	228,009.28	250,740.26	226,474.18	350,031.29	2,860,417.50
510	61,000.08	132,265.67	159,403.83	163,960.85	128,323.45	135,462.91	127,079.85	130,047.18	133,129.89	144,394.75	131,652.16	154,428.44	1,601,149.06
511	5,938.91	7,138.89	6,134.52	1,875.00	431.26	8,627.38	10,581.67	10,364.39	8,042.82	16,045.20	1,772.00	814.67	77,766.71
512	-	477.31	-	-	-	-	-	1,943.84	-	-	97.86	173.22	2,692.23
513	15,262.57	20,189.89	32,743.07	75,195.45	43,351.35	35,086.41	21,032.91	16,880.22	20,599.91	29,193.71	28,256.79	25,590.94	363,383.22
514	279.85	-	-	1,502.63	1,631.89	1,171.48	1,508.38	1,667.78	832.30	1,665.56	-	1,282.30	11,542.17
556	197,065.82	203,126.04	205,987.33	265,490.76	200,417.93	209,638.67	204,768.41	207,236.87	199,975.37	197,295.83	193,856.29	237,670.58	2,522,529.90
560	131,094.41	179,885.91	214,087.73	241,787.15	169,452.75	217,782.94	203,213.69	216,284.75	187,607.24	148,159.77	137,344.89	(303,088.02)	1,743,613.21
561.1	69,261.43	59,235.97	69,467.25	66,653.95	61,319.28	82,787.81	65,136.19	56,862.35	64,452.16	54,332.89	51,601.08	68,190.65	769,301.01
561.2	240,920.36	172,101.00	163,779.53	155,639.82	161,698.70	151,446.31	153,687.27	142,828.12	158,716.56	198,397.83	185,787.04	694,747.70	2,579,750.24
561.3	51,519.56	44,653.10	49,074.25	49,899.11	46,588.76	50,240.48	46,804.02	41,442.12	45,901.07	44,715.98	48,068.70	61,593.13	580,500.28
561.5	3,893.88	5,142.27	8,934.67	5,128.24	5,561.13	4,058.79	874.75	704.11	17,895.55	47,051.68	42,046.26	50,624.35	191,915.68
561.6	569.78	-	-	-	-	-	-	-	-	815.78	1,447.73	2,141.29	4,974.58
561.7	1,493.46	1,131.87	3,733.47	4,054.11	5,357.07	6,340.14	4,367.74	3,235.77	4,741.85	4,048.36	1,441.47	2,878.50	42,823.81
562	7,212.13	9,970.40	9,667.44	11,353.82	9,150.13	7,663.75	13,660.12	816.80	293.10	-	622.74	6,033.91	76,444.34
563	1,375.30	320.11	1,296.57	4,407.33	10,855.59	6,240.51	3,523.51	5,281.09	7,865.56	8,366.18	4,390.39	900.99	54,823.13
566	69,732.87	65,321.65	71,147.06	83,750.91	51,143.95	61,632.48	78,468.34	64,688.69	41,867.14	243,041.95	(139,975.52)	75,981.87	766,801.39
570	111,417.37	101,773.22	79,441.20	85,609.23	88,998.70	64,841.72	103,513.02	105,695.57	63,612.20	97,451.92	94,456.12	76,656.42	1,073,466.69
573	2,035.44	2,220.35	6,772.39	2,916.88	2,939.71	8,468.55	426.38	3,173.47	297.30	3,028.69	7,785.51	10,645.20	50,709.87
580	135,380.86	126,228.34	142,675.49	146,761.07	105,417.26	124,300.73	135,076.41	111,987.96	115,878.09	130,776.93	114,636.02	135,472.15	1,524,591.31
581	31,374.78	28,649.29	35,539.59	33,453.06	29,914.48	32,403.97	28,754.10	24,885.52	27,521.94	25,901.02	13,385.03	30,147.77	341,930.55
582	553.23	1,311.79	1,150.28	2,347.55	-	1,891.02	1,382.83	1,796.35	2,953.21	490.93	2,811.56	7,467.58	24,156.33
583	106,250.48	103,750.27	101,741.82	127,451.13	125,443.52	118,599.18	107,809.46	114,548.38	119,071.88	124,179.74	116,758.92	141,747.90	1,407,352.68
586	60,706.93	58,994.70	65,561.96	63,698.68	56,937.72	61,503.71	56,188.78	62,480.08	64,074.54	64,154.49	57,648.63	70,004.49	741,954.71
588	241,357.43	238,540.88	221,042.20	250,851.21	226,182.67	207,076.62	234,607.13	214,698.30	231,592.11	238,749.98	212,177.42	252,653.08	2,769,529.03
590	18.34	494.69	105.44	21.87	109.29	127.28	197.62	83.55	102.73	17.66	-	-	1,278.47
592	881.00	-	1,197.44	349.87	-	-	-	150.94	288.80	2,319.21	-	31.70	5,218.96
593	20,335.09	9,830.64	18,680.88	18,646.19	12,875.40	13,066.91	14,783.74	12,943.66	12,844.15	11,878.97	12,294.62	12,335.16	170,515.41
598	9,853.90	9,977.54	16,741.89	10,933.26	14,378.81	13,600.22	10,714.04	14,190.66	230.78	8,289.91	22,312.43	12,620.90	143,844.34
901	300,973.51	284,284.82	314,443.05	297,512.57	271,112.84	295,903.64	282,325.50	268,665.60	272,893.74	278,445.00	250,450.69	268,685.23	3,385,696.19
902	21,009.37	20,357.25	22,579.51	20,248.59	20,456.87	21,329.29	21,647.56	19,190.26	20,054.91	22,585.15	27,474.62	33,181.70	270,115.08
903	838,052.11	832,936.19	926,624.46	808,644.34	771,192.84	805,668.77	787,562.46	734,777.74	816,404.57	806,274.89	745,557.25	1,020,789.05	9,894,484.67
907	48,415.72	40,493.48	49,837.57	45,508.20	39,694.47	42,516.78	39,590.04	40,840.37	37,837.70	39,791.97	37,638.91	37,172.18	499,337.39
908	99,718.28	113,220.53	100,140.24	112,644.10	98,915.89	110,184.27	133,472.29	82,298.27	95,174.17	102,616.22	86,516.20	104,193.37	1,239,093.83
909	-	1,911.41	-	-	-	-	-	-	-	-	-	(1,911.41)	-
910	61,002.65	50,555.01	62,150.19	57,787.67	56,530.27	58,092.43	59,905.93	70,779.24	59,634.33	59,273.98	63,109.23	72,187.27	731,008.20
920	2,976,214.38	2,635,475.87	2,988,574.28	2,825,929.89	2,652,181.67	2,863,377.71	2,773,030.24	2,708,093.94	2,698,522.22	2,771,954.72	2,498,900.24	2,767,064.52	33,159,319.68
921	665,756.29	559,535.10	485,572.50	423,791.96	340,624.16	420,978.56	467,086.49	1,310,309.38	473,992.25	77,839.36	431,354.53	662,225.98	6,319,066.56
923	179,670.51	829,338.22	883,428.83	687,149.37	748,104.10	574,757.87	275,746.94	1,102,909.98	208,257.10	1,702,268.48	719,138.57	843,849.29	8,754,619.26
925	1,119.58	960.89	1,099.18	1,065.78	972.77	1,089.28	1,057.94	1,033.74	1,035.19	1,058.07	968.52	(4,086.24)	7,374.70
926	1,609,557.06	1,411,793.31	1,703,290.82	1,498,139.31	1,496,078.81	1,323,528.94	1,260,212.22	1,240,538.48	1,473,416.76	1,145,074.37	1,232,093.27	1,026,646.14	16,420,369.49
928	18,900.00	75,495.06	58,905.75	7,615.30	615.00	-	-	-	-	-	-	-	161,531.11
930.2	21,195.68	24,418.02	29,686.44	120,183.23	229,679.76	56,278.28	64,598.07	(814,482.55)	26,864.53	480,346.30	17,932.42	21,471.06	278,171.24
931	85,993.35	68,229.25	87,925.28	87,661.75	87,895.72	89,422.05	103,846.42	87,105.76	92,556.40	17,865.22	83,175.62	123,687.68	1,015,364.50
935	114,351.74	100,733.64	111,368.66	101,637.64	82,705.95	96,764.62	84,119.50	71,142.25	44,274.23	74,680.18	82,481.31	85,379.58	1,049,639.30
Total Services	**$ 13,345,895.33**	**$ 13,194,911.95**	**$ 14,131,993.95**	**$ 16,390,368.94**	**$ 14,756,863.19**	**$ 14,075,289.35**	**$ 14,379,064.09**	**$ 14,752,976.40**	**$ 15,094,738.02**	**$ 16,145,689.56**	**$ 14,323,355.98**	**$ 15,940,577.15**	**$ 176,531,723.91**

2020 VA ARAT
KU Recipient of Service (Payables)
LKS billings to KU/ODP by FERC account by month
Order Granting Approval, Appendix Item 12b
CASE NO. PUR-2018-00049

Convenience Payments

FERC Account	Jan-2020	Feb-2020	Mar-2020	Apr-2020	May-2020	Jun-2020	Jul-2020	Aug-2020	Sep-2020	Oct-2020	Nov-2020	Dec-2020	Total
107	$ 1,183,950.56	$ 1,335,372.45	$ 1,776,988.64	$ 2,387,335.52	$ 1,891,025.08	$ 1,849,581.58	$ 3,572,242.80	$ 2,046,916.04	$ 2,840,480.98	$ 3,202,037.82	$ 2,006,777.69	$ 4,866,440.71	$ 28,959,149.87
108	57,827.64	9,062.88	37,236.64	26,816.09	159,994.33	31,273.86	33,745.54	25,906.22	225,639.30	100,318.23	45,266.20	158,466.53	911,553.46
131	716.50	100.00	757.00	384.00	482.00	387.50	475.00	162.50	412.50	500.00	275.00	232.00	4,884.00
141	-	-	-	778,600.00	-	-	596,700.00	-	-	589,680.00	-	-	1,964,980.00
151	27,519,643.62	19,796,181.11	20,356,709.80	21,414,987.65	15,571,911.42	19,323,648.09	28,933,552.68	25,213,177.16	23,415,373.30	22,770,687.77	24,568,218.71	23,556,058.15	272,440,149.46
163	3,417.29	(11.35)	2,356.69	2,763.37	7,115.85	2,859.18	3,714.32	2,572.14	3,150.66	60,076.28	47,099.29	45,554.79	180,668.51
165	2,091,644.27	1,348,762.14	(312,828.37)	6,860,689.24	(275,254.76)	(301,921.70)	(263,465.31)	1,568,310.28	(318,059.69)	(326,571.78)	(297,819.98)	(167,772.51)	9,605,711.83
182.3	7,284.92	1,330.00	462,813.28	16,090.52	5,670.92	539,530.71	1,441.80	329,377.83	2,506,037.40	125,093.35	188,118.76	610,083.78	4,792,873.27
183	-	1,979.20	989.60	-	494.80	556.65	61.85	-	-	-	-	-	4,082.10
184	1,493,606.07	1,598,607.15	1,541,333.20	1,018,735.62	1,233,465.14	1,625,846.80	1,430,272.20	1,342,055.49	1,685,765.45	1,508,242.48	1,336,134.84	1,851,049.06	17,665,113.50
186	-	-	-	37,500.00	-	30,500.00	-	-	-	-	-	-	68,000.00
228.3	31,889.03	32,851.18	31,983.60	319,914.30	-	66,529.20	278,383.84	33,305.27	33,455.91	285,257.26	32,846.63	32,580.77	1,178,996.99
232	966,116.24	828,839.47	1,183,206.66	824,644.94	762,138.13	789,815.67	1,087,509.30	770,804.38	822,697.93	739,096.18	794,577.44	956,067.33	10,525,513.67
242	-	-	1,623,644.73	82.38	1,435.81	-	-	-	-	-	-	500.00	1,625,662.92
253	-	(197.86)	-	-	-	-	-	-	-	-	-	-	(197.86)
421	(708.78)	(2,184.89)	(635.85)	(317.13)	(1,158.53)	(226.50)	(1,298.75)	(222.78)	(117.91)	-	(35.72)	(96.35)	(7,003.19)
426.1	-	-	-	-	-	-	-	-	-	-	-	137.50	137.50
426.4	297.25	11,849.44	228.91	376.06	350.31	-	5,942.28	581.63	-	7.50	-	30,560.33	50,193.71
426.5	2,970.01	-	2,039.65	-	-	1,442.63	183.75	1,050.13	245.00	1,641.90	309.26	2,926.99	12,809.32
500	7,600.94	2,790.11	789.85	2,852.29	5,813.42	1,191.02	2,063.59	6,413.01	861.08	3,811.97	6,844.15	5,010.08	46,041.51
501	6,222.59	2,315.22	993.44	4,469.84	2,014.65	991.36	3,082.83	4,392.97	3,767.23	849.11	6,078.44	5,580.22	40,757.90
502	293.17	7,171.51	10,885.20	14,297.34	10,120.65	22,742.53	16,985.65	9,972.37	13,791.26	13,588.25	13,813.01	14,392.49	148,053.43
506	15,194.42	8,278.55	15,912.63	14,733.33	3,990.21	26,113.51	7,541.81	23,722.75	6,034.68	20,589.29	12,733.59	31,404.67	186,249.44
510	43,508.35	439.81	157,633.11	2,496.93	22,314.14	10,873.05	3,841.15	49,460.59	22,591.95	31,374.02	12,757.12	57,928.11	415,218.33
511	23,587.73	18,819.96	13,695.14	29,913.21	26,753.06	24,395.75	19,379.09	45,236.56	24,395.74	33,799.43	85,368.96	46,262.68	391,607.31
512	630.73	-	-	4,250.10	-	-	-	-	-	-	4,563.00	13,333.74	22,777.57
513	-	1,535.52	1,294.44	2,529.78	5,800.49	2,368.32	1,464.91	2,251.31	253.62	994.16	6,136.78	4,240.97	28,870.30
514	276.12	2,810.66	3,343.50	-	-	-	13,024.52	4,635.61	-	7,621.17	20,684.12	15,759.71	68,155.41
548	-	-	-	-	-	-	-	-	-	-	3,038.00	-	3,038.00
554	620.00	-	-	677.00	-	-	1,425.30	-	-	-	-	-	2,722.30
556	-	65.24	-	78.28	93.04	-	-	-	94.87	-	-	-	331.43
557	-	23,293.88	11,646.94	11,646.94	11,449.54	11,449.54	11,449.54	11,449.54	11,449.54	11,449.54	11,449.54	11,449.56	138,184.10
560	2,096.42	8,209.12	7,723.43	2,155.04	3,271.90	2,395.57	2,216.95	9,843.73	1,595.33	2,484.41	-	3,514.27	45,506.17
561.1	3,094.71	2,111.63	2,247.95	2,638.67	2,311.53	2,100.04	2,028.31	2,099.83	3,185.81	3,372.31	2,193.42	2,317.19	29,701.40
561.2	3,537.21	3,537.21	3,537.21	3,537.21	3,537.21	3,537.21	3,537.21	-	7,074.42	-	7,074.51	3,537.30	42,446.70
561.5	51.28	1,100.33	-	26.52	-	-	-	-	-	9,750.00	-	-	10,928.13
561.7	-	1,484.28	329.84	-	526.68	957.60	718.20	1,484.28	718.20	2,489.76	-	1,134.36	9,843.20
562	-	-	772.59	-	-	-	-	-	-	-	-	-	772.59
563	-	-	45,000.00	-	-	-	-	-	-	-	63,600.00	(3,600.00)	105,000.00
566	301,271.73	295,874.64	320,812.24	327,850.11	305,079.26	182,001.48	463,866.66	162,627.43	310,553.35	448,779.46	294,152.09	314,324.65	3,727,193.10
570	3,395.15	3,748.39	4,867.89	1,962.58	656.89	1,142.61	2,036.70	10,019.38	635.05	483.75	2,981.29	1,567.67	33,497.35
573	23,050.85	19,740.94	6,892.89	8,634.52	4,678.28	12,105.46	6,951.07	9,836.14	17,442.01	6,537.92	52,697.12	33,797.95	202,365.15
580	3,463.72	1,174.98	5,246.30	4,167.45	12,742.73	9,699.21	2,932.58	5,276.53	2,501.05	9,390.22	10,765.31	3,644.09	71,004.17
582	804.64	1,657.20	401.85	612.26	-	-	-	-	-	-	-	2,659.44	6,135.39
583	1,493.47	1,339.62	1,209.63	3,055.58	685.74	958.12	2,065.17	619.61	1,159.19	826.37	508.99	1,803.22	15,724.71
586	201.43	1,477.37	794.62	4,795.47	752.86	2,338.22	693.43	605.26	840.62	2,829.77	1,028.39	1,334.08	17,691.52
588	95,776.08	11,493.63	28,656.14	34,507.39	60,985.13	46,010.93	25,305.93	21,542.68	20,323.23	20,008.04	29,192.98	36,759.07	430,561.23
592	-	2,539.64	1,327.50	419.50	685.76	958.13	661.38	554.38	840.63	826.38	509.01	796.76	10,119.07
593	-	-	-	1,273.40	5,276.99	-	-	4,953.30	6,127.26	7,100.80	-	2,167.03	26,898.78
598	6,665.34	13,477.85	11,392.15	13,848.06	9,292.66	18,833.83	5,942.51	19,975.57	8,153.23	20,022.71	46,443.93	19,364.73	193,412.57
880	202.16	-	-	-	-	-	-	-	-	-	-	-	202.16
901	128.70	68.87	10.06	290.13	-	-	14.23	57.79	62.20	65.38	7,939.54	7,277.30	15,914.20
902	-	-	-	-	-	-	-	-	-	-	812.42	183.65	996.07
903	(278,983.19)	77,633.96	62,004.48	72,827.31	47,604.67	41,692.04	77,860.39	38,249.16	134,151.03	56,182.47	26,672.38	186,904.70	542,799.40
907	-	-	-	26.11	-	40.42	-	-	53.24	-	-	48.55	168.32
908	284,244.58	379,772.71	541,171.43	428,728.93	186,226.86	238,677.17	357,442.76	614,090.15	608,970.63	660,017.73	513,409.40	461,153.45	5,273,905.80
909	10,099.14	60,702.73	298,474.10	63,870.71	24,603.00	353,639.94	91,760.92	122,119.11	61,665.23	76,080.94	95,233.86	122,852.52	1,381,102.20
910	40,787.11	104,480.95	38,324.56	105,959.97	69,976.52	88,102.52	96,568.14	101,888.81	115,371.88	157,973.08	75,232.72	150,741.13	1,145,407.39
912	19,090.61	-	-	-	64,000.00	-	-	-	-	-	3,555.17	4,310.51	90,956.29
913	989.93	121,225.60	148,902.66	116,456.23	3,612.37	101,171.40	17,816.35	103,566.35	80,347.81	128,730.12	131,013.12	34,915.80	988,747.74
921	72,144.76	94,346.94	216,022.74	131,380.34	157,872.53	251,678.74	142,064.55	136,289.67	107,829.76	180,301.99	122,175.28	189,197.05	1,801,304.35
923	53,888.99	35,947.26	435,086.76	55,951.64	77,703.63	349,819.52	81,570.54	155,840.16	129,009.24	142,912.39	375,225.41	126,566.80	2,019,522.34
924	37,416.82	-	21,730.00	109,699.40	-	-	29,900.00	1,740.00	-	29,900.00	-	-	230,386.22
925	(1,525.22)	-	107,163.00	49,375.00	588.00	-	48,387.50	-	-	48,387.50	-	-	252,375.78
928	-	-	-	3,421.76	130,845.84	-	-	8,278.39	(468.59)	6,168.74	-	-	148,246.14
930.2	9,512.68	311,540.53	186,511.38	175,964.74	176,568.59	148,137.30	182,869.67	151,658.54	155,353.46	212,385.41	168,351.36	337,970.92	2,216,824.58
935	86,280.63	54,452.70	57,774.78	31,926.82	30,907.23	58,600.09	40,576.93	51,128.94	34,128.79	25,283.95	51,213.76	102,989.67	625,264.29
Total Convenience Payments	**$ 34,235,768.40**	**$ 26,639,200.46**	**$ 29,477,406.61**	**$ 35,531,910.45**	**$ 20,827,012.56**	**$ 25,974,546.30**	**$ 37,445,507.77**	**$ 33,225,876.19**	**$ 33,105,944.86**	**$ 31,439,435.53**	**$ 30,987,216.29**	**$ 34,298,385.17**	**$ 373,188,210.59**

2020 VA ARAT
KU Recipient of Service (Payables)
LKS billings to KU/ODP by FERC account by month
Order Granting Approval, Appendix Item 12b
CASE NO. PUR-2018-00049

Other Excluded Non-Service Transactions

FERC Account	Jan-2020	Feb-2020	Mar-2020	Apr-2020	May-2020	Jun-2020	Jul-2020	Aug-2020	Sep-2020	Oct-2020	Nov-2020	Dec-2020	Total
107	$ 43,226.00	$ (32,622.93)	$ 1,382,393.72	$ (527,793.75)	$ (249,062.95)	$ 1,539,434.58	$ (1,290,733.84)	$ 338,450.98	$ (687,799.50)	$ 635,095.20	$ 1,181,077.04	$ (2,151,314.77)	$ 180,349.78
108	(5,938.19)	(2,219.39)	(6,538.79)	104,611.52	(81,368.57)	(11,584.18)	(12,134.15)	13,808.46	13,462.96	(22,078.90)	(6,170.26)	3,345.54	(12,803.95)
143	-	-	-	-	-	-	-	-	-	-	-	147.71	147.71
163	(18,102.00)	46,431.23	(39,965.00)	(1,503.00)	25,037.00	(36,801.00)	9,770.00	18,028.77	(13,853.00)	38,567.00	(52,256.00)	(418.86)	(25,064.86)
165	(189,804.46)	189,804.46	-	(189,804.46)	-	189,804.46	(189,804.46)	-	189,804.46	(19,092.36)	(170,712.10)	-	(189,804.46)
182.3	(7,284.92)	6,710.60	633.55	(7,334.25)	(9.90)	112.86	469.80	8,055.94	60,096.27	(68,734.87)	-	516,792.41	509,507.49
183	-	-	-	-	-	-	-	2,430.00	(2,430.00)	1,944.00	1,647.00	35,831.50	39,422.50
184	129,987.82	(77,052.61)	(31,551.01)	144,910.16	(141,938.92)	2,408.82	10,962.62	14,184.57	22,044.95	(362.09)	(93,507.12)	87,899.80	67,986.99
186	-	-	22,211.90	18,294.50	(38,929.74)	119,122.80	(114,472.94)	(6,226.52)	224.40	(224.40)	-	-	0.00
232	-	-	-	-	-	-	-	(75,207.00)	(32,152.00)	(59,004.00)	157,663.00	8,700.00	-
236	(44,710.75)	(47,146.34)	(21,117.52)	(171,383.65)	(48,010.43)	(88,141.38)	(90,161.06)	(93,378.48)	(123,868.97)	(65,753.29)	(77,442.41)	(136,167.87)	(1,007,282.15)
408.1	2,650.00	2,650.00	2,650.00	2,650.00	2,600.00	2,600.00	2,600.00	2,600.00	2,600.00	2,600.00	(12,464.59)	-	13,735.41
426.3	246.00	-	-	-	-	-	-	125.08	-	-	-	-	371.08
426.4	64.53	2,050.92	141.48	102.11	-	-	64.53	-	1,398.83	64.53	-	-	3,886.93
426.5	1,109.92	(7,535.49)	571.63	(8,710.62)	11,082.97	(1,809.17)	9,035.19	(5,599.25)	(4,360.90)	883.77	(670.66)	134,597.88	128,595.27
431	-	-	-	-	-	-	-	(0.00)	0.01	-	-	-	0.01
500	(15,307.85)	(19,624.53)	(2,210.96)	2,099.43	1,460.97	(14,564.41)	(71.52)	1,664.22	3,204.94	3,114.41	(1,080.63)	(5,128.24)	(46,444.17)
501	(343.52)	(751.24)	(3,019.25)	618.95	(1,710.65)	1,474.56	170.44	1,964.96	(2,203.90)	366.46	226.92	(69.77)	(3,276.04)
502	-	12,889.83	(3,006.60)	(1,559.89)	4,684.14	(6,203.17)	(1,090.97)	5,627.20	(2,807.21)	(2,894.04)	1,360.71	(2,300.07)	4,699.93
506	(16,998.55)	60,504.34	49,323.31	(12,741.66)	3,523.50	(95,273.45)	2,085.68	(14,261.41)	31,427.19	(18,664.08)	69,178.98	(107,843.07)	(49,739.22)
510	(62,843.55)	16,951.51	(148,374.13)	13,853.84	(16,384.05)	31,432.35	14,560.11	(22,146.06)	8,234.01	(8,925.41)	27,619.45	(5,601.87)	(151,623.80)
511	4,095.80	(7,984.32)	5,310.16	(5,838.39)	9,231.56	4,011.52	1,116.15	(2,569.68)	5,608.75	(10,267.96)	1,607.81	6,273.69	10,595.09
512	-	-	-	-	-	-	-	-	-	12,579.00	-	(12,579.00)	-
513	-	-	81,191.64	-	6,031.33	3,878.67	82.41	(82.41)	-	-	4,757.01	(4,757.01)	91,101.64
514	-	-	-	4,195.63	6,998.86	10,054.85	(11,549.34)	(9,700.00)	-	14,616.41	1,694.84	(12,820.62)	3,490.63
554	-	-	-	-	-	-	-	-	-	52.00	50.00	(102.00)	-
556	-	-	-	-	-	-	-	-	-	-	-	430.94	430.94
560	-	-	32,175.00	(32,175.00)	1,807.00	-	(1,807.00)	-	71.50	-	-	-	71.50
561.1	(795.60)	-	-	-	-	-	-	-	513.34	(276.42)	(236.92)	-	(795.60)
561.7	-	-	-	1,093.50	(425.25)	(668.25)	-	789.75	(789.75)	303.75	(303.75)	-	-
563	-	45,000.00	(45,000.00)	-	-	-	-	-	-	-	-	-	-
566	196,908.24	7,440.26	(3,963.97)	174,887.81	19.22	138,317.39	51,151.60	138,676.78	1,694.81	(115,342.48)	174,431.14	12,125.05	776,345.85
567	-	1,211.59	-	-	-	-	-	-	-	-	-	-	1,211.59
570	-	-	-	-	-	1,625.00	2,102.40	555.23	(3,196.17)	(1,086.46)	-	1,443.58	1,443.58
573	-	-	-	-	-	-	-	30,224.00	(18,816.00)	(11,408.00)	8,524.00	(8,524.00)	-
580	(2,518.06)	(977.32)	783.98	114.95	6,380.64	(3,464.98)	6,933.67	(6,517.36)	(474.87)	6,366.58	33,029.04	86,182.13	125,838.40
583	(5,707.04)	-	-	-	-	-	-	-	-	-	-	-	(5,707.04)
588	(64,154.56)	9,523.10	66,852.09	(26,427.44)	(55,237.90)	(43.30)	7,048.30	(2,318.63)	(6,196.63)	24,638.04	(4,311.88)	(12,467.26)	(63,096.07)
592	-	-	-	-	-	-	-	-	-	-	-	1,443.57	1,443.57
598	-	-	-	-	-	-	-	5,452.00	(3,407.00)	(2,045.00)	6,856.00	(6,856.00)	-
901	-	-	-	-	-	-	5,727.70	(4,352.70)	(1,375.00)	5,946.60	(5,946.60)	471.75	471.75
902	-	-	-	-	-	-	-	-	3,366.78	(1,727.33)	(1,639.45)	-	-
903	20,943.95	(22,764.93)	21,582.64	23,586.57	(14,420.20)	98,241.05	(90,576.35)	52,845.67	(82,171.38)	(11,582.70)	104,607.37	(61,497.15)	38,794.54
907	(107.55)	-	-	-	-	-	-	-	-	-	-	-	(107.55)
908	(3,609.18)	-	-	-	13,250.00	(13,250.00)	-	-	-	-	3,494.68	(529.69)	(644.19)
909	(4,391.20)	131,950.98	(126,554.38)	6,773.53	146,621.75	(105,080.38)	12,077.17	(53,527.79)	(12,260.88)	-	-	11,521.40	7,130.20
910	28,826.94	(30,066.00)	37,446.94	(4,764.31)	(6,228.55)	5,753.47	(18,159.80)	(1,959.72)	(11,067.68)	(2,301.60)	69,442.90	(11,793.92)	55,128.67
912	(21,632.00)	-	-	-	-	-	-	-	-	-	-	-	(21,632.00)
913	(814.55)	24,034.31	(21,718.26)	(1,452.55)	(415.80)	2,099.90	54,071.30	(28,154.20)	74,579.75	(76,827.85)	(21,122.50)	(5,094.10)	(814.55)
920	(4,569.42)	4,023.12	17,980.78	(19,214.90)	(22,993.00)	16,595.02	(4,117.49)	(4,703.25)	21,715.93	(29,490.21)	4,849.53	(4,849.53)	(24,773.42)
921	(42,323.84)	(10,575.74)	21,056.09	16,762.42	67,720.99	(25,114.47)	(42,788.22)	350.86	46,936.42	(96,932.90)	123,802.01	(97,850.45)	(38,956.83)
923	(79,358.33)	132,474.40	390,495.81	(411,822.64)	(163,873.01)	316,777.84	112,106.65	(347,247.06)	977,509.09	(1,102,117.07)	(43,540.39)	388,619.11	170,024.40
924	(10,800.00)	-	-	-	-	-	-	-	-	-	-	-	(10,800.00)
925	(103,951.60)	-	49,375.00	(49,375.00)	-	-	-	-	-	-	-	-	(103,951.60)
926	(29,621.47)	-	(528.00)	-	834.48	(834.48)	-	-	-	-	-	1,305.00	(28,844.47)
928	18,635.33	(14,861.58)	(51,289.95)	(7,615.80)	-	-	-	-	-	-	-	-	(55,132.00)
930.2	147,808.11	(147,808.11)	25,050.05	111,266.95	(85,612.66)	(22,644.55)	(20,617.12)	(3,981.94)	(648.64)	-	5,240.09	3,412.06	11,464.24
931	(8,922.27)	0.00	-	236.00	0.00	31,728.96	(16,473.96)	(9,927.90)	(132.30)	(1,841.40)	-	16,699.05	11,366.18
935	(3,440.80)	4,906.67	(9,491.39)	2,950.48	(4,796.46)	17,005.73	(20,155.73)	1,499.00	(640.00)	5,068.00	11,060.00	(14,872.72)	(10,907.22)
Total Other Excluded Non-Service Transactions	**$ (153,548.62)**	**$ 276,566.79**	**$ 1,692,896.56**	**$ (850,508.96)**	**$ (624,133.63)**	**$ 2,107,002.66**	**$ (1,622,578.23)**	**$ (54,527.89)**	**$ 453,842.61**	**$ (976,775.07)**	**$ 1,500,814.26**	**$ (1,346,195.80)**	**$ 402,854.68**
Grand Total	**$ 47,428,115.11**	**$ 40,110,679.20**	**$ 45,302,297.12**	**$ 51,071,770.43**	**$ 34,959,742.12**	**$ 42,156,838.31**	**$ 50,201,993.63**	**$ 47,924,324.70**	**$ 48,654,525.49**	**$ 46,608,350.02**	**$ 46,811,386.53**	**$ 48,892,766.52**	**$ 550,122,789.18**

Negative amounts for accounts 107 and 236 represent reversals of capital accruals and income tax settlements, respectively

2020 VA ARAT
KU Recipient of Service (Payables)
Difference in FERC Account for LKS billings between KU/ODP's books and LKS' books
Order Granting Approval, Appendix Item 12c
CASE NO. PUR-2018-00049

12c) An annual schedule that reconciles any differences in the FERC account distribution of LKS billings as they are recorded on KU/ODP's books and LKS's books;

RESPONSE:
Differences in FERC account distributions of LKS billings[1]

Services FERC Account	**As recorded on KU/ODP's books**	**FERC Account**	**As recorded on LKS' books**
		408.1	672,951.11
		412	25,879,846.61
		925	1,018.08
		926	2,302,811.16
107	28,856,626.96	**Total**	**28,856,626.96**
		408.1	113,679.67
		412	1,791,277.10
		925	191.39
		926	384,994.48
108	2,290,142.64	**Total**	**2,290,142.64**
		408.1	64,593.53
		412	999,371.62
		925	104.85
		926	228,771.22
163	1,292,841.22	**Total**	**1,292,841.22**
165	12,757,037.06	412	12,757,037.06
182.3	30,323.57	412	30,323.57
		408.1	240.41
		412	18,100.64
		925	0.04
		926	822.27
183	19,163.36	**Total**	**19,163.36**
		408.1	669,689.10
		412	13,722,988.87
		925	1,090.58
		926	2,199,038.09
184	16,592,806.64	**Total**	**16,592,806.64**
186	325,303.49	412	325,303.49
232	192.38	412	192.38
456.1	2.38	412	2.38
Total Differences in Services	**62,164,439.70**		**62,164,439.70**

[1] The report excludes convenience payments, of which the largest component is fuel, and other excluded non-service transactions. These are considered pass-through items for the service company whereby an intercompany receivable is recorded with a corresponding credit to cash, and for which no revenue or cost of sales is recorded on its books.

THIS FILING IS		
Item 1: [X] An Initial (Original) Submission	OR [ ]	Resubmission No. ____

Form 60 Approved
OMB No. 1902-0215
Expires 01/31/2023

FERC FINANCIAL REPORT
FERC FORM No. 60: Annual Report of Centralized Service Companies

This report is mandatory under the Public Utility Holding Company Act of 2005, Section 1270, Section 309 of the Federal Power Act and 18 C.F.R. § 366.23. Failure to report may result in criminal fines, civil penalties, and other sanctions as provided by law. The Federal Energy Regulatory Commission does not consider this report to be of a confidential nature.

Exact Legal Name of Respondent (Company)	**Year of Report**
LG&E and KU Services Company	**Dec 31,** 2020

GENERAL INSTRUCTIONS FOR FILING FERC FORM NO. 60

I. Purpose

Form No. 60 is an annual regulatory support requirement under 18 CFR 369.1for centralized service companies. The report is designed to collect financial information from centralized service companies subject to the jurisdiction of the Federal Energy Regulatory Commission. The report is considered to be a non-confidential public use form.

II. Who Must Submit

Unless the holding company system is exempted or granted a waiver by Commission rule or order pursuant to §§ 18 CFR 366.3 and 366.4 of this chapter, every centralized service company (see § 367.2) in a holding company system must prepare and file electronically with the Commission the FERC Form No. 60 then in effect pursuant to the General Instructions set out in this form.

III. How to Submit

Submit FERC Form No. 60 electronically through the Form No. 60 Submission Software. Retain one copy of each report for your files. For any resubmissions, submit the filing using the Form No. 60 Submission Software including a justification. Respondents must submit the Corporate Officer Certification electronically.

IV. When to Submit

Submit FERC Form No. 60 according to the filing date contained § 18 CFR 369.1 of the Commission's regulations.

V. Preparation

Prepare this report in conformity with the Uniform System of Accounts (18 CFR 367) (USof A). Interpret all accounting words and phrases in accordance with the USof A.

VI. Time Period

This report covers the entire calendar year.

VII. Whole Dollar Usage

Enter in whole numbers (dollars) only, except where otherwise noted. The amounts shown on all supporting pages must agree with the amounts entered on the statements that they support. When applying thresholds to determine significance for reporting purposes, use for balance sheet accounts the balances at the end of the current reporting period, and use for statement of income accounts the current year's amounts.

VIII. Accurateness

Complete each question fully and accurately, even if it has been answered in a previous report. Enter the word "None" where it truly and completely states the fact.

IX. Applicability

For any page(s) that is not applicable to the respondent, enter "NONE," or "Not Applicable" in column (c) on the List of Schedules, page 2.

X. Date Format

Enter the month, day, and year for all dates. Use customary abbreviations. The "Resubmission Date" included in the header of each page is to be completed only for resubmissions (see III. above).

XI. Number Format

Generally, except for certain schedules, all numbers, whether they are expected to be debits or credits, must be reported as positive. Numbers having a sign that is different from the expected sign must be reported by use of a minus sign.

XII. Required Entries

Do not make references to reports of previous years or to other reports instead of required entries, except as specifically authorized.

XIII. Prior Year References

Wherever (schedule) pages refer to figures from a previous year, the figures reported must be based upon those shown by the report of the previous year, or an appropriate explanation given as to why the different figures were used.

XIV. Where to Send Comments on Public Reporting Burden

The public reporting burden for the Form No. 60 collection of information is estimated to average 75 hours per response, including

- the time for reviewing instructions, searching existing data sources,
- gathering and maintaining the data-needed, and
- completing and reviewing the collection of information.

Send comments regarding these burden estimates or any aspect of this collection of information, including suggestions for reducing burden, to:

Federal Energy Regulatory Commission, (Attention: Information Clearance Officer, CIO),
888 First Street NE,
Washington, DC 20426
or by email to DataClearance@ferc.gov

And to:

Office of Information and Regulatory Affairs,
Office of Management and Budget, Washington, DC 20503 (Attention: Desk Office for the Federal Energy Regulatory Commission).
Comments to OMB should be submitted by email to: oira_submission@omb.eop.gov

No person shall be subject to any penalty if any collection of information does not display a valid control number (44 U.S.C. 3512(a)).

DEFINITIONS
I. Respondent -- The person, corporation, or other legal entity in whose behalf the report is made.

FERC FORM NO. 60
ANNUAL REPORT FOR SERVICE COMPANIES

IDENTIFICATION

01 Exact Legal Name of Respondent LG&E and KU Services Company	02 Year of Report Dec 31, 2020
03 Previous Name (If name changed during the year)	04 Date of Name Change / /
05 Address of Principal Office at End of Year (Street, City, State, Zip Code) 220 West Main Street, Louisville, KY 40202	06 Name of Contact Person Vicki Romanko
07 Title of Contact Person Manager Corporate Accounting	08 Address of Contact Person 220 West Main Street, Louisville, KY 40202
09 Telephone Number of Contact Person (502) 627-4966	10 E-mail Address of Contact Person Vicki.Romanko@lge-ku.com
11 This Report is: (1) [X] An Original (2) [ ] A Resubmission	12 Resubmission Date (Month, Day, Year) / /
13 Date of Incorporation 06/02/2000	14 If Not Incorporated, Date of Organization / /

15 State or Sovereign Power Under Which Incorporated or Organized

KENTUCKY

16 Name of Principal Holding Company Under Which Reporting Company is Organized:

PPL Corporation

CORPORATE OFFICER CERTIFICATION

The undersigned officer certifies that:

I have examined this report and to the best of my knowledge, information, and belief all statements of fact contained in this report are correct statements of the business affairs of the respondent and the financial statements, and other financial information contained in this report, conform in all material respects to the Uniform System of Accounts.

17 Name of Signing Officer Kent W. Blake	19 Signature of Signing Officer Kent W. Blake DocuSigned by: Kent Blake C055E669F1EB443...	20 Date Signed (Month, Day, Year) 4/29/2021 | 12:24 PM PDT
18 Title of Signing Officer Chief Financial Officer		

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
LG&E and KU Services Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2020

List of Schedules and Accounts

1. Enter in Column (c) the terms “None” or “Not Applicable” as appropriate, where no information or amounts have been reported for certain pages.

Schedule I - Comparative Balance Sheet

1. Give balance sheet of the Company as of December 31 of the current and prior year.

Line No.	Account Number (a)	Description (b)	Reference Page No. (c)	As of Dec 31 Current (d)	As of Dec 31 Prior (e)
1		**Service Company Property**			
2	101	Service Company Property	103	14,980,459	14,500,918
3	101.1	Property Under Capital Leases	103		
4	106	Completed Construction Not Classified			144,149
5	107	Construction Work In Progress	103	(4,921)	1,117,077
6		Total Property (Total Of Lines 2-5)		14,975,538	15,762,144
7	108	Less: Accumulated Provision for Depreciation of Service Company Property	104	7,663,975	6,295,392
8	111	Less: Accumulated Provision for Amortization of Service Company Property			
9		Net Service Company Property (Total of Lines 6-8)		7,311,563	9,466,752
10		**Investments**			
11	123	Investment In Associate Companies	105	3,300,000	41,200,000
12	124	Other Investments	105		
13	128	Other Special Funds	105	11,258,054	8,510,232
14		Total Investments (Total of Lines 11-13)		14,558,054	49,710,232
15		**Current And Accrued Assets**			
16	131	Cash			
17	134	Other Special Deposits			
18	135	Working Funds			
19	136	Temporary Cash Investments			
20	141	Notes Receivable		524,180	465,120
21	142	Customer Accounts Receivable			
22	143	Accounts Receivable		1,584,420	1,185,499
23	144	Less: Accumulated Provision for Uncollectible Accounts			
24	146	Accounts Receivable From Associate Companies	106	232,230,331	197,755,443
25	152	Fuel Stock Expenses Undistributed	107		
26	154	Materials And Supplies			
27	163	Stores Expense Undistributed	108		
28	165	Prepayments		62,360	71,091
29	171	Interest And Dividends Receivable			
30	172	Rents Receivable			
31	173	Accrued Revenues			
32	174	Miscellaneous Current and Accrued Assets			
33	175	Derivative Instrument Assets	109		
34	176	Derivative Instrument Assets – Hedges			
35		Total Current and Accrued Assets (Total of Lines 16-34)		234,401,291	199,477,153
36		**Deferred Debits**			
37	181	Unamortized Debt Expense			
38	182.3	Other Regulatory Assets			
39	183	Preliminary Survey And Investigation Charges			
40	184	Clearing Accounts		(2)	(2)
41	185	Temporary Facilities			
42	186	Miscellaneous Deferred Debits		1,016	
43	188	Research, Development, or Demonstration Expenditures	110		
44	189	Unamortized loss on reacquired debt	111		
45	190	Accumulated Deferred Income Taxes		72,836,485	74,390,706
46		Total Deferred Debits (Total of Lines 37-45)		72,837,499	74,390,704
47		TOTAL ASSETS AND OTHER DEBITS (TOTAL OF LINES 9, 14, 35 and 46)		329,108,407	333,044,841

Schedule I - Comparative Balance Sheet (continued)

Line No.	Account Number (a)	Description (b)	Reference Page No. (c)	As of Dec 31 Current (d)	As of Dec 31 Prior (e)
48		**Proprietary Capital**			
49	201	Common Stock Issued	201	100	100
50	204	Preferred Stock Issued	201		
51	211	Miscellaneous Paid-In-Capital	201	100,000,900	100,000,900
52	215	Appropriated Retained Earnings	201		
53	216	Unappropriated Retained Earnings	201	(8,562,849)	(9,180,776)
54	219	Accumulated Other Comprehensive Income	201	(121,534,058)	(130,679,030)
55		Total Proprietary Capital (Total of Lines 49-54)		(30,095,907)	(39,858,806)
56		**Long-Term Debt**			
57	223	Advances From Associate Companies	202		
58	224	Other Long-Term Debt	202		
59	225	Unamortized Premium on Long-Term Debt			
60	226	Less: Unamortized Discount on Long-Term Debt-Debit			
61		Total Long-Term Debt (Total of Lines 57-60)			
62		Other Non-current Liabilities			
63	227	Obligations Under Capital Leases-Non-current			
64	228.2	Accumulated Provision for Injuries and Damages			
65	228.3	Accumulated Provision For Pensions and Benefits		253,559,987	272,409,618
66	230	Asset Retirement Obligations			
67		Total Other Non-current Liabilities (Total of Lines 63-66)		253,559,987	272,409,618
68		**Current and Accrued Liabilities**			
69	231	Notes Payable			
70	232	Accounts Payable		47,362,340	50,820,876
71	233	Notes Payable to Associate Companies	203		
72	234	Accounts Payable to Associate Companies	203	6,564,646	5,309,228
73	236	Taxes Accrued		8,594,141	2,196,387
74	237	Interest Accrued			
75	241	Tax Collections Payable		436,381	304,903
76	242	Miscellaneous Current and Accrued Liabilities	203	25,966,375	25,399,433
77	243	Obligations Under Capital Leases – Current			
78	244	Derivative Instrument Liabilities			
79	245	Derivative Instrument Liabilities – Hedges			
80		Total Current and Accrued Liabilities (Total of Lines 69-79)		88,923,883	84,030,827
81		**Deferred Credits**			
82	253	Other Deferred Credits		17,420,897	16,824,013
83	254	Other Regulatory Liabilities			
84	255	Accumulated Deferred Investment Tax Credits			
85	257	Unamortized Gain on Reacquired Debt			
86	282	Accumulated deferred income taxes-Other property		(700,453)	(360,811)
87	283	Accumulated deferred income taxes-Other			
88		Total Deferred Credits (Total of Lines 82-87)		16,720,444	16,463,202
89		**TOTAL LIABILITIES AND PROPRIETARY CAPITAL (TOTAL OF LINES 55, 61, 67, 80, AND 88)**		329,108,407	333,044,841

Name of Respondent LG&E and KU Services Company	This Report is: (1) X An Original (2) __ A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2020

FOOTNOTE DATA

Schedule Page: 101 Line No.: 5 Column: d

Negative balance in account 107 is due to a timing difference to clear a credit balance for capitalized administrative and general costs.

Schedule Page: 101 Line No.: 11 Column: d

$3,300,000 is notes receivable from LKS' parent, LKE. This is recorded in investment in Associate Companies (123).

Schedule Page: 101 Line No.: 11 Column: e

$41,200,000 is notes receivable from LKS' parent, LKE. This is recorded in investment in Associate Companies (123).

Schedule Page: 101 Line No.: 24 Column: d

The balance includes $45,572 of accrued interest on a note receivable from LKS' parent, LKE. Interest income on this note is retained by LKS and not allocated to the companies it serves.

Schedule Page: 101 Line No.: 24 Column: e

The balance includes $270,140 of accrued interest on a note receivable from LKS' parent, LKE. Interest income on this note is retained by LKS and not allocated to the companies it serves.

Schedule Page: 101 Line No.: 86 Column: d

Debit balance is due to greater tax basis versus book basis related to fixed assets, as accumulated book depreciation exceeds accumulated tax depreciation.

Schedule Page: 101 Line No.: 86 Column: e

Debit balance is due to greater tax basis versus book basis related to fixed assets, as accumulated book depreciation exceeds accumulated tax depreciation.

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
LG&E and KU Services Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2020

Schedule II - Service Company Property

1. Provide an explanation of Other Changes recorded in Column (f) considered material in a footnote.
2. Describe each construction work in progress on lines 18 through 30 in Column (b).

Line No.	Acct # (a)	Title of Account (b)	Balance at Beginning of Year (c)	Additions (d)	Retirements or Sales (e)	Other Changes (f)	Balance at End of Year (g)
1	301	Organization					
2	303	Miscellaneous Intangible Plant	234,197		161		234,036
3	306	Leasehold Improvements					
4	389	Land and Land Rights					
5	390	Structures and Improvements	9,999,081	1,149,705			11,148,786
6	391	Office Furniture and Equipment	4,160,062	12,871	682,874		3,490,059
7	392	Transportation Equipment					
8	393	Stores equipment					
9	394	Tools, Shop and Garage Equipment					
10	395	Laboratory Equipment					
11	396	Power Operated Equipment					
12	397	Communications Equipment	107,578				107,578
13	398	Miscellaneous Equipment					
14	399	Other Tangible Property					
15	399.1	Asset Retirement Costs					
16		**Total Service Company Property (Total of Lines 1-15)**	14,500,918	1,162,576	683,035		14,980,459
17	107	**Construction Work in Progress:**					
18		Structures, Improvements, Office Furniture/Equipment, and Other	1,117,077	(103,570)		(1,018,428)	(4,921)
19							
20							
21							
22							
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29							
30							
31		**Total Account 107 (Total of Lines 18-30)**	1,117,077	(103,570)		(1,018,428)	(4,921)
32		**Total (Lines 16 and Line 31)**	15,617,995	1,059,006		(1,018,428)	14,975,538

Name of Respondent	This Report is:	Resubmission Date (Mo, Da, Yr)	Year of Report
LG&E and KU Services Company	(1) X An Original (2) __ A Resubmission	/ /	2020

FOOTNOTE DATA

Schedule Page: 103 Line No.: 18 Column: f

$1,018,428 was transferred from Construction Work in Progress to Service Company Property.

Schedule III – Accumulated Provision for Depreciation and Amortization of Service Company Property

1. Provide an explanation of Other Charges in Column (f) considered material in a footnote.

Line No.	Account Number (a)	Description (b)	Balance at Beginning of Year (c)	Additions Charged To Account 403-403.1 404-405 (d)	Retirements (e)	Other Changes Additions (Deductions) (f)	Balance at Close of Year (g)
1	301	Organization					
2	303	Miscellaneous Intangible Plant	126,602	35,720	161		162,161
3	306	Leasehold Improvements					
4	389	Land and Land Rights					
5	390	Structures and Improvements	3,409,284	1,337,063			4,746,347
6	391	Office Furniture and Equipment	2,710,712	664,630	682,874		2,692,468
7	392	Transportation Equipment					
8	393	Stores equipment					
9	394	Tools, Shop and Garage Equipment					
10	395	Laboratory Equipment					
11	396	Power Operated Equipment					
12	397	Communications Equipment	48,794	14,205			62,999
13	398	Miscellaneous Equipment					
14	399	Other Tangible Property					
15	399.1	Asset Retirement Costs					
16		**Total**	6,295,392	2,051,618	683,035		7,663,975

Schedule IV – Investments

1. For other investments (Account 124) and other special funds (Account128), in a footnote state each investment separately, with description including the name of issuing company, number of shares held or principal investment amount.
2. For temporary cash investments (Account 136), list each investment separately in a footnote.
3. Investments less than $50,000 may be grouped, showing the number of items in each group.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	123	Investment In Associate Companies	41,200,000	3,300,000
2	124	Other Investments		
3	128	Other Special Funds	8,510,232	11,258,054
4	136	Temporary Cash Investments		
5		(Total of Lines 1-4)	49,710,232	14,558,054

Name of Respondent LG&E and KU Services Company	This Report is: (1) X An Original (2) __ A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2020

FOOTNOTE DATA

Schedule Page: 105 Line No.: 1 Column: c

See footnote data detail on Schedule Page: 101, Line No.: 11, Column: e.

Schedule Page: 105 Line No.: 1 Column: d

See footnote data detail on Schedule Page: 101, Line No.: 11, Column: d.

Schedule Page: 105 Line No.: 3 Column: c

This amount represents the excess of the fair value of plan assets over the GAAP benefit obligations for the portion of the LKE post-retirement plan allocated to LKS. For more information, please see Note 4 on Schedule XIV - Notes to Financial Statements.

Schedule Page: 105 Line No.: 3 Column: d

This amount represents the excess of the fair value of plan assets over the GAAP benefit obligations for the portion of the LKE post-retirement plan allocated to LKS. For more information, please see Note 4 on Schedule XIV - Notes to Financial Statements.

Schedule V – Accounts Receivable from Associate Companies

1. List the accounts receivable from each associate company.
2. If the service company has provided accommodation or convenience payments for associate companies, provide in a separate footnote a listing of total payments for each associate company.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	146	**Accounts Receivable From Associate Companies**		
2		**Associate Company:**		
3		PPL Electric Utilities Corporation	9,263	
4		PPL Strategic Development, LLC	4,756	731
5		PPL EU Services Corporation	85,276	71,845
6		LG&E and KU Capital LLC	136,516,507	176,889,225
7		FCD LLC	213	2,552
8		Kentucky Utilities Company	30,675,171	27,082,881
9		Louisville Gas and Electric Company	30,192,432	28,136,341
10		Western Kentucky Energy Corp.	516	1,184
11		LG&E and KU Energy LLC	1,169	
12		LG&E and KU Energy LLC - Note Receivable	270,140	45,572
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39		Analysis of convenience or accomodation payments - see footnote		
40	**Total**		**197,755,443**	**232,230,331**

Name of Respondent LG&E and KU Services Company	This Report is: (1) X An Original (2) __ A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2020

FOOTNOTE DATA

Schedule Page: 106 Line No.: 39 Column: b

Analysis of Convenience or Accomodation Payments:

Associate Company	**Amount**
PPL Capital Funding, Inc.	2,451
PPL Corporation	700,597
PPL Distributed Energy Resources, LLC	8,849
PPL EU Services Corporation	32,080
PPL Services Corporation	3,572,416
PPL Translink, Inc.	333
LG&E and KU Capital LLC	342,720
Louisville Gas and Electric Company	414,273,324
Kentucky Utilities Company	373,188,211
Western Kentucky Energy Corp.	6,063
FCD LLC	2,453
LG&E and KU Energy LLC	33,321
Total	**792,162,818**

Convenience Payments Resulted Primarily from the Following:	**Amount**
Capital Expenditures	67,956,321
Charitable/Community Contributions	16,837
Equipment/Facilities	19,441,322
Fringe Benefits/Overheads	64,412,631
Materials/Fuels	578,088,821
Office and Administrative Services	28,815,879
Outside Services	33,431,007
Total	**792,162,818**

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
LG&E and KU Services Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2020

Schedule VI – Fuel Stock Expenses Undistributed

1. List the amount of labor in Column (c) and expenses in Column (d) incurred with respect to fuel stock expenses during the year and indicate amount attributable to each associate company.
2. In a separate footnote, describe in a narrative the fuel functions performed by the service company.

Line No.	Account Number (a)	Title of Account (b)	Labor (c)	Expenses (d)	Total (e)
1	152	Fuel Stock Expenses Undistributed			
2		Associate Company:			
3				0	
4					
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39					
40	**Total**				

Name of Respondent LG&E and KU Services Company	This Report is: (1) X An Original (2) __ A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2020

FOOTNOTE DATA

Schedule Page: 107 Line No.: 3 Column: d

Fuel functions provided are primarily accounted for as convenience payments for fuel contract settlements or services provided by LKS as an administrative agent, paying agent or other representative capacity, for the respective affiliate(s). The following fuel related services are provided by LKS and charged to the respective FERC accounts of the affiliates:

- Procurement of fuel, scrubber reagent, ammonia, and SO3 mitigation chemicals
- Transportation service to move these commodities from the loading point to the power plant
- Monitoring of quality, inventory level, and forecasted requirements
- Making purchases as needed on a timely basis
- Preparing bid solicitation for coal, and other commodities, as necessary, and evaluating those bids
- Negotiating and writing the contracts and purchase orders
- Contract Administration

Schedule VII – Stores Expense Undistributed

1. List the amount of labor in Column (c) and expenses in Column (d) incurred with respect to stores expense during the year and indicate amount attributable to each associate company.

Line No.	Account Number (a)	Title of Account (b)	Labor (c)	Expenses (d)	Total (e)
1	163	Stores Expense Undistributed	[redacted]	[redacted]	[redacted]
2		Associate Company:	[redacted]	[redacted]	[redacted]
3					
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40	**Total**				

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
LG&E and KU Services Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2020

Schedule VIII - Miscellaneous Current and Accrued Assets

1. Provide detail of items in this account. Items less than $50,000 may be grouped, showing the number of items in each group.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	174	**Miscellaneous Current and Accrued Assets**		
2		**Item List:**		
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39				
40	**Total**			

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
LG&E and KU Services Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2020

Schedule IX - Miscellaneous Deferred Debits

1. Provide detail of items in this account. Items less than $50,000 may be grouped, showing the number of items in each group.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	186	**Miscellaneous Deferred Debits**		
2		**Items List:**		
3		Year-end true-up of pension plan settlement charges		1,016
4				
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39				
40	**Total**			**1,016**

This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2020

Schedule X - Research, Development, or Demonstration Expenditures

1. Describe each material research, development, or demonstration project that incurred costs by the service corporation during the year. Items less than $50,000 may be grouped, showing the number of items in each group.

Line No.	Account Number (a)	Title of Account (b)	Amount (c)
1	188	**Research, Development, or Demonstration Expenditures**	
2		**Project List:**	
3			
4			
5			
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40	**Total**		

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Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
LG&E and KU Services Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2020

Schedule XI - Proprietary Capital

1. For miscellaneous paid-in capital (Account 211) and appropriate retained earnings (Account 215), classify amounts in each account, with a brief explanation, disclosing the general nature of transactions which give rise to the reported amounts.
2. For the unappropriated retained earnings (Account 216), in a footnote, give particulars concerning net income or (loss) during the year, distinguishing between compensation for the use of capital owed or net loss remaining from servicing nonassociates per the General Instructions of the Uniform System of Accounts. For dividends paid during the year in cash or otherwise, provide rate percentages, amount of dividend, date declared and date paid.

Line No.	Account Number (a)	Title of Account (b)	Description (c)	Amount (d)
1	201	Common Stock Issued	Number of Shares Authorized	1,000
2			Par or Stated Value per Share	
3			Outstanding Number of Shares	100
4			Close of Period Amount	100
5		Preferred Stock Issued	Number of Shares Authorized	
6			Par or Stated Value per Share	
7			Outstanding Number of Shares	
8			Close of Period Amount	
9	211	Miscellaneous Paid-In Capital		100,000,900
10	215	Appropriated Retained Earnings		
11	219	Accumulated Other Comprehensive Income		(121,534,058)
12	216	Unappropriated Retained Earnings	Balance at Beginning of Year	(9,180,776)
13			Net Income or (Loss)	617,927
14			Dividend Paid	
15			Balance at Close of Year	(8,562,849)

Name of Respondent LG&E and KU Services Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2020

Schedule XII – Long Term Debt

1. For the advances from associate companies (Account 223), describe in a footnote the advances on notes and advances on open accounts. Names of associate companies from which advances were received shall be shown under the class and series of obligation in Column (c).
2. For the deductions in Column (h), please give an explanation in a footnote.
3. For other long-term debt (Account 224), list the name of the creditor company or organization in Column (b).

Line No.	Account Number (a)	Title of Account (b)	Term of Obligation Class & Series of Obligation (c)	Date of Maturity (d)	Interest Rate (e)	Amount Authorized (f)	Balance at Beginning of Year (g)	Additions Deductions (h)	Balance at Close of Year (i)
1	223	Advances from Associate Companies							
2		Associate Company:							
3									
4									
5									
6									
7									
8									
9									
10									
11									
12									
13		**TOTAL**							
14	224	Other Long-Term Debt							
15		List Creditor:							
16									
17									
18									
19									
20									
21									
22									
23									
24									
25									
26									
27									
28		**TOTAL**							

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
LG&E and KU Services Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2020

Schedule XIII – Current and Accrued Liabilities

1. Provide the balance of notes and accounts payable to each associate company (Accounts 233 and 234).
2. Give description and amount of miscellaneous current and accrued liabilities (Account 242). Items less than $50,000 may be grouped, showing the number of items in each group.

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	233	Notes Payable to Associates Companies		
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4				
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24	234	Accounts Payable to Associate Companies		
25		PPL Corporation	1,839,080	1,820,182
26		PPL Services Corporation	3,470,148	4,060,021
27		LG&E and KU Energy LLC		684,443
28				
29				
30				
31				
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41	242	Miscellaneous Current and Accrued Liabilities		
42		Miscellaneous Liability - Vested Vacation	11,752,610	12,882,924
43		Accrued Short Term Incentive	3,702,688	2,250,849
44		Pension Payable SERP Current	5,052,650	5,500,734
45		Retirement Income Liability	3,051,870	3,429,904
46		Incurred But Not Paid (IBNP) Medical and Dental Reserve	1,839,615	1,901,964
47				
48				
49				
50		(Total)	30,708,661	32,531,021

Name of Respondent	This Report is:	Resubmission Date (Mo, Da, Yr)	Year of Report
LG&E and KU Services Company	(1) X An Original (2) __ A Resubmission	/ /	2020

Schedule XIV- Notes to Financial Statements

1. Use the space below for important notes regarding the financial statements or any account thereof.
2. Furnish particulars as to any significant contingent assets or liabilities existing at the end of the year.
3. Furnish particulars as to any significant increase in services rendered or expenses incurred during the year.
4. Furnish particulars as to any amounts recorded in Account 434, Extraordinary Income, or Account 435, Extraordinary Deductions.
5. Notes relating to financial statements shown elsewhere in this report may be indicated here by reference.
6. Describe the annual statement supplied to each associate service company in support of the amount of interest on borrowed capital and compensation for use of capital billed during the calendar year. State the basis for billing of interest to each associate company. If a ratio, describe in detail how ratio is computed. If more than one ratio explain the calculation. Report the amount of interest borrowed and/or compensation for use of capital billed to each associate company.

Note 1 – Organization of LG&E and KU Services Company

LG&E and KU Services Company ("LKS" or the "Company"), a Kentucky corporation, is a wholly-owned subsidiary of LG&E and KU Energy LLC ("LKE") and a centralized service company under the Public Utility Holding Company Act of 2005 ("PUHCA 2005"). LKE, in turn, is a wholly-owned subsidiary of PPL Corporation ("PPL") and LKS became an indirect, wholly-owned subsidiary of PPL when PPL acquired all the limited liability company interests of LKE from E.ON US Investments Corp. on November 1, 2010. On December 1, 2010, PPL and certain subsidiaries, including LKE, filed a notification of holding company status with the Federal Energy Regulatory Commission ("FERC") under PUHCA 2005.

LKS provides certain services to affiliated entities, including LKE, LG&E and KU Capital LLC ("LKC"), Louisville Gas and Electric Company ("LG&E"), Kentucky Utilities Company ("KU"), Western Kentucky Energy Corp., FCD LLC, PPL Corporation, PPL Services Corporation, PPL Strategic Development, LLC, PPL EU Services Corporation, PPL Distributed Energy Resources, LLC, and PPL Electric Utilities Corporation, at cost. LKS is organized along functional lines to accomplish its purpose of providing management, administrative, and technical services.

Note 2 - Summary of Significant Accounting Policies

LKS follows the FERC Uniform System of Accounts for Centralized Service Companies Subject to the Provisions of PUHCA 2005. The accompanying financial statements were prepared in accordance with the accounting requirements set forth in the Uniform System of Accounts and published accounting releases of the FERC, which is a comprehensive basis of accounting other than GAAP.

General. Dollars within these footnotes are in millions, unless otherwise noted.

<u>Presentation</u>

The accompanying financial statements are prepared on the regulatory basis of accounting in accordance with the requirements of the FERC, which is a comprehensive basis of accounting other than GAAP. The significant differences between GAAP and FERC reporting are as follows:

Reporting Classifications	FERC reporting	GAAP reporting
Deferred taxes	Reported gross on the Balance Sheet (a deferred asset and a deferred liability are recorded).	Reported as a net asset or net liability.

Name of Respondent LG&E and KU Services Company	This Report is: (1) X An Original (2) __ A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2020

Schedule XIV- Notes to Financial Statements

Reporting Classifications	FERC reporting	GAAP reporting
Income taxes	Income taxes, deferred taxes and investment tax credits are reported on separate lines on the Income Statement.	Income taxes, deferred taxes and investment tax credits are netted on a single line on the Income Statement.
Pension and OPEB non-service costs eligible for capitalization	Reported in PP&E.	Reported as a regulatory asset or regulatory liability.
Amounts presented within the Balance Sheet, Income Statement and Statement of Retained Earnings.	Reported without purchase accounting adjustments.	Reported with purchase accounting adjustments.

Property. Property, plant and equipment includes property that is in use and under construction, and is reported at cost. PP&E was not recorded at fair value as of the PPL acquisition for FERC-reporting purposes.

Depreciation and Amortization. Depreciation is computed on a straight-line basis. Office furniture is depreciated over 30 years and personal computers are depreciated over 5 years. Leasehold improvements are depreciated over the life of the lease.

Income Taxes. Significant management judgment is required in developing the Company's provision for income taxes, primarily due to the uncertainty related to tax positions taken or expected to be taken in tax returns and valuation allowances on deferred tax assets.

The Company uses a two-step process to evaluate tax positions. The first step requires an entity to determine whether, based on the technical merits supporting a particular tax position, it is more likely than not (greater than a 50% chance) that the tax position will be sustained. This determination assumes that the relevant taxing authority will examine the tax position and is aware of all the relevant facts surrounding the tax position. The second step requires an entity to recognize in the financial statements the benefit of a tax position that meets the more-likely-than-not recognition criterion. The benefit recognized is measured at the largest amount of benefit that has a likelihood of realization, upon settlement, that exceeds 50%. Unrecognized tax benefits are classified as current to the extent management expects to settle an uncertain tax position by payment or receipt of cash within one year of the reporting date. The amounts ultimately paid upon resolution of issues raised by taxing authorities may differ materially from the amounts accrued and may materially impact the financial statements of the Company in future periods. At December 31, 2020, no significant changes in unrecognized tax benefits are projected over the next 12 months.

Accumulated Deferred Income Taxes. Deferred income taxes reflect the net future tax effects of temporary differences between the carrying amounts of assets and liabilities for accounting purposes and their basis for income tax purposes, as well as the tax effects of net operating losses and tax credit carryforwards.

The Company records valuation allowances to reduce deferred income tax assets to the amounts that are more likely than not to be realized. The need for valuation allowances requires significant management judgment. If the Company determines that they are able to realize deferred tax assets in the future in excess of recorded net deferred tax assets, adjustments to the valuation allowances increase income by reducing tax expense in the period that such determination is made. Likewise, if the Company determines that they are not able to realize all or part of net deferred tax assets in the future, adjustments to the valuation allowances would decrease income by increasing tax expense in the period that such determination is made. The amount of deferred tax assets ultimately realized may differ materially from the estimates utilized in the computation of valuation allowances and may materially impact the financial statements in the future.

See Note 5 for additional discussion regarding income taxes.

Use of Estimates. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 3 - Related Party Transactions

Provisions of Services

LKS engages in transactions in the normal course of business with other LKE subsidiaries and PPL subsidiaries. These transactions are primarily composed of services received and/or rendered including contracting with third party vendors for goods and services. These services are priced at cost which represents market.

LKS provides the subsidiaries of LKE and PPL with a variety of centralized administrative, management and support services. Charges for these services include labor, overheads and other expenses of LKS employees performing services for the subsidiaries of LKE and PPL and vouchers paid by LKS on behalf of the subsidiaries of LKE and PPL. The cost of these services is directly charged or, for general costs which cannot by directly attributed, charged based on predetermined allocation factors, including the ratios discussed in Methods of Allocations on pages 402.1 – 402.5.

Intercompany billings from LKS are listed on page 307, Analysis of Billing – Associate Companies (Account 457). These billings do not include convenience payments which are shown as a footnote to page 106, line 39, column b.

Intercompany billings are settled monthly; accordingly, there is no interest or other compensation charged for the use of capital.

Note 4 - Pension and Other Postretirement Benefit Plans

Although LKS does not directly sponsor any defined benefit plans, it is allocated a portion of the funded status and costs of plans sponsored by LKE based on its participation in those plans, which management believes are reasonable. The defined benefit pension plan of LKE and its subsidiaries was closed to new employees hired after December 31, 2005. Employees hired after December 31, 2005 receive additional company contributions above the standard matching contributions to their savings plans.

The majority of LKS employees are eligible for certain health care and life insurance benefits upon retirement through a contributory plan. Postretirement health benefits may be paid from a 401(h) account established as part of the LKE Pension plan within the PPL Services Corporation Master Trust, funded VEBA trusts, and company funds.

LKS allocates its pension and other postretirement costs to affiliates. LKS's allocated pension benefit costs charged to expense or regulatory assets, excluding amounts charged to construction and other non-expense accounts, for pension benefits were $20 million and $15 million in 2020 and 2019, and amounts charged to construction work in progress and other non-expense accounts were $5 million in 2020 and $4 million in 2019. Net periodic defined benefits costs charged to expense, excluding amounts charged to construction and other non-expense accounts, for other postretirement benefits were less than $1 million in 2020 and 2019.

The actuarially determined obligations of current active employees and retired employees of LKS are used as a basis to allocate total plan activity, including active and retiree costs and obligations. LKS's allocated share of the funded status of the pension plan resulted in a liability of $258 million and $276 million at December 31, 2020 and 2019. LKS's allocated share of other postretirement benefits resulted in a $11 million and $9 million noncurrent asset in 2020 and in 2019.

Plan Assets - Pension Plans

The pension plan sponsored by LKE is invested in the PPL Services Corporation Master Trust (the Master Trust) that also includes a 401(h) account that is restricted for certain other postretirement benefit obligations of LKE. The investment strategy for the Master Trust is to achieve a risk-adjusted return on a mix of assets that, in combination with the Company's funding policy, will ensure that sufficient assets are available to provide long-term growth and liquidity for benefit payments, while also managing the duration of the assets to complement the duration of the liabilities. The Master Trust benefits from a wide diversification of asset types, investment fund strategies and external investment fund managers, and therefore has no significant concentration of risk.

The investment policy of the Master Trust outlines investment objectives and defines the responsibilities of the Employee Benefit Plan Board (EBPB), external investment managers, investment advisor, trustee and custodian. The investment policy is reviewed annually by PPL's Board of Directors.

The EBPB created a risk management framework around the trust assets and pension liabilities. This framework considers the trust assets as being composed of three sub-portfolios: growth, immunizing and liquidity portfolios. The growth portfolio is comprised of investments that generate a return at a reasonable risk, including equity securities, certain debt securities and alternative investments. The immunizing portfolio consists of debt securities, generally with long durations, and derivative positions. The immunizing portfolio is designed to offset a portion of the change in the pension liabilities due to changes in interest rates. The liquidity portfolio consists primarily of cash and cash equivalents.

Target allocation ranges have been developed for each portfolio based on input from external consultants with a goal of limiting funded status volatility. The EBPB monitors the investments in each portfolio, and seeks to obtain a target portfolio that emphasizes reduction of risk of loss from market volatility. In pursuing that goal, the EBPB establishes revised guidelines from time to time. EBPB investment guidelines, as of the end of 2020, are presented on the following page.

Name of Respondent LG&E and KU Services Company	This Report is: (1) X An Original (2) __ A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2020

Schedule XIV- Notes to Financial Statements

The asset allocation for the trust and the target allocation by portfolio, at December 31, are as follows:

	Percentage of Trust Assets 2020	Target Asset Allocation (a) 2020
Growth Portfolio	**56%**	**55%**
Equity securities	34%	
Debt securities (b)	13%	
Alternative investments	9%	
Immunizing Portfolio	**43%**	**43%**
Debt securities (b)	33%	
Derivatives	10%	
Liquidity Portfolio	**1%**	**2%**
Total	100%	100%

	Percentage of Trust Assets 2019 (a)
Growth Portfolio	**57%**
Equity securities	34%
Debt securities (b)	14%
Alternative investments	9%
Immunizing Portfolio	**42%**
Debt securities (b)	35%
Derivatives	7%
Liquidity Portfolio	**1%**
Total	100%

(a) Allocations exclude consideration of a group annuity contract held by the LG&E and KU Retirement Plan.
(b) Includes commingled debt funds, which the Company treats as debt securities for asset allocation purposes.

Name of Respondent LG&E and KU Services Company	This Report is: (1) X An Original (2) __ A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2020

Schedule XIV- Notes to Financial Statements

LKE has pension plans whose assets are invested solely in the Master Trust, which is fully disclosed below. The fair value of the plans' assets of $1.7 billion and $1.5 billion at December 31, 2020 and 2019 represents an interest of approximately 41% in the Master Trust.

The fair value of net assets in the Master Trust by asset class and level within the fair value hierarchy was:

DECEMBER 31, 2020

		Fair Value Measurements Using		
	Total	**Level 1**	**Level 2**	**Level 3**
Cash and Cash Equivalents	$ 300	$ 300	$ -	$ -
Equity securities:				
U.S. Equity	60	60	-	-
U.S. Equity fund measured at NAV (a)	742	-	-	-
International equity fund at NAV (a)	566	-	-	-
Commingled debt measured at NAV (a)	712	-	-	-
Debt securities:				
U.S. Treasury and U.S. government sponsored agency	336	335	1	-
Corporate	1,045	-	1,030	15
Other	13	-	13	-
Alternative investments:				
Real estate measured at NAV (a)	76	-	-	-
Private equity measured at NAV (a)	68	-	-	-
Hedge funds measured at NAV (a)	223	-	-	-
Limited Partnerships measured at NAV (a)	6	-	-	-
Derivatives	(37)	-	(37)	-
Insurance Contracts	-	-	-	-
PPL Services Corporation Master Trust assets, at fair value	$ 4,110	$ 695	$ 1,007	$ 15
Receivables and payables, net (b)	116			
401(h) account restricted for other postretirement benefit obligations	(158)			
Total PPL Services Corporation Master Trust pension assets	$ 4,068			

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

(b) Receivables and payables, net represent amounts for investments sold/purchased but not yet settled along with interest and dividends earned but not yet received.

Name of Respondent LG&E and KU Services Company	This Report is: (1) X An Original (2) __ A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2020

Schedule XIV- Notes to Financial Statements

DECEMBER 31, 2019

		Fair Value Measurements Using		
	Total	**Level 1**	**Level 2**	**Level 3**
Cash and Cash Equivalents	$ 182	$ 182	$ -	$ -
Equity securities:				
U.S. Equity	194	194	-	-
U.S. Equity fund measured at NAV (a)	451	-	-	-
International equity fund at NAV (a)	554	-	-	-
Commingled debt measured at NAV (a)	621	-	-	-
Debt securities:				
U.S. Treasury and U.S. government sponsored agency	310	309	1	-
Corporate	951	-	931	20
Other	14	-	14	-
Alternative investments:				
Real estate measured at NAV (a)	88	-	-	-
Private equity measured at NAV (a)	62	-	-	-
Hedge funds measured at NAV (a)	194	-	-	-
Limited Partnerships measured at NAV (a)	-	-	-	-
Derivatives	3	-	3	-
Insurance Contracts	4	-	-	4
PPL Services Corporation Master Trust assets, at fair value	$ 3,628	$ 685	$ 949	$ 24
Receivables and payables, net (b)	99			
401(h) account restricted for other postretirement benefit obligations	(142)			
Total PPL Services Corporation Master Trust pension assets	$ 3,585			

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

(b) Receivables and payables, net represent amounts for investments sold/purchased but not yet settled along with interest and dividends earned but not yet received.

Name of Respondent LG&E and KU Services Company	This Report is: (1) X An Original (2) __ A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2020

Schedule XIV- Notes to Financial Statements

A reconciliation of the Master Trust assets classified as Level 3 at December 31, 2020 is as follows:

	Corporate Debt	Insurance Contracts	Total
Balance at beginning of period	$ 20	$ 4	$ 24
Purchases, sales and settlements	(5)	(4)	(9)
Balance at end of period	$ 15	$ -	$ 15

A reconciliation of the Master Trust assets classified as Level 3 at December 31, 2019 is as follows:

	Corporate Debt	Insurance Contracts	Total
Balance at beginning of period	$ 25	$ 21	$ 46
Actual return on plan assets			
Relating to assets still held at the reporting date	(1)	4	3
Relating to assets sold during period	3	-	3
Purchases, sales and settlements	(7)	(21)	(28)
Balance at end of period	$ 20	$ 4	$ 24

The fair value measurements of cash and cash equivalents are based on the amounts on deposit.

The market approach is used to measure fair value of equity securities. The fair value measurements of equity securities (excluding commingled funds), which are generally classified as Level 1, are based on quoted prices in active markets. These securities represent actively and passively managed investments that are managed against various equity indices.

Investments in commingled equity and debt funds are categorized as equity securities. Investments in commingled equity funds include funds that invest in U.S. and international equity securities. Investments in commingled debt funds include funds that invest in a diversified portfolio of emerging market debt obligations, as well as funds that invest in investment grade long-duration fixed-income securities.

The fair value measurements of debt securities are generally based on evaluations that reflect observable market information, such as actual trade information for identical securities or for similar securities, adjusted for observable differences. The fair value of debt securities is generally measured using a market approach, including the use of pricing models, which incorporate observable inputs. Common inputs include benchmark yields, relevant trade data, broker/dealer bid/ask prices, benchmark securities and credit valuation adjustments. When necessary, the fair value of debt securities is measured using the income approach, which incorporates similar observable inputs as well as payment data, future predicted cash flows, collateral performance and new issue data. For the Master Trust, these securities represent investments in securities issued by U.S. Treasury and U.S. government sponsored agencies;

investments securitized by residential mortgages, auto loans, credit cards and other pooled loans; investments in investment grade and non-investment grade bonds issued by U.S. companies across several industries; investments in debt securities issued by foreign governments and corporations.

Investments in real estate represent an investment in a partnership whose purpose is to manage investments in core U.S. real estate properties diversified geographically and across major property types (e.g., office, industrial, retail, etc.). The strategy is focused on properties with high occupancy rates with quality tenants. This results in a focus on high income and stable cash flows with appreciation being a secondary factor. Core real estate generally has a lower degree of leverage when compared with more speculative real estate investing strategies. The partnership has limitations on the amounts that may be redeemed based on available cash to fund redemptions. Additionally, the general partner may decline to accept redemptions when necessary to avoid adverse consequences for the partnership, including legal and tax implications, among others. The fair value of the investment is based upon a partnership unit value.

Investments in private equity represent interests in partnerships in multiple early-stage venture capital funds and private equity fund of funds that use a number of diverse investment strategies. The partnerships have limited lives of at least 10 years, after which liquidating distributions will be received. Prior to the end of each partnership's life, the investment cannot be redeemed with the partnership; however, the interest may be sold to other parties, subject to the general partner's approval. The Master Trust has unfunded commitments of $45 million that may be required during the lives of the partnerships. Fair value is based on an ownership interest in partners' capital to which a proportionate share of net assets is attributed.

Investments in limited partnerships include Term Asset-Backed Securities Loan Facility (TALF) funds. The Master Trust received notice that the TALF funds are liquidating in an orderly manner and distributing capital back to the partners. Therefore, the Master Trust has no unfunded commitment related to the TALF funds. Fair value of the funds is based on an ownership interest in partners' capital to which a proportionate share of net assets is attributed.

Investments in hedge funds represent investments in a fund of hedge funds. Hedge funds seek a return utilizing a number of diverse investment strategies. The strategies, when combined, aim to reduce volatility and risk while attempting to deliver positive returns under most market conditions. Major investment strategies for the fund of hedge funds include long/short equity, tactical trading, event driven, and relative value. Shares may be redeemed with 45 days prior written notice. The fund is subject to short term lockups and other restrictions. The fair value for the fund has been estimated using the net asset value per share.

The fair value measurements of derivative instruments utilize various inputs that include quoted prices for similar contracts or market-corroborated inputs. In certain instances, these instruments may be valued using models, including standard option valuation models and standard industry models. These securities primarily represent investments in treasury futures, total return swaps, interest rate swaps and swaptions (the option to enter into an interest rate swap), which are valued based on quoted prices, changes in the value of the underlying exposure or on the swap details, such as swap curves, notional amount, index and term of index, reset frequency, volatility and payer/receiver credit ratings.

In 2019, obligations underlying an investment in an immediate participation guaranteed group annuity contract, classified as Level 3, were assumed by the insurance company, with a residual amount remaining in the general account of the insurer that was paid into the master trust or distributed to participants in 2020.

Plan Assets – Other Postretirement Benefit Plans

LKE's other postretirement benefit plan is invested primarily in a 401(h) account, as disclosed in the PPL Services Corporation Master Trust, with insignificant amounts invested in money market funds within VEBA trusts for liquidity.

Expected Cash Flows - Defined Benefit Plans

While the LKS defined benefit pension plan has the option to utilize available prior year credit balances to meet current and future contribution requirements, LKS made contributions to the defined benefit plan of $17 million and $19 million in January 2020 and 2019. Additionally, LKS accelerated its planned January 2021 contribution of $17 million to December 2020. No contributions are expected in 2021.

LKS sponsors various non-qualified supplemental pension plans for which no assets are segregated from corporate assets. LKS contributions to offset Supplemental Executive Retirement Plan ("SERP") payments totaled $5 million in 2020 and 2019. LKS expects to make $6 million of benefit payments under these plans in 2021.

LKS is not required to make contributions to its other postretirement benefit plan but has historically funded this plan in amounts equal to the postretirement benefit costs recognized. LKS funded this plan $2 million and $3 million in 2020 and 2019. Continuation of this past practice would cause LKS to contribute a projected $4 million to its other postretirement benefit plan in 2021.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid by LKE Plans for LKS retirees.

		Pensions	Postretirement
2021	$	46	4
2022		46	4
2023		48	4
2024		49	4
2025		49	4
2026-2030		235	22

Savings Plans

Substantially all of LKS's employees are eligible to participate in a deferred savings plan (401(k)). Employer contributions to the plan totaled $8 million and $10 million in 2020 and 2019.

Note 5 - Income Taxes

LKS's federal income tax return is included in a United States consolidated income tax return filed by LKS's parent, PPL. Each subsidiary of the consolidated tax group calculates its separate income tax for each period. The resulting separate-return tax cost or benefit is paid to or received from the parent company or its designee. The Company also files income tax returns in various state jurisdictions. The tax years for 2016 and prior for Federal and 2014 and prior for State are no longer subject to examination.

Name of Respondent LG&E and KU Services Company	This Report is: (1) X An Original (2) __ A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2020

Schedule XIV- Notes to Financial Statements

Components of income tax expense are shown in the table below for the year ended December 31:

	2020	2019
Income Tax Expense (Benefit)		
Current – Federal	$ 1	$ (1)
Current – State	1	-
Deferred – Federal	(1)	2
Deferred – State	(1)	-
Total income tax expense (benefit)	$ -	$ 1

	2020	2019
Reconciliation of Income Tax Expense (Benefit)		
Increases (decreases) due to:		
Other	-	1
Total income tax expense (benefit)	$ -	$ 1

Deferred tax assets and liabilities are summarized below as of December 31:

	2020	2019
Deferred tax assets:		
Pensions and similar obligations	$ 60	$ 60
Liabilities and other	14	15
Total Deferred tax assets	$ 74	$ 75

Name of Respondent LG&E and KU Services Company	This Report is: (1) X An Original (2) __ A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2020

Schedule XIV- Notes to Financial Statements

Note 6 - Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income consisted of the following:

	Funded Status of Pension and Postretirement Plans		
	Pretax	Tax	Net
(in millions)			
Balance at December 31, 2018	($175)	45	($130)
Change in funded status of pension and postretirement plans	(1)		(1)
Balance at December 31, 2019	($176)	45	($131)
Change in funded status of pension and postretirement plans	12	(3)	9
Balance at December 31, 2020	($164)	42	($122)

Schedule XV- Comparative Income Statement

Line No.	Account Number (a)	Title of Account (b)	Current Year (c)	Prior Year (d)
1		**SERVICE COMPANY OPERATING REVENUES**		
2	400	Service Company Operating Revenues	354,897,536	344,351,613
3		**SERVICE COMPANY OPERATING EXPENSES**		
4	401	Operation Expenses	218,454,349	218,795,483
5	402	Maintenance Expenses	9,095,205	6,024,149
6	403	Depreciation Expenses	2,051,618	1,918,826
7	403.1	Depreciation Expense for Asset Retirement Costs		
8	404	Amortization of Limited-Term Property		
9	405	Amortization of Other Property		
10	407.3	Regulatory Debits		
11	407.4	Regulatory Credits		
12	408.1	Taxes Other Than Income Taxes, Operating Income	12,024,371	11,995,246
13	409.1	Income Taxes, Operating Income	2,034,871	(108,581)
14	410.1	Provision for Deferred Income Taxes, Operating Income	5,105,650	5,612,563
15	411.1	Provision for Deferred Income Taxes – Credit , Operating Income	(6,931,272)	(3,970,321)
16	411.4	Investment Tax Credit, Service Company Property		
17	411.6	Gains from Disposition of Service Company Plant		
18	411.7	Losses from Disposition of Service Company Plant		
19	411.10	Accretion Expense		
20	412	Costs and Expenses of Construction or Other Services	111,153,213	102,977,230
21	416	Costs and Expenses of Merchandising, Jobbing, and Contract Work	23,359	8,449
22		TOTAL SERVICE COMPANY OPERATING EXPENSES (Total of Lines 4-21)	353,011,364	343,253,044
23		NET SERVICE COMPANY OPERATING INCOME (Total of Lines 2 less 22)	1,886,172	1,098,569
24		**OTHER INCOME**		
25	418.1	Equity in Earnings of Subsidiary Companies		
26	419	Interest and Dividend Income	397,789	1,383,472
27	419.1	Allowance for Other Funds Used During Construction		
28	421	Miscellaneous Income or Loss		
29	421.1	Gain on Disposition of Property		
30		**TOTAL OTHER INCOME (Total of Lines 25-29)**	397,789	1,383,472
31		**OTHER INCOME DEDUCTIONS**		
32	421.2	Loss on Disposition of Property		
33	425	Miscellaneous Amortization		
34	426.1	Donations		
35	426.2	Life Insurance		
36	426.3	Penalties		
37	426.4	Expenditures for Certain Civic, Political and Related Activities	1,207,802	1,128,561
38	426.5	Other Deductions	887,620	1,503,669
39		**TOTAL OTHER INCOME DEDUCTIONS (Total of Lines 32-38)**	2,095,422	2,632,230
40		**TAXES APPLICABLE TO OTHER INCOME AND DEDUCTIONS**		

Schedule XV- Comparative Income Statement (continued)

Line No.	Account Number (a)	Title of Account (b)	Current Year (c)	Prior Year (d)
41	408.2	Taxes Other Than Income Taxes, Other Income and Deductions		
42	409.2	Income Taxes, Other Income and Deductions	(429,388)	(313,673)
43	410.2	Provision for Deferred Income Taxes, Other Income and Deductions		
44	411.2	Provision for Deferred Income Taxes – Credit, Other Income and Deductions		
45	411.5	Investment Tax Credit, Other Income Deductions		
46		**TOTAL TAXES APPLICABLE TO OTHER INCOME AND DEDUCTIONS (Total of Lines 41-45)**	(429,388)	(313,673)
47		**INTEREST CHARGES**		
48	427	Interest on Long-Term Debt		
49	428	Amortization of Debt Discount and Expense		
50	429	(less) Amortization of Premium on Debt- Credit		
51	430	Interest on Debt to Associate Companies		
52	431	Other Interest Expense		
53	432	(less) Allowance for Borrowed Funds Used During Construction-Credit		
54		**TOTAL INTEREST CHARGES (Total of Lines 48-53)**		
55		**NET INCOME BEFORE EXTRAORDINARY ITEMS (Total of Lines 23, 30, minus 39, 46, and 54)**	617,927	163,484
56		**EXTRAORDINARY ITEMS**		
57	434	Extraordinary Income		
58	435	(less) Extraordinary Deductions		
59		**Net Extraordinary Items (Line 57 less Line 58)**		
60	409.4	(less) Income Taxes, Extraordinary		
61		**Extraordinary Items After Taxes (Line 59 less Line 60)**		
62		**NET INCOME OR LOSS/COST OF SERVICE (Total of Lines 55-61)**	617,927	163,484

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
LG&E and KU Services Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2020

Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies

1. Total cost of service will equal for associate and nonassociate companies the total amount billed under their separate analysis of billing schedules.

Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
1	403-403.1	Depreciation Expense		2,051,618	2,051,618			
2	404-405	Amortization Expense						
3	407.3-407.4	Regulatory Debits/Credits – Net						
4	408.1-408.2	Taxes Other Than Income Taxes	563,812	11,460,559	12,024,371			
5	409.1-409.3	Income Taxes						
6	410.1-411.2	Provision for Deferred Taxes						
7	411.1-411.2	Provision for Deferred Taxes – Credit						
8	411.6	Gain from Disposition of Service Company Plant						
9	411.7	Losses from Disposition of Service Company Plant						
10	411.4-411.5	Investment Tax Credit Adjustment						
11	411.10	Accretion Expense						
12	412	Costs and Expenses of Construction or Other Services	62,742,923	48,410,290	111,153,213			
13	416	Costs and Expenses of Merchandising, Jobbing, and Contract Work for Associated Companies	23,359		23,359			
14	418	Non-operating Rental Income						
15	418.1	Equity in Earnings of Subsidiary Companies						
16	419	Interest and Dividend Income						
17	419.1	Allowance for Other Funds Used During Construction						
18	421	Miscellaneous Income or Loss						
19	421.1	Gain on Disposition of Property						
20	421.2	Loss on Disposition Of Property						
21	425	Miscellaneous Amortization						
22	426.1	Donations						
23	426.2	Life Insurance						
24	426.3	Penalties						
25	426.4	Expenditures for Certain Civic, Political and Related Activities	12,100	1,195,702	1,207,802			
26	426.5	Other Deductions	260,340	627,280	887,620			
27	427	Interest On Long-Term Debt						
28	428	Amortization of Debt Discount and Expense						
29	429	Amortization of Premium on Debt – Credit						
30	430	Interest on Debt to Associate Companies						
31	431	Other Interest Expense						
32	432	Allowance for Borrowed Funds Used During Construction						
33	500-509	Total Steam Power Generation Operation Expenses	2,779,802	11,430,597	14,210,399			
34	510-515	Total Steam Power Generation Maintenance Expenses	1,053,986	3,620,783	4,674,769			

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
LG&E and KU Services Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2020

Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies (continued)

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (j)	Total Charges for Services Total Cost (k)
1	403-403.1	Depreciation Expense		2,051,618	2,051,618
2	404-405	Amortization Expense			
3	407.3-407.4	Regulatory Debits/Credits – Net			
4	408.1-408.2	Taxes Other Than Income Taxes	563,812	11,460,559	12,024,371
5	409.1-409.3	Income Taxes			
6	410.1-411.2	Provision for Deferred Taxes			
7	411.1-411.2	Provision for Deferred Taxes – Credit			
8	411.6	Gain from Disposition of Service Company Plant			
9	411.7	Losses from Disposition of Service Company Plant			
10	411.4-411.5	Investment Tax Credit Adjustment			
11	411.10	Accretion Expense			
12	412	Costs and Expenses of Construction or Other Services	62,742,923	48,410,290	111,153,213
13	416	Costs and Expenses of Merchandising, Jobbing, and Contract Work for Associated Companies	23,359		23,359
14	418	Non-operating Rental Income			
15	418.1	Equity in Earnings of Subsidiary Companies			
16	419	Interest and Dividend Income			
17	419.1	Allowance for Other Funds Used During Construction			
18	421	Miscellaneous Income or Loss			
19	421.1	Gain on Disposition of Property			
20	421.2	Loss on Disposition Of Property			
21	425	Miscellaneous Amortization			
22	426.1	Donations			
23	426.2	Life Insurance			
24	426.3	Penalties			
25	426.4	Expenditures for Certain Civic, Political and Related Activities	12,100	1,195,702	1,207,802
26	426.5	Other Deductions	260,340	627,280	887,620
27	427	Interest On Long-Term Debt			
28	428	Amortization of Debt Discount and Expense			
29	429	Amortization of Premium on Debt – Credit			
30	430	Interest on Debt to Associate Companies			
31	431	Other Interest Expense			
32	432	Allowance for Borrowed Funds Used During Construction			
33	500-509	Total Steam Power Generation Operation Expenses	2,779,802	11,430,597	14,210,399
34	510-515	Total Steam Power Generation Maintenance Expenses	1,053,986	3,620,783	4,674,769

Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
35	517-525	Total Nuclear Power Generation Operation Expenses						
36	528-532	Total Nuclear Power Generation Maintenance Expenses						
37	535-540.1	Total Hydraulic Power Generation Operation Expenses	1,248		1,248			
38	541-545.1	Total Hydraulic Power Generation Maintenance Expenses	445		445			
39	546-550.1	Total Other Power Generation Operation Expenses	244,760	42	244,802			
40	551-554.1	Total Other Power Generation Maintenance Expenses	127,355		127,355			
41	555-557	Total Other Power Supply Operation Expenses	3,798	4,316,615	4,320,413			
42	560	Operation Supervision and Engineering	27,000	2,658,978	2,685,978			
43	561.1	Load Dispatch-Reliability		1,187,814	1,187,814			
44	561.2	Load Dispatch-Monitor and Operate Transmission System		3,968,847	3,968,847			
45	561.3	Load Dispatch-Transmission Service and Scheduling		893,076	893,076			
46	561.4	Scheduling, System Control and Dispatch Services						
47	561.5	Reliability Planning and Standards Development		295,255	295,255	8,227		8,227
48	561.6	Transmission Service Studies	5,632		5,632			
49	561.7	Generation Interconnection Studies	44,084		44,084			
50	561.8	Reliability Planning and Standards Development Services						
51	562	Station Expenses (Major Only)	116,254		116,254			
52	563	Overhead Line Expenses (Major Only)	62,451		62,451			
53	564	Underground Line Expenses (Major Only)						
54	565	Transmission of Electricity by Others (Major Only)						
55	566	Miscellaneous Transmission Expenses (Major Only)	89,661	1,098,357	1,188,018	1,781		1,781
56	567	Rents						
57	567.1	Operation Supplies and Expenses (Nonmajor Only)						
58		Total Transmission Operation Expenses	345,082	10,102,327	10,447,409	10,008		10,008
59	568	Maintenance Supervision and Engineering (Major Only)						
60	569	Maintenance of Structures (Major Only)						
61	569.1	Maintenance of Computer Hardware						
62	569.2	Maintenance of Computer Software						
63	569.3	Maintenance of Communication Equipment						
64	569.4	Maintenance of Miscellaneous Regional Transmission Plant						
65	570	Maintenance of Station Equipment (Major Only)	387,767	780,186	1,167,953			
66	571	Maintenance of Overhead Lines (Major Only)	418,067		418,067			
67	572	Maintenance of Underground Lines (Major Only)						
68	573	Maintenance of Miscellaneous Transmission Plant (Major Only)	88,329	33,083	121,412			

Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies (continued)

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (j)	Total Charges for Services Total Cost (k)
35	517-525	Total Nuclear Power Generation Operation Expenses			
36	528-532	Total Nuclear Power Generation Maintenance Expenses			
37	535-540.1	Total Hydraulic Power Generation Operation Expenses	1,248		1,248
38	541-545.1	Total Hydraulic Power Generation Maintenance Expenses	445		445
39	546-550.1	Total Other Power Generation Operation Expenses	244,760	42	244,802
40	551-554.1	Total Other Power Generation Maintenance Expenses	127,355		127,355
41	555-557	Total Other Power Supply Operation Expenses	3,798	4,316,615	4,320,413
42	560	Operation Supervision and Engineering	27,000	2,658,978	2,685,978
43	561.1	Load Dispatch-Reliability		1,187,814	1,187,814
44	561.2	Load Dispatch-Monitor and Operate Transmission System		3,968,847	3,968,847
45	561.3	Load Dispatch-Transmission Service and Scheduling		893,076	893,076
46	561.4	Scheduling, System Control and Dispatch Services			
47	561.5	Reliability Planning and Standards Development	8,227	295,255	303,482
48	561.6	Transmission Service Studies	5,632		5,632
49	561.7	Generation Interconnection Studies	44,084		44,084
50	561.8	Reliability Planning and Standards Development Services			
51	562	Station Expenses (Major Only)	116,254		116,254
52	563	Overhead Line Expenses (Major Only)	62,451		62,451
53	564	Underground Line Expenses (Major Only)			
54	565	Transmission of Electricity by Others (Major Only)			
55	566	Miscellaneous Transmission Expenses (Major Only)	91,442	1,098,357	1,189,799
56	567	Rents			
57	567.1	Operation Supplies and Expenses (Nonmajor Only)			
58		Total Transmission Operation Expenses	355,090	10,102,327	10,457,417
59	568	Maintenance Supervision and Engineering (Major Only)			
60	569	Maintenance of Structures (Major Only)			
61	569.1	Maintenance of Computer Hardware			
62	569.2	Maintenance of Computer Software			
63	569.3	Maintenance of Communication Equipment			
64	569.4	Maintenance of Miscellaneous Regional Transmission Plant			
65	570	Maintenance of Station Equipment (Major Only)	387,767	780,186	1,167,953
66	571	Maintenance of Overhead Lines (Major Only)	418,067		418,067
67	572	Maintenance of Underground Lines (Major Only)			
68	573	Maintenance of Miscellaneous Transmission Plant (Major Only)	88,329	33,083	121,412

Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
69	574	Maintenance of Transmission Plant (Nonmajor Only)						
70		Total Transmission Maintenance Expenses	894,163	813,269	1,707,432			
71	575.1-575.8	Total Regional Market Operation Expenses						
72	576.1-576.5	Total Regional Market Maintenance Expenses						
73	580-589	Total Distribution Operation Expenses	1,729,164	10,711,685	12,440,849	64,779		64,779
74	590-598	Total Distribution Maintenance Expenses	190,263	498,607	688,870			
75		Total Electric Operation and Maintenance Expenses	70,972,600	105,239,374	176,211,974	74,787		74,787
76	700-798	Production Expenses (Provide selected accounts in a footnote)						
77	800-813	Total Other Gas Supply Operation Expenses						
78	814-826	Total Underground Storage Operation Expenses	116,117		116,117			
79	830-837	Total Underground Storage Maintenance Expenses	12,599		12,599			
80	840-842.3	Total Other Storage Operation Expenses						
81	843.1-843.9	Total Other Storage Maintenance Expenses						
82	844.1-846.2	Total Liquefied Natural Gas Terminaling and Processing Operation Expenses						
83	847.1-847.8	Total Liquefied Natural Gas Terminaling and Processing Maintenance Expenses						
84	850	Operation Supervision and Engineering	1,635,558		1,635,558			
85	851	System Control and Load Dispatching.	1,468		1,468			
86	852	Communication System Expenses						
87	853	Compressor Station Labor and Expenses						
88	854	Gas for Compressor Station Fuel						
89	855	Other Fuel and Power for Compressor Stations						
90	856	Mains Expenses						
91	857	Measuring and Regulating Station Expenses						
92	858	Transmission and Compression of Gas By Others						
93	859	Other Expenses	51,430		51,430			
94	860	Rents						
95		Total Gas Transmission Operation Expenses	1,688,456		1,688,456			
96	861	Maintenance Supervision and Engineering						
97	862	Maintenance of Structures and Improvements						
98	863	Maintenance of Mains	2,780		2,780			
99	864	Maintenance of Compressor Station Equipment						
100	865	Maintenance of Measuring And Regulating Station Equipment						
101	866	Maintenance of Communication Equipment						
102	867	Maintenance of Other Equipment						
103		Total Gas Transmission Maintenance Expenses	2,780		2,780			
104	870-881	Total Distribution Operation Expenses	440,909	717,182	1,158,091			

Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies (continued)

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (j)	Total Charges for Services Total Cost (k)
69	574	Maintenance of Transmission Plant (Nonmajor Only)			
70		Total Transmission Maintenance Expenses	894,163	813,269	1,707,432
71	575.1-575.8	Total Regional Market Operation Expenses			
72	576.1-576.5	Total Regional Market Maintenance Expenses			
73	580-589	Total Distribution Operation Expenses	1,793,943	10,711,685	12,505,628
74	590-598	Total Distribution Maintenance Expenses	190,263	498,607	688,870
75		Total Electric Operation and Maintenance Expenses	71,047,387	105,239,374	176,286,761
76	700-798	Production Expenses (Provide selected accounts in a footnote)			
77	800-813	Total Other Gas Supply Operation Expenses			
78	814-826	Total Underground Storage Operation Expenses	116,117		116,117
79	830-837	Total Underground Storage Maintenance Expenses	12,599		12,599
80	840-842.3	Total Other Storage Operation Expenses			
81	843.1-843.9	Total Other Storage Maintenance Expenses			
82	844.1-846.2	Total Liquefied Natural Gas Terminaling and Processing Operation Expenses			
83	847.1-847.8	Total Liquefied Natural Gas Terminaling and Processing Maintenance Expenses			
84	850	Operation Supervision and Engineering	1,635,558		1,635,558
85	851	System Control and Load Dispatching.	1,468		1,468
86	852	Communication System Expenses			
87	853	Compressor Station Labor and Expenses			
88	854	Gas for Compressor Station Fuel			
89	855	Other Fuel and Power for Compressor Stations			
90	856	Mains Expenses			
91	857	Measuring and Regulating Station Expenses			
92	858	Transmission and Compression of Gas By Others			
93	859	Other Expenses	51,430		51,430
94	860	Rents			
95		Total Gas Transmission Operation Expenses	1,688,456		1,688,456
96	861	Maintenance Supervision and Engineering			
97	862	Maintenance of Structures and Improvements			
98	863	Maintenance of Mains	2,780		2,780
99	864	Maintenance of Compressor Station Equipment			
100	865	Maintenance of Measuring And Regulating Station Equipment			
101	866	Maintenance of Communication Equipment			
102	867	Maintenance of Other Equipment			
103		Total Gas Transmission Maintenance Expenses	2,780		2,780
104	870-881	Total Distribution Operation Expenses	440,909	717,182	1,158,091

Line No.	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
105	885-894	Total Distribution Maintenance Expenses	32,347	140,398	172,745			
106		Total Natural Gas Operation and Maintenance Expenses	2,293,208	857,580	3,150,788			
107	901	Supervision	134,877	5,682,610	5,817,487			
108	902	Meter reading expenses	35,126	579,557	614,683			
109	903	Customer records and collection expenses	965,775	16,560,812	17,526,587			
110	904	Uncollectible accounts						
111	905	Miscellaneous customer accounts expenses						
112	906	Total Customer Accounts Operation Expenses	1,135,778	22,822,979	23,958,757			
113	907	Supervision		857,123	857,123			
114	908	Customer assistance expenses	1,612,206	845,498	2,457,704			
115	909	Informational And Instructional Advertising Expenses						
116	910	Miscellaneous Customer Service And Informational Expenses	288,678	889,549	1,178,227			
117		Total Service and Informational Operation Accounts	1,900,884	2,592,170	4,493,054			
118	911	Supervision						
119	912	Demonstrating and Selling Expenses						
120	913	Advertising Expenses						
121	916	Miscellaneous Sales Expenses						
122		Total Sales Operation Expenses						
123	920	Administrative and General Salaries	5,094,525	63,603,062	68,697,587			
124	921	Office Supplies and Expenses	(798,945)	12,640,472	11,841,527			
125	923	Outside Services Employed	7,489,690	6,976,732	14,466,422			
126	924	Property Insurance						
127	925	Injuries and Damages	106	18,021	18,127			
128	926	Employee Pensions and Benefits	9,562,543	39,506,143	49,068,686			
129	928	Regulatory Commission Expenses	161,531		161,531			
130	930.1	General Advertising Expenses						
131	930.2	Miscellaneous General Expenses		466,279	466,279			
132	931	Rents	9,620	570,185	579,805			
133		Total Administrative and General Operation Expenses	21,519,070	123,780,894	145,299,964			
134	935	Maintenance of Structures and Equipment	171,094	1,537,118	1,708,212			
135		Total Administrative and General Maintenance Expenses	24,726,826	150,733,161	175,459,987			
136		Total Cost of Service	97,992,634	256,830,115	354,822,749	74,787		74,787

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
LG&E and KU Services Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2020

Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies (continued)

Line No.	Account Number (a)	Title of Account (b)	Total Charges for Services Direct Cost (i)	Total Charges for Services Indirect Cost (j)	Total Charges for Services Total Cost (k)
105	885-894	Total Distribution Maintenance Expenses	32,347	140,398	172,745
106		Total Natural Gas Operation and Maintenance Expenses	2,293,208	857,580	3,150,788
107	901	Supervision	134,877	5,682,610	5,817,487
108	902	Meter reading expenses	35,126	579,557	614,683
109	903	Customer records and collection expenses	965,775	16,560,812	17,526,587
110	904	Uncollectible accounts			
111	905	Miscellaneous customer accounts expenses			
112	906	Total Customer Accounts Operation Expenses	1,135,778	22,822,979	23,958,757
113	907	Supervision		857,123	857,123
114	908	Customer assistance expenses	1,612,206	845,498	2,457,704
115	909	Informational And Instructional Advertising Expenses			
116	910	Miscellaneous Customer Service And Informational Expenses	288,678	889,549	1,178,227
117		Total Service and Informational Operation Accounts	1,900,884	2,592,170	4,493,054
118	911	Supervision			
119	912	Demonstrating and Selling Expenses			
120	913	Advertising Expenses			
121	916	Miscellaneous Sales Expenses			
122		Total Sales Operation Expenses			
123	920	Administrative and General Salaries	5,094,525	63,603,062	68,697,587
124	921	Office Supplies and Expenses	(798,945)	12,640,472	11,841,527
125	923	Outside Services Employed	7,489,690	6,976,732	14,466,422
126	924	Property Insurance			
127	925	Injuries and Damages	106	18,021	18,127
128	926	Employee Pensions and Benefits	9,562,543	39,506,143	49,068,686
129	928	Regulatory Commission Expenses	161,531		161,531
130	930.1	General Advertising Expenses			
131	930.2	Miscellaneous General Expenses		466,279	466,279
132	931	Rents	9,620	570,185	579,805
133		Total Administrative and General Operation Expenses	21,519,070	123,780,894	145,299,964
134	935	Maintenance of Structures and Equipment	171,094	1,537,118	1,708,212
135		Total Administrative and General Maintenance Expenses	24,726,826	150,733,161	175,459,987
136		Total Cost of Service	98,067,421	256,830,115	354,897,536

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
LG&E and KU Services Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2020

Schedule XVII - Analysis of Billing – Associate Companies (Account 457)

1. For services rendered to associate companies (Account 457), list all of the associate companies.

Line No.	Name of Associate Company (a)	Account 457.1 Direct Costs Charged (b)	Account 457.2 Indirect Costs Charged (c)	Account 457.3 Compensation For Use of Capital (d)	Total Amount Billed (e)
1	Louisville Gas and Electric Company	44,169,693	122,770,329		166,940,022
2	Kentucky Utilities Company	42,499,368	134,032,356		176,531,724
3	Western Kentucky Energy Corp.	701			701
4	FCD LLC	5,439			5,439
5	LG&E and KU Energy LLC	4,488			4,488
6	LG&E and KU Capital LLC	10,704,954	499,737		11,204,691
7	PPL Services Corporation	49,526	5,176		54,702
8	PPL Electric Utilities Corporation	21,716			21,716
9	PPL Strategic Development, LLC	10,378	2,884		13,262
10	PPL EU Services Corporation	35,694	10,232		45,926
11	PPL Distributed Energy Resources, LLC	78			78
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40	**Total**	**97,502,035**	**257,320,714**		**354,822,749**

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
LG&E and KU Services Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2020

Schedule XVIII – Analysis of Billing – Non-Associate Companies (Account 458)

1. For services rendered to nonassociate companies (Account 458), list all of the nonassociate companies. In a footnote, describe the services rendered to each respective nonassociate company.

Line No.	Name of Non-associate Company (a)	Account 458.1 Direct Costs Charged (b)	Account 458.2 Indirect Costs Charged (c)	Account 458.3 Compensation For Use of Capital (d)	Account 458.4 Excess or Deficiency on Servicing Non-associate Utility Companies (e)	Total Amount Billed (f)
1	Entergy Corporation	64,779				64,779
2	Southeastern Regional Transmission Planning	10,008				10,008
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40	**Total**	**74,787**				**74,787**

FOOTNOTE DATA

Schedule Page: 308 Line No.: 1 Column: a

Mutual assistance for storm restoration.

Schedule Page: 308 Line No.: 2 Column: a

Labor and expenses related to holding regional meeting.

Name of Respondent	This Report Is:	Resubmission Date (Mo, Da, Yr)	Year/Period of Report
DocuSign Envelope ID: 4D2249DA-6D10-4321-A58E-121C0F67034E LG&E and KU Services Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	Dec 31, 2020

Schedule XIX - Miscellaneous General Expenses - Account 930.2

1. Provide a listing of the amount included in Account 930.2, "Miscellaneous General Expenses" classifying such expenses according to their nature. Amounts less than $50,000 may be grouped showing the number of items and the total for the group.
2. Payments and expenses permitted by Section 321 (b)(2) of the Federal Election Campaign Act, as amended by Public Law 94-283 in 1976 (2 U.S.C. 441(b)(2)) shall be separately classified.

Line No.	Title of Account (a)	Amount (b)
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40	**Total**	

Name of Respondent LG&E and KU Services Company	This Report is: (1) X An Original (2) __ A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2020

Schedule XX - Organization Chart

1. Provide a graphical presentation of the relationships and inter relationships within the service company that identifies lines of authority and responsibility in the organization.

The following were officers of LKS as of December 31, 2020:

Paul W. Thompson - President and Chief Executive Officer

- Lonnie E. Bellar - Chief Operating Officer
  - Steven B. Turner - Vice President, Power Production
  - Thomas A. Jessee - Vice President, Gas Operations
  - Elizabeth J. McFarland - Vice President, Transmission
  - Eileen L. Saunders - Vice President, Customer Services
  - David S. Sinclair - Vice President, Energy Supply and Analysis
    - Ronald Scott Straight - Vice President, Project Engineering
  - John K. Wolfe - Vice President, Electric Distribution

- Kent W. Blake - Chief Financial Officer
  - Daniel K. Arbough - Treasurer
  - Robert M. Conroy - Vice President, State Regulation and Rates
  - Christopher M. Garrett - Controller
  - Eric Slavinsky - Chief Information Officer

- John R. Crockett III - General Counsel, Chief Compliance Officer and Corporate Secretary
  - David J. Freibert - Vice President, External Affairs

- Gregory J. Meiman - Vice President, Human Resources

- Mary C. Whelan - Vice President, Communications and Corporate Responsibility
  - Angie McDonald Evans - Vice President, Corporate Responsibility and Community Affairs

Thomas A. Jessee, Vice President-Transmission, was named Vice President-Gas Operations, effective January 1, 2020.

Elizabeth J. McFarland, Vice President-Customer Services, was named Vice President-Transmission, effective January 1, 2020.

Eileen L. Saunders, Director-Safety and Technical Training, was named Vice President-Customer Services, effective January 1, 2020.

D. Ralph Bowling, Vice President-Power Production, announced his retirement, effective May 1, 2020. Steven B. Turner, General Manager-Ghent Station, was named Vice President-Power Production, effective March 23, 2020.

Name of Respondent	This Report is:	Resubmission Date (Mo, Da, Yr)	Year of Report
LG&E and KU Services Company	(1) X An Original (2) __ A Resubmission	/ /	2020

Schedule XXI - Methods of Allocation

1. Indicate the service department or function and the basis for allocation used when employees render services to more than one department or functional group. If a ratio, include the numerator and denominator.
2. Include any other allocation methods used to allocate costs.

Service Department or Function	Basis of Allocation
Customer Service	Number of Customers Ratio
Sales and Marketing	Number of Customers Ratio
Economic Development and Major Accounts	Number of Customers Ratio
Meter Reading Services	Number of Meters Ratio
Cash Remittance	Revenue Ratio
Billing Integrity	Number of Customers Ratio
Energy Efficiency	Number of Customers Ratio
Smart Grid Strategy	Number of Customers Ratio
Field Services	Total Utility Plant Assets Ratio
CCS Retail Business Readiness	Number of Customers Ratio
Project Engineering	Generation Ratio
System Laboratory	Total Utility Plant Assets Ratio
Generation	Total Utility Plant Assets Ratio; Generation Ratio
Generation Services	Total Utility Plant Assets Ratio; Generation Ratio
Fuel Procurement	Contract Ratio
Strategy, Reliability and Tariffs	Transmission Ratio
Operations and Construction	Transmission Ratio; Total Utility Plant Assets Ratio
Reliability and Compliance	Transmission Ratio
Energy Marketing	Generation Ratio
Market Forecasting	Generation Ratio
Load Forecasting	Generation Ratio
Generation Planning and Analysis	Generation Ratio
Network Trouble and Dispatch	Number of Customers Ratio
Electric Engineering	Total Utility Plant Assets Ratio
Distribution Asset Management	Number of Customers Ratio; Total Utility Plant Assets Ratio
Forestry	Total Utility Plant Assets Ratio
Substation Construction and Maintenance	Total Utility Plant Assets Ratio
Electric Reliability/Analysis	Total Utility Plant Assets Ratio
Safety and Technical Training	Number of Employees Ratio; Revenue, Total Assets and Number of Employees Ratio; Generation Ratio; Total Utility Plant Assets Ratio; Transmission Ratio
Budgeting	Revenue, Total Assets and Number of Employees Ratio; Transmission Ratio; Generation Ratio; Number of Customers Ratio
Financial Planning	Revenue, Total Assets and Number of Employees Ratio
Accounting and Reporting	Revenue, Total Assets and Number of Employees Ratio
Property Accounting	Total Utility Plant Assets Ratio
Revenue Accounting	Revenue Ratio
Payroll	Number of Employees Ratio
Tax Accounting, Compliance and Reporting	Revenue, Total Assets and Number of Employees Ratio

Name of Respondent	This Report is:	Resubmission Date (Mo, Da, Yr)	Year of Report
LG&E and KU Services Company	(1) X An Original (2) __ A Resubmission	/ /	2020

Schedule XXI - Methods of Allocation

Audit Services	Revenue, Total Assets and Number of Employees Ratio
Sarbanes-Oxley Compliance	Revenue, Total Assets and Number of Employees Ratio
Treasury and Corporate Finance	Revenue, Total Assets and Number of Employees Ratio
Risk Management	Revenue, Total Assets and Number of Employees Ratio
Credit Administration	Generation Ratio
Energy Marketing Trading Controls	Generation Ratio
Supply Chain	Revenue, Total Assets and Number of Employees Ratio; Number of Employees Ratio
Accounts Payable	Revenue, Total Assets and Number of Employees Ratio
IT Security	Network Users Ratio; Number of Employees Ratio
IT Applications Development and Support	Network Users Ratio; Number of Employees Ratio; Number of Customers Ratio; Ultimate Users Ratio
IT Infrastructure and Operations	Network Users Ratio; Number of Employees Ratio
IT Governance	Network Users Ratio; Number of Employees Ratio
IT Business Services	Network Users Ratio; Number of Employees Ratio
IT Major Projects	Network Users Ratio; Number of Employees Ratio; Ultimate Users Ratio
Legal	Revenue, Total Assets and Number of Employees Ratio
Compliance	Number of Employees Ratio; Total Utility Plant Assets Ratio
Environmental Affairs	Generation Ratio
Regulatory Affairs	Revenue Ratio
Government Affairs Management	Revenue Ratio
Internal Communications	Number of Employees Ratio
External and Brand Communications	Number of Customers Ratio
Public Affairs Management	Number of Customers Ratio
Facilities and Buildings	Facilities Ratio; Transmission Ratio; Generation Ratio
Security	Number of Employees Ratio
Production Mail	Number of Customers Ratio
Document	Number of Employees Ratio
Process Management and Performance	Number of Customers Ratio
Right-of-Way	Number of Customers Ratio
Transportation	Total Utility Plant Assets Ratio; Vehicle Cost Allocation Ratio
HR Compensation	Number of Employees Ratio
HR Benefits	Number of Employees Ratio
Other HR Services	Number of Employees Ratio
Health and Safety	Number of Employees Ratio
Executive Management	Generation Ratio; Number of Customers Ratio; Network Users Ratio; Number of Employees Ratio; Revenue Ratio; Revenue, Total Assets and Number of Employees Ratio; Total Utility Plant Assets Ratio; Transmission Ratio

Contract Ratio – Based on the sum of the physical amount (i.e. tons of coal, mmbtu of natural gas) of the contract for coal and natural gas fuel burned for the immediately preceding twelve consecutive calendar months, the numerator of which is for an operating company and the denominator of which is for all operating companies. This ratio is calculated on an annual basis.

Departmental Charge Ratio – A specific department ratio based upon various factors. The departmental charge ratio typically applies to indirectly attributable costs such as departmental administrative, support, and/or material and supply costs that benefit more than one affiliate and that require allocation using general measures of cost causation. Methods for assignment are department-specific depending on the type of service being performed and are documented and monitored by the Budget Analysts for each department. The numerator and denominator vary by department. The ratio is based upon various factors such as labor hours, labor dollars, departmental or entity headcount, capital expenditures, operations and maintenance costs, retail energy sales, charitable contributions, generating plant sites, average allocation of direct reports, net book value of utility plant, total line of business assets, electric capital expenditures, substation assets and transformer assets. The Departmental Charge Ratio will only be used with prior approval by the Controller when other applicable ratios would not result in the fair assignment of costs. These ratios are calculated on an annual basis.

Facilities Ratio – Based on a two-tiered approach with one tier based on the number of employees by department or line of business and the other tier based on the applicable department or line of business ratio. The numerator for the number of employees is the number of employees by department or line of business at the facility and the denominator is the total employees at the facility. The numerator and denominator for the applicable department or line of business for the service provided as described in this document.

Generation Ratio – Based on the annual forecast of megawatt hours, the numerator of which is for an operating company and the denominator of which is for all operating companies. This ratio is calculated on an annual basis.

Network Users Ratio – Based on the number of IT network users at the end of the previous calendar year. A two-step assignment methodology is utilized to properly allocate costs to the proper legal entity. The numerator for the first step of this ratio is the total number of network users for each specific company, and the denominator is the total number of network users for all companies in which an allocator is assigned (i.e. LG&E, KU, LKS and PPL). For the second step, the ratio of LKS network users, to total network users will then be allocated to the other companies (LG&E, KU, and LKC) based on each company's ratio of LKS labor hours to total LKS labor hours. This ratio is calculated on an annual basis.

Number of Customers Ratio – Based on the number of retail electric and/or gas customers. This ratio will be determined based on the actual number of customers at the end of the previous calendar year. In some cases, the ratio may be calculated based on the type of customer class being served (i.e. Residential, Commercial or Industrial). The numerator is the total number of each Company's retail customers. The denominator is the total number of retail customers for both LG&E and KU. This ratio is calculated on an annual basis.

Number of Employees Ratio – Based on the number of employees benefiting from the performance of a service. This ratio will be determined based on actual counts of applicable employees at the end of the previous calendar year. A two-step assignment methodology is utilized to properly allocate LKS employee costs to the proper legal entity. The numerator for the first step of this ratio is the total number of employees for each specific company, and the denominator is the total number of employees for all companies in which an allocator is assigned (i.e. LG&E, KU, and LKS). For the second step, the ratio of LKS to total employees will then be allocated to the other companies (LG&E, KU, and LKC) based on each company's ratio of labor hours to total labor hours. LKC has no employees, but non-utility related labor is charged to it. In some cases, the ratio may be calculated based on the number of employees at a specific location for the first step with the ratio of LKS to total employees being allocated based on labor hours of the employees at the specific location. This ratio is calculated on an annual basis.

Number of Meters Ratio – Based on the number or types of meters being utilized by customer classes within the system for the immediately preceding twelve consecutive calendar months. The numerator is equal to the number of meters for each utility and the denominator is equal to the total meters for KU and LG&E. This ratio is calculated on an annual basis.

Ownership Percentages – Based on the contractual ownership percentages of jointly-owned generating units, information technology, facilities and other capital projects. This ratio is updated as a result of a new jointly-owned capital projects and is based on the benefit to the respective company. The numerator is the specific company's forecasted usage. The denominator is the total forecasted usage of all respective companies.

Revenue Ratio – Based on the sum of the revenue for the immediately preceding twelve consecutive calendar months, the numerator of which is for an operating company and the denominator of which is for all operating companies. This ratio is calculated on an annual basis.

Revenue, Total Assets and Number of Employees Ratio – Based on an average of the revenue, total assets and number of employees ratios. The numerator is the sum of Revenue Ratio, Total Assets Ratio and Number of Employees Ratio for the specific company. The denominator is three – the number of ratios being averaged. This ratio is calculated on an annual basis.

Total Assets Ratio – Based on the total assets at year-end for the preceding year. In the event of joint ownership of a specific asset, asset ownership percentages are utilized to assign costs. The numerator is the total assets for each specific company at the end of the preceding year. The denominator is the sum of total assets for each company in which an allocator is assigned (LG&E, KU and LKC). This ratio is calculated on an annual basis.

Total Utility Plant Assets Ratio – Based on the total utility plant assets at year-end for the preceding year, the numerator of which is for an operating company and the denominator of which is for all operating companies. In the event of joint ownership of a specific asset, ownership percentages are utilized to assign costs. This ratio is calculated on an annual basis.

Transmission Ratio – The Transmission Coordination Agreement (TCA) provides "the contractual basis for the coordinated planning, operation, and maintenance of the combined" LG&E and KU transmission system. Pursuant to the terms of the TCA, LG&E/KU "operate their transmission systems as a single control area." The TCA establishes cost and revenue allocations between LG&E and KU. The Transmission Ratio is based upon Schedule A (Allocation of Operating Expenses of the Transmission System Operator) of the TCJA. Transmission System Operator Company allocation percentages are calculated during June of each year to be effective July 1st of each year using the previous year's summation of the Transmission Peak Demands as found in FERC Form 1 for Kentucky Utilities Company (KU) and Louisville Gas & Electric Company (LG&E) page 400 line 17(b).

Ultimate Users Ratio – Based on the number of ultimate users of an IT product or service (i.e., software, hardware, mobile devices, etc.) at the end of the previous calendar year. A two-step assignment methodology is utilized to properly allocate costs to the proper legal entity. The numerator for the first step of this ratio is the total number of

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Schedule XXI - Methods of Allocation

ultimate users for each specific company, and the denominator is the total number of ultimate users for all companies in which an allocator is assigned (i.e. LG&E, KU, LKS and PPL). For the second step, the ratio of LKS ultimate users, to total ultimate users will then be allocated to the other companies (LG&E, KU, and LKC) based on each company's ratio of LKS labor hours to total LKS labor hours. This ratio is calculated on an annual basis.

Vehicle Cost Allocation Ratio – Based on the costs associated with providing and operating transportation fleet for all affiliated companies including developing fleet policy, administering regulatory compliance programs, managing repair and maintenance of vehicles and procuring vehicles. Such rates are applied based on the specific equipment employment and the measured usage of services by the various company entities. This ratio is calculated monthly based on the actual transportation charges from the previous month. The numerator is the department labor charged to a specific company. The denominator is the total labor costs for the specific department. The ratio is then multiplied by the total transportation costs to determine the amount charged to each company.

PPL Corp. Entities Participating in *Tax Allocation Agreement* in 2019

CEP Commerce, LLC
CEP Lending, Inc.
CEP Reserves, Inc.
PMDC International Holdings, Inc.
PP&L Residual Corporation
PPL Atlantic Holdings, LLC
PPL (Barbados) SRL
PPL Capital Funding, Inc.
PPL Corporation
PPL Distributed Energy Resources, LLC
PPL Electric Utilities Corporation
PPL Energy Funding Corporation
PPL Energy Holdings, LLC
PPL Energy Resources, LLC
PPL EU Services Corporation
PPL Global, LLC
PPL Power Insurance Ltd.
PPL Renewables, LLC
PPL Safari Holdings, LLC
PPL Services Corporation
PPL Strategic Development, LLC
PPL Subsidiary Holdings, LLC
PPL Technology Ventures, LLC
PPL TransLink, Inc.
PPL UK Distribution Holdings, Ltd.
PPL UK Holdings, LLC
PPL UK Resources Limited
PPL WPD Limited
LG&E and KU Energy LLC
Kentucky Utilities Company
Louisville Gas & Electric Company
LG&E and KU Capital LLC
LG&E and KU Services Company
Western Kentucky Energy Corp.
FCD LLC
Lexington Utilities Company
LG&E Energy Inc.
LG&E and KU Hydro I LLC

Safari Baboon, LLC
Safari Chimpanzee, LLC
Safari Donkey, LLC
Safari Elephant, LLC
Safari Energy, LLC
Safari Energy Construction, LLC
Safari Energy Georgia 1-2019, LLC
Safari Energy Georgia 2-2019, LLC
Safari Energy Georgia 3-2019, LLC
Safari Energy Georgia 4-2019, LLC
Safari Energy Illinois 1-2019, LLC
Safari Energy Investments 1, LLC Safari
Energy Massachusetts 1-2019, LLC Safari
Energy Massachusetts 2-2019, LLC Safari
Energy Massachusetts 3-2019, LLC Safari
Energy Ohio 1-2019, LLC
Safari Kangaroo, LLC
Safari Loris, LLC
Safari Orangutan, LLC
Safari Viper, LLC
Safari Zebra, LLC
Wesleyan Solar Array, LLC

VERIFICATION

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF JEFFERSON)

The undersigned, **Christopher M. Garrett**, being duly sworn, deposes and says that he is Controller for Kentucky Utilities Company ("KU") and Louisville Gas and Electric Company and as an employee of LG&E and KU Services Company has supervision over the Corporate Tax Department and that to the best of his knowledge and belief there are no differences between the allocated and separate return tax liabilities of KU, d/b/a Old Dominion Power Company in Virginia.

DocuSigned by:
Christopher M. Garrett
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Christopher M. Garrett

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 23rd day of April 2021.

Notary Public

Notary Public, ID No. 603967

My Commission Expires:

July 11, 2022

ENTITY CHANGES OCCURRING IN 2020

Via LG&E and KU Foundation Inc. we no longer own any interests in Louisville Development Bancorp, Inc. (LDBI) or, indirectly, its subsidiary MetroBank, Inc. All shares in LDBI were acquired by Liberty Bank (a Louisiana bank) via a cash-out exchange transaction during mid 2020.

FERC Form 60

Please refer to the pdf of the Virginia ARAT at Tab 10 to view the 2020 FERC Form 60.

Schedule of Professional Employees Transferred from LG&E or KU to Non-Utility Affiliates in 2020							
Name	Old Company	New Company	New Job Title	Old Job Title	Eff Date	Sal Plan	Union Code
Appel,Thomas Ryan	Kentucky Utilities	LG&E and KU Services Company	Mgr Distrib Subst Eng C&M	Mgr Operations Center	6/1/2020	MG	
Baxter,Andrew J	Louisville Gas & Electric Co.	LG&E and KU Services Company	Maint Plan-Fleet Op Perf & Rel	Maintenance Planner	3/23/2020	EX	
Churn,Gwendolyn A	Louisville Gas & Electric Co.	LG&E and KU Services Company	Acting Lead Customer Rep	Sr Customer Representative	11/30/2020	NE	
Daisey,Sabrina Nicole	Louisville Gas & Electric Co.	LG&E and KU Services Company	Engineer Co-op/Intern III	Engineer Co-op/Intern III	1/13/2020	99	
Downs,Francis	Louisville Gas & Electric Co.	LG&E and KU Services Company	Mgr ED & Transmission Safety	Sr Safety Specialist	2/24/2020	MG	
Helton,Jerry L	Louisville Gas & Electric Co.	LG&E and KU Services Company	Grp Ldr DCC Engineering	Electrical Engineer III	9/21/2020	EX	
Jaggers,Damien Lee	Louisville Gas & Electric Co.	LG&E and KU Services Company	Distribution Sys Operator I	Ops & Maint Tech A (CT)	10/19/2020	NE	
Luckett,David A	Louisville Gas & Electric Co.	LG&E and KU Services Company	Mgr Fleet Ops Perf & Reliab	Supervisor - Production	7/13/2020	MG	
Miller,Joseph Michael	Louisville Gas & Electric Co.	LG&E and KU Services Company	Acting Lead Customer Rep	Sr Customer Representative	8/24/2020	NE	
O'Guin,Michael	Louisville Gas & Electric Co.	LG&E and KU Services Company	Environmental Engineer III	Chemical Engineer III	7/13/2020	EX	
Park,Marci Lynn	Louisville Gas & Electric Co.	LG&E and KU Services Company	Sr Contract Administrator	Sr Contract Administrator	5/4/2020	EX	
Pitvorec,Jeffrey S	Louisville Gas & Electric Co.	LG&E and KU Services Company	Protection Systems Technician	Sub Control Technician B	3/9/2020	NE	
Powell,Karmen Martin	Louisville Gas & Electric Co.	LG&E and KU Services Company	Mgr Distribution Electric Eng	Grp Ldr-Line Construct & Maint	7/13/2020	MG	
Quisenberry,Casey A	Kentucky Utilities	LG&E and KU Services Company	Team Ldr - Meter Assets	Meter Technician B	12/14/2020	EX	
Richey,Ryan Curtis	Louisville Gas & Electric Co.	LG&E and KU Services Company	Distribution Sys Operator I	Line Technician A	12/28/2020	NE	
Riley,Justin Timothy	Louisville Gas & Electric Co.	LG&E and KU Services Company	Electric System Coordinator I	Mechanic A - Equipment Shop	6/15/2020	EX	
Riordan,Terry Scott	Louisville Gas & Electric Co.	LG&E and KU Services Company	Distribution Sys Operator I	Operator - Plant MC	6/15/2020	NE	
Roark,Thaddeus Dale	Kentucky Utilities	LG&E and KU Services Company	Training Consultant-Interm	Line Technician A	3/23/2020	EX	
Stallard,Michael J	Louisville Gas & Electric Co.	LG&E and KU Services Company	Sr Protection Systems Tech	Sub Control Technician A	12/14/2020	NE	
Stodghill,James Craig	Louisville Gas & Electric Co.	LG&E and KU Services Company	Distribution Sys Operator I	Line Technician A	1/13/2020	NE	
Straub,Kelsey Alizabeth	Kentucky Utilities	LG&E and KU Services Company	GIS Specialist I	Facility Records Tech I	3/9/2020	EX	
Sumner,Lucas	Louisville Gas & Electric Co.	LG&E and KU Services Company	Distribution Sys Operator I	Auxiliary Operator - Plant MC	10/5/2020	NE	
Thompson,Aaron Eli	Kentucky Utilities	LG&E and KU Services Company	GIS Specialist II	Facility Records Tech II	3/9/2020	EX	
Turner,Steven B	Kentucky Utilities	LG&E and KU Services Company	VP Power Production	General Manager - Ghent	3/23/2020	EC	
Wiegel,James Christofer	Louisville Gas & Electric Co.	LG&E and KU Services Company	Sr Project Coordinator - SC&M	Team Ldr Sub Relay Prot & Ctrl	1/27/2020	EX	
Williamson Jr,John M	Louisville Gas & Electric Co.	LG&E and KU Services Company	Distribution Sys Operator I	Line Technician Assistant	1/13/2020	NE	
Zeigler,Benjamin Wesley	Kentucky Utilities	LG&E and KU Services Company	Grp Ldr - Engineering	Mechanical Engineer III	5/4/2020	EX	

COSTS OF JOINTLY OWNED SOLAR FACILITY

In 2016, LG&E and KU completed the construction of a solar facility at the EW Brown site owned by KU. This unit has an 8 MW net summer capacity and is jointly owned by LG&E (39%) and KU (61%). Capital costs of Brown Solar are allocated according to the 39% LG&E and 61% KU ownership split.

Automated allocations of costs using the Brown Solar ownership percentages are processed in the Oracle General Ledger system and generate intercompany transactions between LG&E and KU. Operation and maintenance costs are accumulated at KU and transferred to LG&E. At KU an intercompany receivable is debited and the appropriate expense is credited. LG&E debits the appropriate expense account and credits an intercompany receivable. The amounts are then netted with other intercompany transactions between LG&E and KU to establish an intercompany receivable for KU or LG&E and an intercompany payable for LG&E or KU.

In July 2019, the first of eight 500 kw sections of the SolarShare facility in Simpsonville, KY became operational, and in May 2020, a second 500 kw section was added. The SolarShare program allows Kentucky customers to pay a fee to subscribe to shares of each section of the solar array in 250-watt increments and receive energy credits for the solar energy produced. The land and the assets are jointly owned and operated by LG&E and KU. The ownership percentage of the land and of the first and second array is 56% KU and 44% LG&E, based on the average number of each utility's Kentucky retail electric customers at the time of the land purchase. Ownership percentage of future arrays will be evaluated based on customer subscription. Operating costs are allocated based on the ownership percentage.