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PUBLIC SERVICE COMMISSION

LG&E KU

PPL companies

Linda C. Bridwell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601-8294

LG&E and KU Energy LLC
State Regulation and Rates
220 West Main Street
PO Box 32010
Louisville, Kentucky 40232
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Rick E. Lovekamp
Manager – Regulatory Strategy/Policy
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August 6, 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 Securities and Exchange Commission ("SEC") Form 10-Q for PPL Corporation and its current and former subsidiaries for Period Ended June 30, 2021. This information is being made pursuant to Appendix C, Commitment No. 21. Also, in accordance with the Commission's Order of July 22, 2021 in Case No. 2020-00085 (Electronic Emergency Docket Related to the Novel Coronavirus COVID-19), this is to certify that the electronic filing has been transmitted to the Commission on August 6, 2021.

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

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

Sincerely,

Rick E. Lovekamp

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, 2021

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
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

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	☐
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	☐
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	☐	☐	☒	☐	☐
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	☐
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	☒
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, 769,605,825 shares outstanding at July 30, 2021.
PPL Electric Utilities Corporation	Common stock, no par value, 66,368,056 shares outstanding and all held by PPL Corporation at July 30, 2021.
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 30, 2021.
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 30, 2021.

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
LOUISVILLE GAS AND ELECTRIC COMPANY
KENTUCKY UTILITIES COMPANY

FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2021

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This combined Form 10-Q is separately filed by the following Registrants in their individual capacity: PPL Corporation, PPL Electric Utilities Corporation, 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.

Unless otherwise specified, references in this Report, individually, to PPL Corporation, PPL Electric Utilities Corporation, 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 LG&E and KU, as well as to LKE and its other 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 fully and unconditionally 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 Energy Holdings - PPL Energy Holdings, LLC, a subsidiary of PPL and the parent holding company of PPL Energy Funding, LKE 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, prior to the sale of the U.K. utility business on June 14, 2021, primarily through its subsidiaries, owned and operated WPD, PPL's regulated electricity distribution businesses in the U.K. PPL Global was not included in the sale of the U.K. utility business on June 14, 2021.

PPL Rhode Island Holdings - PPL Rhode Island Holdings, LLC, a subsidiary of PPL Energy Holdings formed for the purpose of acquiring Narragansett Electric to which certain interests of PPL Energy Holdings in the Narragansett SPA were assigned.

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 – PPL WPD Investments Limited, which was, prior to the sale of the U.K. utility business on June 14, 2021, a subsidiary of PPL WPD Limited and parent to WPD plc. PPL WPD Investments Limited was included in the sale of the U.K. utility business on June 14, 2021.

PPL WPD Limited - PPL WPD Limited, a U.K. subsidiary of PPL Global. Prior to the sale of the U.K. utility business on June 14, 2021, PPL WPD Limited was an indirect parent to WPD. PPL WPD Limited was not included in the sale of the U.K. utility business on June 14, 2021.

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 – PPL WPD Investments Limited and its subsidiaries, including, notably, WPD plc and the four DNOs, which substantially represented PPL's U.K. Regulated segment. The U.K. utility business was sold on June 14, 2021.

WPD - Prior to the sale of the U.K. utility business on June 14, 2021, refers to PPL WPD Limited and its subsidiaries. WPD was included in the sale of the U.K. utility business on June 14, 2021.

WPD (East Midlands) - Western Power Distribution (East Midlands) plc, a British regional electricity distribution utility company. WPD (East Midlands) was included in the sale of the U.K. utility business on June 14, 2021.

WPD plc - Western Power Distribution plc, a U.K. indirect 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 plc was included in the sale of the U.K. utility business on June 14, 2021.

WPD Midlands - refers to WPD (East Midlands) and WPD (West Midlands), collectively. WPD Midlands was included in the sale of the U.K. utility business on June 14, 2021.

WPD (South Wales) - Western Power Distribution (South Wales) plc, a British regional electricity distribution utility company. WPD (South Wales) was included in the sale of the U.K. utility business on June 14, 2021.

WPD (South West) - Western Power Distribution (South West) plc, a British regional electricity distribution utility company. WPD (South West) was included in the sale of the U.K. utility business on June 14, 2021.

WPD (West Midlands) - Western Power Distribution (West Midlands) plc, a British regional electricity distribution utility company. WPD (West) Midlands) was included in the sale of the U.K. utility business on June 14, 2021.

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.

2020 Form 10-K - Annual Report to the SEC on Form 10-K for the year ended December 31, 2020.

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 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.

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 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.

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.

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

Narragansett Electric - The Narragansett Electric Company, an entity that serves electric and natural gas customers in Rhode Island. In March 2021, PPL and its subsidiary, PPL Energy Holdings announced a pending acquisition of Narragansett Electric.

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.

OVEC - Ohio Valley Electric Corporation, located in Piketon, Ohio, an entity in which LG&E owns a 5.63% interest and KU owns a 2.50% interest, which are 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.

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.

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.

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.

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 successor name of PPL EnergyPlus after the spinoff 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.

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 2020 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:

- strategic acquisitions, dispositions, or similar transactions, including the expected acquisition of Narragansett Electric, and our ability to consummate these business transactions or realize expected benefits from them;
- the COVID-19 pandemic and its continuing 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 extreme weather-related events (including events potentially caused or exacerbated by climate change);
- the outcome of rate cases or other cost recovery or revenue proceedings;
- changes in U.S. state or federal 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;
- the effectiveness of our risk management programs, including interest rate hedging;
- 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 (LOSS)
PPL Corporation and Subsidiaries

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Operating Revenues	**$ 1,288**	$ 1,263	**$ 2,786**	$ 2,703
Operating Expenses				
Operation				
Fuel	**159**	138	**336**	301
Energy purchases	**137**	133	**357**	334
Other operation and maintenance	**404**	353	**771**	708
Depreciation	**269**	255	**536**	505
Taxes, other than income	**49**	37	**101**	84
Total Operating Expenses	**1,018**	916	**2,101**	1,932
Operating Income	**270**	347	**685**	771
Other Income (Expense) - net	**13**	10	**13**	5
Interest Expense	**474**	164	**627**	318
Income (Loss) from Continuing Operations Before Income Taxes	**(191)**	193	**71**	458
Income Taxes	**345**	40	**404**	101
Income (Loss) from Continuing Operations After Income Taxes	**(536)**	153	**(333)**	357
Income (Loss) from Discontinued Operations (net of income taxes) (Note 9)	**555**	191	**(1,488)**	541
Net Income (Loss)	**$ 19**	$ 344	**$ (1,821)**	$ 898
Earnings Per Share of Common Stock:				
Basic and Diluted				
Income (Loss) from Continuing Operations After Income Taxes	**$ (0.69)**	$ 0.20	**$ (0.44)**	$ 0.47
Income (Loss) from Discontinued Operations (net of income taxes)	**0.72**	0.25	**(1.93)**	0.70
Net Income (Loss) Available to PPL Common Shareowners	**$ 0.03**	$ 0.45	**$ (2.37)**	$ 1.17
Weighted-Average Shares of Common Stock Outstanding (in thousands)				
Basic	**769,466**	768,768	**769,313**	768,358
Diluted	**769,466**	769,408	**769,313**	769,073

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
PPL Corporation and Subsidiaries

(Unaudited)
(Millions of Dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net income (loss)	**$ 19**	$ 344	**$ (1,821)**	$ 898
Other comprehensive income (loss):				
Amounts arising during the period - gains (losses), net of tax (expense) benefit:				
Foreign currency translation adjustments, net of tax of ($43), $1, ($123), $1	**69**	(291)	**372**	(352)
Qualifying derivatives, net of tax of ($5), ($6), $11, ($8)	**(9)**	28	**(39)**	36
Defined benefit plans:				
Net actuarial gain (loss), net of tax of $2, $1, $2, $1	**(6)**	(1)	**(6)**	(1)
Reclassifications from AOCI - (gains) losses, net of tax expense (benefit):				
Qualifying derivatives, net of tax of $10, $4, ($4), $4	**(1)**	(20)	**24**	(23)
Defined benefit plans:				
Prior service costs, net of tax of $2, $0, $2, $0	**(7)**	1	**(7)**	2
Net actuarial (gain) loss, net of tax of ($4), ($11), ($26), ($23)	**67**	47	**107**	94
Reclassifications from AOCI due to sale of the U.K. utility business - (gains) losses, net of tax expense (benefit):				
Foreign currency translation adjustments, net of tax of $140, $0, $140, $0	**786**	—	**786**	—
Qualifying derivatives, net of tax of $0, $0, $0, $0	**15**	—	**15**	—
Defined benefit plans:				
Prior service costs, net of tax of ($2), $0, ($2), $0	**8**	—	**8**	—
Net actuarial (gain) loss, net of tax of ($798), $0, ($798), $0	**2,769**	—	**2,769**	—
Total other comprehensive income (loss)	**3,691**	(236)	**4,029**	(244)
Comprehensive income (loss)	**$ 3,710**	$ 108	**$ 2,208**	$ 654

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, 2021	Six Months Ended June 30, 2020
Cash Flows from Operating Activities		
Net income (loss)	$ (1,821)	$ 898
Loss (income) from discontinued operations (net of income taxes)	1,488	(541)
Income from continuing operations (net of income taxes)	(333)	357
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	536	505
Amortization	40	22
Deferred income taxes and investment tax credits	29	113
Impairment of solar panels	37	—
Loss on extinguishment of debt	322	—
Other	(9)	22
Change in current assets and current liabilities		
Accounts payable	(26)	(81)
Unbilled revenues	53	61
Prepayments	(62)	(67)
Taxes payable	192	(34)
Regulatory assets and liabilities, net	39	(47)
Other	59	76
Other operating activities		
Defined benefit plans - funding	(36)	(56)
Other assets	(70)	27
Other liabilities	24	(32)
Net cash provided by operating activities - continuing operations	795	866
Net cash provided by operating activities - discontinued operations	726	433
Net cash provided by operating activities	1,521	1,299
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	(969)	(1,158)
Proceeds from sale of discontinued operations, net of cash divested	10,560	—
Other investing activities	(8)	9
Net cash provided by (used in) investing activities - continuing operations	9,583	(1,149)
Net cash provided by (used in) investing activities - discontinued operations	(607)	(424)
Net cash provided by (used in) investing activities	8,976	(1,573)
Cash Flows from Financing Activities		
Issuance of long-term debt	650	1,598
Retirement of long-term debt	(2,379)	—
Proceeds from project financing	5	96
Issuance of common stock	—	33
Payment of common stock dividends	(640)	(636)
Issuance of term loan	—	300
Retirement of term loan	(300)	—
Retirement of commercial paper	(73)	—
Net increase (decrease) in short-term debt	(795)	(638)
Other financing activities	(24)	(23)
Net cash provided by (used in) financing activities - continuing operations	(3,556)	730
Net cash provided by (used in) financing activities - discontinued operations	(411)	(23)
Contributions (to) from discontinued operations	365	38
Net cash provided by (used in) financing activities	(3,602)	745
Effect of Exchange Rates on Cash, Cash Equivalents and Restricted Cash included in Discontinued Operations	8	(6)
Net (Increase) Decrease in Cash, Cash Equivalents and Restricted Cash included in Discontinued Operations	284	20
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	7,187	485
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	443	660
Cash, Cash Equivalents and Restricted Cash at End of Period	$ 7,630	$ 1,145
Supplemental Disclosures of Cash Flow Information		
Significant non-cash transactions:		
Accrued expenditures for property, plant and equipment at June 30,	$ 222	$ 250

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, 2021	December 31, 2020
Assets		
Current Assets		
Cash and cash equivalents	**$ 7,629**	$ 442
Accounts receivable (less reserve: 2021, $66; 2020, $71)		
Customer	**569**	603
Other	**89**	86
Unbilled revenues (less reserve: 2021, $3; 2020, $4)	**247**	301
Fuel, materials and supplies	**265**	302
Prepayments	**119**	53
Other current assets	**100**	130
Current assets held for sale (Note 9)	**—**	18,983
Total Current Assets	**9,018**	**20,900**
Property, Plant and Equipment		
Regulated utility plant	**29,757**	29,040
Less: accumulated depreciation - regulated utility plant	**6,314**	6,008
Regulated utility plant, net	**23,443**	23,032
Non-regulated property, plant and equipment	**246**	237
Less: accumulated depreciation - non-regulated property, plant and equipment	**40**	37
Non-regulated property, plant and equipment, net	**206**	200
Construction work in progress	**1,296**	1,268
Property, Plant and Equipment, net	**24,945**	24,500
Other Noncurrent Assets		
Regulatory assets	**1,281**	1,262
Goodwill	**716**	716
Other intangibles	**347**	351
Pension benefit asset	**67**	24
Other noncurrent assets (less reserve for accounts receivable: 2021, $5; 2020 $0)	**385**	363
Total Other Noncurrent Assets	**2,796**	2,716
Total Assets	**$ 36,759**	$ 48,116

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

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CONDENSED CONSOLIDATED BALANCE SHEETS
PPL Corporation and Subsidiaries

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

	June 30, 2021	December 31, 2020
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ —**	$ 1,168
Long-term debt due within one year	**2,200**	1,074
Accounts payable	**683**	745
Taxes	**261**	69
Interest	**96**	113
Dividends	**320**	319
Regulatory liabilities	**198**	79
Other current liabilities	**414**	465
Current liabilities held for sale (Note 9)	**—**	11,023
Total Current Liabilities	**4,172**	15,055
Long-term Debt	**11,095**	13,615
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**3,079**	2,536
Investment tax credits	**120**	122
Accrued pension obligations	**189**	189
Asset retirement obligations	**140**	132
Regulatory liabilities	**2,468**	2,530
Other deferred credits and noncurrent liabilities	**544**	564
Total Deferred Credits and Other Noncurrent Liabilities	**6,540**	6,073
Commitments and Contingent Liabilities (Notes 7 and 11)		
Equity		
Common stock - $0.01 par value (a)	**8**	8
Additional paid-in capital	**12,281**	12,270
Earnings reinvested	**2,854**	5,315
Accumulated other comprehensive loss	**(191)**	(4,220)
Total Equity	**14,952**	13,373
Total Liabilities and Equity	**$ 36,759**	$ 48,116

(a) 1,560,000 shares authorized; 769,564 and 768,907 shares issued and outstanding at June 30, 2021 and December 31, 2020.

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

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CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
PPL 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, 2021	769,427	$ 8	$ 12,273	$ 3,155	$ (3,882)	$ 11,554
Common stock issued	137		4			4
Stock-based compensation			4			4
Net income (loss)				19		19
Dividends and dividend equivalents (b)				(320)		(320)
Other comprehensive income (loss)					3,691	3,691
June 30, 2021	769,564	$ 8	$ 12,281	$ 2,854	$ (191)	$ 14,952
December 31, 2020	768,907	$ 8	$ 12,270	$ 5,315	$ (4,220)	$ 13,373
Common stock issued	657		20			20
Stock-based compensation			(9)			(9)
Net income (loss)				(1,821)		(1,821)
Dividends and dividend equivalents (b)				(640)		(640)
Other comprehensive income (loss)					4,029	4,029
June 30, 2021	769,564	$ 8	$ 12,281	$ 2,854	$ (191)	$ 14,952
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 (loss)				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 (loss)				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				(2)		(2)
June 30, 2020	768,783	$ 8	$ 12,255	$ 5,383	$ (4,602)	$ 13,044

(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 $0.415 and $0.830 for the three and six months ended June 30, 2021 and June 30, 2020.

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 June 30,		Six Months Ended June 30,	
	2021	**2020**	**2021**	**2020**
Operating Revenues	**$ 537**	$ 554	**$ 1,142**	$ 1,162
Operating Expenses				
Operation				
Energy purchases	**110**	111	**259**	255
Other operation and maintenance	**125**	129	**253**	266
Depreciation	**109**	101	**217**	199
Taxes, other than income	**26**	18	**58**	48
Total Operating Expenses	**370**	359	**787**	768
Operating Income	**167**	195	**355**	394
Other Income (Expense) - net	**5**	5	**10**	8
Interest Income from Affiliate	**—**	—	**—**	1
Interest Expense	**42**	42	**85**	86
Income Before Income Taxes	**130**	158	**280**	317
Income Taxes	**34**	40	**71**	81
Net Income (a)	**$ 96**	$ 118	**$ 209**	$ 236

(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, 2021	Six Months Ended June 30, 2020
Cash Flows from Operating Activities		
Net income	**$ 209**	$ 236
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**217**	199
Amortization	**10**	13
Defined benefit plans - expense (income)	**(5)**	—
Deferred income taxes and investment tax credits	**74**	61
Other	**(9)**	4
Change in current assets and current liabilities		
Accounts receivable	**(74)**	(19)
Accounts payable	**(62)**	(37)
Unbilled revenues	**35**	44
Materials and supplies	**3**	(15)
Prepayments	**(56)**	(59)
Regulatory assets and liabilities, net	**61**	(32)
Taxes payable	**(9)**	(11)
Other	**(1)**	(10)
Other operating activities		
Defined benefit plans - funding	**(21)**	(21)
Other assets	**(10)**	5
Other liabilities	**(8)**	2
Net cash provided by operating activities	**354**	360
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	**(458)**	(556)
Increase in notes receivable from affiliate	**(1,075)**	—
Other investing activities	**—**	(2)
Net cash used in investing activities	**(1,533)**	(558)
Cash Flows from Financing Activities		
Issuance of long-term debt	**650**	—
Contributions from parent	**750**	255
Return of capital to parent	**—**	(260)
Payment of common stock dividends to parent	**(201)**	(246)
Net increase in short-term debt	**—**	200
Other financing activities	**(2)**	—
Net cash provided by (used in) financing activities	**1,197**	**(51)**
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	**18**	(249)
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	**40**	264
Cash, Cash Equivalents and Restricted Cash at End of Period	**$ 58**	$ 15
Supplemental Disclosure of Cash Flow Information		
Significant non-cash transactions:		
Accrued expenditures for property, plant and equipment at June 30,	**$ 138**	$ 158

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

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CONDENSED CONSOLIDATED BALANCE SHEETS
PPL Electric Utilities Corporation and Subsidiaries

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

	June 30, 2021	December 31, 2020
Assets		
Current Assets		
Cash and cash equivalents	**$ 58**	$ 40
Accounts receivable (less reserve: 2021, $36; 2020, $41)		
Customer	**304**	311
Other	**67**	17
Accounts receivable from affiliates	**10**	10
Notes receivable from affiliate	**1,075**	—
Unbilled revenues (less reserve: 2021, $1; 2020, $2)	**86**	121
Materials and supplies	**61**	59
Prepayments	**65**	9
Regulatory assets	**45**	40
Other current assets	**14**	13
Total Current Assets	**1,785**	620
Property, Plant and Equipment		
Regulated utility plant	**13,860**	13,514
Less: accumulated depreciation - regulated utility plant	**3,392**	3,297
Regulated utility plant, net	**10,468**	10,217
Construction work in progress	**577**	592
Property, Plant and Equipment, net	**11,045**	10,809
Other Noncurrent Assets		
Regulatory assets	**522**	541
Intangibles	**269**	268
Pension benefit asset	**40**	12
Other noncurrent assets (less reserve for accounts receivable: 2021, $5; 2020, $0)	**123**	74
Total Other Noncurrent Assets	**954**	895
Total Assets	**$ 13,784**	$ 12,324

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, 2021	December 31, 2020
Liabilities and Equity		
Current Liabilities		
Long-term debt due within one year	**$ 400**	$ 400
Accounts payable	**352**	428
Accounts payable to affiliates	**36**	39
Taxes	**8**	17
Interest	**39**	39
Regulatory liabilities	**138**	68
Other current liabilities	**105**	105
Total Current Liabilities	**1,078**	1,096
Long-term Debt	**4,485**	3,836
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**1,646**	1,559
Accrued pension obligations	**8**	8
Regulatory liabilities	**568**	578
Other deferred credits and noncurrent liabilities	**117**	123
Total Deferred Credits and Other Noncurrent Liabilities	**2,339**	2,268
Commitments and Contingent Liabilities (Notes 7 and 11)		
Equity		
Common stock - no par value (a)	**364**	364
Additional paid-in capital	**4,503**	3,753
Earnings reinvested	**1,015**	1,007
Total Equity	**5,882**	5,124
Total Liabilities and Equity	**$ 13,784**	$ 12,324

(a) 170,000 shares authorized; 66,368 shares issued and outstanding at June 30, 2021 and December 31, 2020.

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, 2021	66,368	$	364	$	3,753	$	1,005	$	5,122
Net income							96		96
Capital contributions from parent					750				750
Dividends declared on common stock							(86)		(86)
June 30, 2021	66,368	$	364	$	4,503	$	1,015	$	5,882
December 31, 2020	66,368	$	364	$	3,753	$	1,007	$	5,124
Net income							209		209
Capital contributions from parent					750				750
Dividends declared on common stock							(201)		(201)
June 30, 2021	66,368	$	364	$	4,503	$	1,015	$	5,882
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 PPL					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

(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 STATEMENTS OF INCOME
Louisville Gas and Electric Company
(Unaudited)
(Millions of Dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	**2020**	**2021**	**2020**
Operating Revenues				
Retail and wholesale	**$ 333**	$ 320	**$ 754**	$ 713
Electric revenue from affiliate	**9**	2	**16**	16
Total Operating Revenues	**342**	322	**770**	729
Operating Expenses				
Operation				
Fuel	**66**	50	**133**	124
Energy purchases	**23**	18	**89**	70
Energy purchases from affiliate	**3**	8	**8**	8
Other operation and maintenance	**97**	92	**193**	184
Depreciation	**68**	65	**134**	129
Taxes, other than income	**11**	9	**22**	19
Total Operating Expenses	**268**	242	**579**	534
Operating Income	**74**	80	**191**	195
Other Income (Expense) - net	**3**	1	**1**	—
Interest Expense	**20**	22	**41**	44
Income Before Income Taxes	**57**	59	**151**	151
Income Taxes	**12**	12	**31**	31
Net Income (a)	**$ 45**	$ 47	**$ 120**	$ 120

(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, 2021	Six Months Ended June 30, 2020
Cash Flows from Operating Activities		
Net income	**$ 120**	$ 120
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**134**	129
Amortization	**4**	4
Defined benefit plans - expense	**—**	1
Deferred income taxes and investment tax credits	**5**	2
Change in current assets and current liabilities		
Accounts receivable	**10**	18
Accounts receivable from affiliates	**—**	2
Accounts payable	**8**	(25)
Accounts payable to affiliates	**(11)**	(9)
Unbilled revenues	**13**	8
Fuel, materials and supplies	**25**	20
Regulatory assets and liabilities, net	**(12)**	4
Taxes payable	**(7)**	21
Accrued interest	**1**	—
Other	**(17)**	(9)
Other operating activities		
Defined benefit plans - funding	**(2)**	(5)
Expenditures for asset retirement obligations	**(15)**	(8)
Other assets	**(1)**	(2)
Other liabilities	**3**	4
Net cash provided by operating activities	**258**	275
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	**(215)**	(214)
Net cash used in investing activities	**(215)**	(214)
Cash Flows from Financing Activities		
Net increase in notes payable to affiliates	**282**	190
Net decrease in short-term debt	**(221)**	(238)
Retirement of commercial paper	**(41)**	—
Payment of common stock dividends to parent	**(109)**	(76)
Contributions from parent	**44**	53
Other financing activities	**(1)**	—
Net cash used in financing activities	**(46)**	(71)
Net Decrease in Cash and Cash Equivalents	**(3)**	(10)
Cash and Cash Equivalents at Beginning of Period	**7**	15
Cash and Cash Equivalents at End of Period	**$ 4**	$ 5
Supplemental Disclosure of Cash Flow Information		
Significant non-cash transactions:		
Accrued expenditures for property, plant and equipment at June 30,	**$ 44**	$ 49

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)

	June 30, 2021	December 31, 2020
Assets		
Current Assets		
Cash and cash equivalents	**$ 4**	$ 7
Accounts receivable (less reserve: 2021, $1; 2020, $2)		
Customer	**112**	127
Other	**40**	35
Unbilled revenues (less reserve: 2021, $1; 2020, $1)	**66**	79
Accounts receivable from affiliates	**16**	16
Fuel, materials and supplies	**94**	119
Prepayments	**17**	14
Regulatory assets	**21**	23
Other current assets	**1**	1
Total Current Assets	**371**	421
Property, Plant and Equipment		
Regulated utility plant	**6,907**	6,735
Less: accumulated depreciation - regulated utility plant	**1,102**	1,020
Regulated utility plant, net	**5,805**	5,715
Construction work in progress	**307**	320
Property, Plant and Equipment, net	**6,112**	6,035
Other Noncurrent Assets		
Regulatory assets	**354**	351
Goodwill	**389**	389
Other intangibles	**33**	35
Other noncurrent assets	**121**	114
Total Other Noncurrent Assets	**897**	889
Total Assets	**$ 7,380**	$ 7,345

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)

	June 30, 2021	December 31, 2020
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ —**	$ 262
Long-term debt due within one year	**28**	292
Notes payable to affiliates	**282**	—
Accounts payable	**144**	153
Accounts payable to affiliates	**21**	31
Customer deposits	**31**	32
Taxes	**25**	32
Price risk management liabilities	**2**	2
Regulatory liabilities	**41**	—
Interest	**15**	15
Asset retirement obligations	**9**	10
Other current liabilities	**39**	50
Total Current Liabilities	**637**	879
Long-term Debt	**1,978**	1,715
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**729**	716
Investment tax credits	**32**	33
Price risk management liabilities	**18**	21
Asset retirement obligations	**51**	57
Regulatory liabilities	**840**	882
Other deferred credits and noncurrent liabilities	**92**	94
Total Deferred Credits and Other Noncurrent Liabilities	**1,762**	1,803
Commitments and Contingent Liabilities (Notes 7 and 11)		
Stockholder's Equity		
Common stock - no par value (a)	**424**	424
Additional paid-in capital	**1,967**	1,923
Earnings reinvested	**612**	601
Total Equity	**3,003**	2,948
Total Liabilities and Equity	**$ 7,380**	$ 7,345

(a) 75,000 shares authorized; 21,294 shares issued and outstanding at June 30, 2021 and December 31, 2020.

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
March 31, 2021	21,294	$ 424	$ 1,923	$ 616	$ 2,963
Net income				45	45
Capital contributions from parent			44		44
Cash dividends declared on common stock				(49)	(49)
June 30, 2021	21,294	$ 424	$ 1,967	$ 612	$ 3,003
December 31, 2020	21,294	$ 424	$ 1,923	$ 601	$ 2,948
Net income				120	120
Capital contributions from parent			44		44
Cash dividends declared on common stock				(109)	(109)
June 30, 2021	21,294	$ 424	$ 1,967	$ 612	$ 3,003
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

(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,	
	2021	2020	2021	2020
Operating Revenues				
Retail and wholesale	**$ 408**	$ 380	**$ 872**	$ 812
Electric revenue from affiliate	**3**	8	**8**	8
Total Operating Revenues	**411**	388	**880**	820
Operating Expenses				
Operation				
Fuel	**93**	88	**203**	177
Energy purchases	**4**	4	**9**	9
Energy purchases from affiliate	**9**	2	**16**	16
Other operation and maintenance	**111**	107	**226**	211
Depreciation	**90**	86	**179**	170
Taxes, other than income	**11**	8	**21**	17
Total Operating Expenses	**318**	295	**654**	600
Operating Income	**93**	93	**226**	220
Other Income (Expense) - net	**3**	—	**4**	1
Interest Expense	**27**	29	**54**	57
Income Before Income Taxes	**69**	64	**176**	164
Income Taxes	**13**	11	**34**	31
Net Income (a)	**$ 56**	$ 53	**$ 142**	$ 133

(a) Net income equals comprehensive income.

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

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

	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Cash Flows from Operating Activities		
Net income	**$ 142**	$ 133
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**179**	170
Amortization	**3**	4
Defined benefit plans - expense	**(2)**	—
Deferred income taxes and investment tax credits	**—**	5
Other	**(1)**	(1)
Change in current assets and current liabilities		
Accounts receivable	**5**	15
Accounts receivable from affiliates	**1**	—
Accounts payable	**(15)**	(7)
Accounts payable to affiliates	**(5)**	(15)
Unbilled revenues	**8**	7
Fuel, materials and supplies	**13**	4
Regulatory assets and liabilities, net	**(11)**	(19)
Taxes payable	**(7)**	24
Accrued interest	**—**	1
Other	**(19)**	(12)
Other operating activities		
Defined benefit plans - funding	**(1)**	(1)
Expenditures for asset retirement obligations	**(18)**	(23)
Other liabilities	**8**	8
Net cash provided by operating activities	**280**	293
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	**(270)**	(264)
Net increase in notes receivable with affiliates	**—**	(190)
Other investing activities	**4**	3
Net cash used in investing activities	**(266)**	(451)
Cash Flows from Financing Activities		
Net increase in notes payable to affiliates	**226**	—
Issuance of long-term debt	**—**	498
Net decrease in short-term debt	**(171)**	(150)
Retirement of commercial paper	**(32)**	—
Payment of common stock dividends to parent	**(111)**	(89)
Contributions from parent	**60**	37
Other financing activities	**(1)**	(5)
Net cash provided by (used in) financing activities	**(29)**	291
Net Increase (Decrease) in Cash and Cash Equivalents	**(15)**	133
Cash and Cash Equivalents at Beginning of Period	**22**	12
Cash and Cash Equivalents at End of Period	**$ 7**	$ 145
Supplemental Disclosure of Cash Flow Information		
Significant non-cash transactions:		
Accrued expenditures for property, plant and equipment at June 30,	**$ 40**	$ 41

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, 2021	December 31, 2020
Assets		
Current Assets		
Cash and cash equivalents	**$ 7**	$ 22
Accounts receivable (less reserve: 2021, $1; 2020, $1)		
Customer	**148**	156
Other	**31**	30
Unbilled revenues (less reserve: 2021, $1; 2020, $1)	**89**	97
Accounts receivable from affiliates	**—**	1
Fuel, materials and supplies	**111**	123
Prepayments	**17**	15
Regulatory assets	**3**	36
Other current assets	**—**	1
Total Current Assets	**406**	481
Property, Plant and Equipment		
Regulated utility plant	**9,006**	8,808
Less: accumulated depreciation - regulated utility plant	**1,820**	1,690
Regulated utility plant, net	**7,186**	7,118
Construction work in progress	**362**	321
Property, Plant and Equipment, net	**7,548**	7,439
Other Noncurrent Assets		
Regulatory assets	**405**	370
Goodwill	**607**	607
Other intangibles	**24**	26
Other noncurrent assets	**158**	149
Total Other Noncurrent Assets	**1,194**	1,152
Total Assets	**$ 9,148**	$ 9,072

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, 2021	December 31, 2020
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ —**	$ 203
Long-term debt due within one year	**—**	132
Notes payable to affiliates	**226**	—
Accounts payable	**105**	121
Accounts payable to affiliates	**39**	43
Customer deposits	**32**	32
Taxes	**22**	29
Regulatory liabilities	**19**	11
Interest	**18**	19
Asset retirement obligations	**23**	40
Other current liabilities	**45**	59
Total Current Liabilities	**529**	689
Long-term Debt	**2,618**	2,486
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**846**	835
Investment tax credits	**87**	88
Asset retirement obligations	**89**	75
Regulatory liabilities	**1,060**	1,070
Other deferred credits and noncurrent liabilities	**46**	47
Total Deferred Credits and Other Noncurrent Liabilities	**2,128**	2,115
Commitments and Contingent Liabilities (Notes 7 and 11)		
Stockholder's Equity		
Common stock - no par value (a)	**308**	308
Additional paid-in capital	**2,917**	2,857
Earnings reinvested	**648**	617
Total Equity	**3,873**	3,782
Total Liabilities and Equity	**$ 9,148**	$ 9,072

(a) 80,000 shares authorized; 37,818 shares issued and outstanding at June 30, 2021 and December 31, 2020.

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
March 31, 2021	37,818	$	308	$	2,857	$	647	$	3,812
Net income							56		56
Capital contributions from parent					60				60
Cash dividends declared on common stock							(55)		(55)
June 30, 2021	37,818	$	308	$	2,917	$	648	$	3,873
December 31, 2020	37,818	$	308	$	2,857	$	617	$	3,782
Net income							142		142
Capital contributions from parent					60				60
Cash dividends declared on common stock							(111)		(111)
June 30, 2021	37,818	$	308	$	2,917	$	648	$	3,873
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

(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.

Table of Contents

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	LG&E	KU
1. Interim Financial Statements	x	x	x	x
2. Summary of Significant Accounting Policies	x	x	x	x
3. Segment and Related Information	x	x	x	x
4. Revenue from Contracts with Customers	x	x	x	x
5. Earnings Per Share	x			
6. Income Taxes	x	x	x	x
7. Utility Rate Regulation	x	x	x	x
8. Financing Activities	x	x	x	x
9. Acquisitions, Development and Divestitures	x			
10. Defined Benefits	x	x	x	x
11. Commitments and Contingencies	x	x	x	x
12. Related Party Transactions		x	x	x
13. Other Income (Expense) - net	x			
14. Fair Value Measurements	x	x	x	x
15. Derivative Instruments and Hedging Activities	x	x	x	x
16. Asset Retirement Obligations	x		x	x
17. 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 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, 2020 is derived from that Registrant's 2020 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 2020 Form 10-K. The results of operations for the three and six months ended June 30, 2021 are not necessarily indicative of the results to be expected for the full year ending December 31, 2021 or other future periods, because results for interim periods can be disproportionately influenced by various factors, developments and seasonal variations.

(PPL)

On March 17, 2021, PPL WPD Limited entered into a share purchase agreement to sell PPL's U.K. utility business, which substantially represented PPL's U.K. Regulated segment, to a subsidiary of National Grid plc. The sale was completed on June 14, 2021. The results of operations of the U.K. utility business are classified as Discontinued Operations on PPL's Statements of Income. Historically, PPL consolidated the U.K. utility business on a one-month lag. The results of operations of the U.K. utility business for the period June 1, 2021 through June 13, 2021 have been unlagged and included in "Income (Loss) from Discontinued Operations (net of incomes taxes)" on the Statements of Income for the three and six-month periods ended June 30, 2021. The assets and liabilities of the U.K. utility business as of December 31, 2020 have been classified as assets and liabilities held for sale on PPL's Balance Sheets. PPL has elected to separately report the cash flows of continuing and discontinued operations on the Statements of Cash Flows. Unless otherwise noted, the notes to these financial statements exclude amounts related to discontinued operations and assets and liabilities held for sale for all periods presented. See Note 9 for additional information.

On July 1, 2021, LKE redeemed, at par, its $250 million 4.375% Senior Notes due 2021 and on July 9, 2021, LKE filed a Form 15 with the SEC to suspend its duty to file reports under sections 13 and 15(d) of the Securities Exchange Act of 1934. As a result, beginning with this Form 10-Q, LKE is no longer reported as a Registrant.

2. Summary of Significant Accounting Policies

(All Registrants)

The following accounting policy disclosures represent updates to Note 1 in each Registrant's 2020 Form 10-K and should be read in conjunction with those disclosures.

Restricted Cash and Cash Equivalents *(PPL)*

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	
	June 30, 2021	December 31, 2020
Cash and cash equivalents	$ 7,629	$ 442
Restricted cash - current (a)	1	1
Total Cash, Cash Equivalents and Restricted Cash	$ 7,630	$ 443

(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."

Current Expected Credit Losses

(All Registrants)

The following table shows changes in the allowance for credit losses for the six months ended June 30, 2021:

	Balance at Beginning of Period	Charged to Income	Deductions (a)	Balance at End of Period
PPL				
Accounts Receivable - Customer and Unbilled Revenue (c)	$ 44	$ 2	$ 4	$ 42
Other (b)	28	1	—	29
PPL Electric				
Accounts Receivable - Customer and Unbilled Revenue (c)	$ 39	$ 1	$ 2	$ 38
Other	1	—	—	1
LG&E				
Accounts Receivable - Customer and Unbilled Revenue	$ 3	$ —	$ 1	$ 2
KU				
Accounts Receivable - Customer and Unbilled Revenue	$ 2	$ 1	$ 1	$ 2

(a) Primarily related to uncollectible accounts receivable written off.
(b) Primarily related to receivables at WKE, which are fully reserved.

(c) Includes $5 million related to Noncurrent Accounts Receivable – Customer included in “Other noncurrent assets” on the PPL and PPL Electric Balance Sheets at June 30, 2021.

Income Taxes

The TCJA included new provisions requiring that certain income, referred to as global intangible low-tax income (GILTI), earned by certain foreign subsidiaries must be included in the gross income of their U.S. shareholder. Accounting guidance allows a policy election regarding the timing of inclusion of GILTI in an entity’s financial statements. The election may be either to record deferred taxes for expected GILTI in future periods or record such taxes as a current-period expense when incurred. PPL has elected to record the tax effect of expected GILTI inclusions and thus, records deferred taxes relating to such inclusions.

In light of the disposition of PPL's U.K. utility business, indefinite reinvestment is no longer relevant. As such, PPL realized the outside book-tax basis difference in those assets. Accordingly, a current tax liability was recorded reflecting the estimated tax cost associated with the realization of that basis difference.

See Note 6 for additional discussion regarding income taxes.

Asset Impairment (Excluding Investments)

(PPL)

During the three month-period ended June 30, 2021, Safari Energy determined that the carrying value of its solar panel inventory would not be fully recoverable due to a decrease in the net realizable value of the modules. The decrease was due primarily to the combination of the three following factors: (1) a continued decrease in the fair value of the modules on hand due to more efficient modules being available on the market, (2) the federal government's extension of certain investment tax credits which make modules on the open market eligible for those credits at higher levels of credits and (3) an increase in commodity prices for materials used in various types of solar projects, all of which place pressure on the economics of those projects, making the cost of Safari's solar panels uncompetitive. As a result, Safari Energy recorded a loss of $37 million ($28 million after-tax) during the three-month period ended June 30, 2021 to record the solar panels at fair value. The loss was recorded to "Other operation and maintenance" expense on the Statements of Income. The remaining solar panel balance of $49 million is included in "Other noncurrent assets" on PPL's Balance Sheet at June 30, 2021.

During the three-month period ended June 30, 2021, PPL considered whether the events and circumstances that led to the impairment of Safari Energy's solar panels would more likely than not reduce the fair value of PPL's Distributed Energy Resources reporting unit below its carrying amount. Based on PPL's assessment, a quantitative impairment test was not required, however, a goodwill impairment charge could occur in future periods if there is a degradation of expected future cash flows or unfavorable movements in discount rates or market multiples used in determining fair value.

3. Segment and Related Information

(PPL)

See Note 2 in PPL's 2020 Form 10-K for a discussion of reportable segments and related information.

On March 17, 2021, PPL WPD Limited entered into a share purchase agreement to sell PPL's U.K. utility business, which substantially represented PPL's U.K. Regulated segment. As a result, PPL determined segment information for the U.K. Regulated segment would no longer be provided. The sale of the U.K. utility business was completed on June 14, 2021. See Note 9 for additional 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	
	2021	2020	2021	2020
Operating Revenues from external customers				
Kentucky Regulated	$ 741	$ 700	$ 1,626	$ 1,525
Pennsylvania Regulated	537	554	1,142	1,162
Corporate and Other	10	9	18	16
Total	$ 1,288	$ 1,263	$ 2,786	$ 2,703
Net Income				
Kentucky Regulated (a)	$ 84	$ 74	$ 230	$ 201
Pennsylvania Regulated (a)	96	118	209	236
Corporate and Other (a)(c)(d)	(716)	(39)	(772)	(80)
Discontinued Operations (b)	555	191	(1,488)	541
Total	$ 19	$ 344	$ (1,821)	$ 898

(a) Beginning in 2021, corporate level financing costs are no longer allocated to the reportable segments and are being reported in Corporate and Other. For the three and six months ended June 30, 2020, corporate level financing costs of $10 million, net of $2 million of income taxes, and $21 million, net of $4 million of income taxes were allocated to the Kentucky Regulated segment. For the three and six months ended June 30, 2020, an immaterial amount of financing costs were allocated to the Pennsylvania Regulated segment.
(b) Includes unrealized gains and losses from hedging foreign currency economic activity. See Note 9 for additional information.
(c) 2021 includes losses from the extinguishment of PPL Capital Funding debt. See Note 8 for additional information.
(d) The amounts for the periods ended June 30, 2020 have been adjusted for certain costs that were previously included in the U.K. Regulated segment.

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

	June 30, 2021	December 31, 2020
Assets		
Kentucky Regulated	$ 16,282	$ 15,943
Pennsylvania Regulated	13,814	12,347
Corporate and Other (a)	6,663	843
Assets Held for Sale (b)	—	18,983
Total	$ 36,759	$ 48,116

(a) Primarily consists of unallocated items, including cash, PP&E, goodwill, the elimination of inter-segment transactions as well as the assets of Safari Energy.
(b) See Note 9 for additional information.

(PPL Electric, LG&E and KU)

PPL Electric has two operating segments, distribution and transmission, which are aggregated into a single reportable segment. 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 2020 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.

	2021 Three Months			
	PPL	PPL Electric	LG&E	KU
Operating Revenues (a)	$ 1,288	$ 537	$ 342	$ 411
Revenues derived from:				
Alternative revenue programs (b)	19	24	(1)	(4)
Other (c)	(5)	—	(2)	(3)
Revenues from Contracts with Customers	$ 1,302	$ 561	$ 339	$ 404

	2020 Three Months			
	PPL	PPL Electric	LG&E	KU
Operating Revenues (a)	$ 1,263	$ 554	$ 322	$ 388
Revenues derived from:				
Alternative revenue programs (b)	(8)	(1)	(1)	(6)
Other (c)	(5)	(1)	(1)	(3)
Revenues from Contracts with Customers	$ 1,250	$ 552	$ 320	$ 379

	2021 Six Months			
	PPL	PPL Electric	LG&E	KU
Operating Revenues (a)	$ 2,786	$ 1,142	$ 770	$ 880
Revenues derived from:				
Alternative revenue programs (b)	43	46	(1)	(2)
Other (c)	(11)	—	(5)	(6)
Revenues from Contracts with Customers	$ 2,818	$ 1,188	$ 764	$ 872

	2020 Six Months			
	PPL	PPL Electric	LG&E	KU
Operating Revenues (a)	$ 2,703	$ 1,162	$ 729	$ 820
Revenues derived from:				
Alternative revenue programs (b)	(11)	(1)	(4)	(6)
Other (c)	(13)	(3)	(4)	(6)
Revenues from Contracts with Customers	$ 2,679	$ 1,158	$ 721	$ 808

(a) PPL Electric represents revenues from external customers reported by the Pennsylvania Regulated segment and LG&E and KU, net of intercompany power sales and transmission revenues, represent revenues from external customers reported by the Kentucky Regulated segment. Kentucky Regulated segment revenues from contracts with customers were $731 million and $1,612 million for the three and six month periods ended June 30, 2021 and $689 million and $1,505 million for the three and six month periods ended June 30, 2020. 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 and gas supply clause incentive mechanism for LG&E, and the generation formula rate for KU. For PPL Electric, the three months and six months ended June 30, 2021 include a $24 million and $51 million reserve recorded as a result of a challenge to the transmission formula rate return on equity. See Note 7 for further information. 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.

	2021 Three Months			
	PPL	PPL Electric	LG&E	KU
Residential	$ 567	$ 279	$ 144	$ 144
Commercial	297	83	107	107
Industrial	154	13	43	98
Other (a)	93	13	31	39
Wholesale - municipality	5	—	—	5
Wholesale - other (b)	13	—	14	11
Transmission	173	173	—	—
Revenues from Contracts with Customers	$ 1,302	$ 561	$ 339	$ 404

	2020 Three Months			
	PPL	PPL Electric	LG&E	KU
Residential	$ 583	$ 290	$ 149	$ 144
Commercial	274	74	100	100
Industrial	134	12	38	84
Other (a)	83	12	28	34
Wholesale - municipality	3	—	—	3
Wholesale - other (b)	9	—	5	14
Transmission	164	164	—	—
Revenues from Contracts with Customers	$ 1,250	$ 552	$ 320	$ 379

	2021 Six Months			
	PPL	PPL Electric	LG&E	KU
Residential	$ 1,341	$ 640	$ 349	$ 352
Commercial	610	165	228	217
Industrial	306	25	89	192
Other (a)	184	25	65	76
Wholesale - municipality	11	—	—	11
Wholesale - other (b)	33	—	33	24
Transmission	333	333	—	—
Revenues from Contracts with Customers	$ 2,818	$ 1,188	$ 764	$ 872

	2020 Six Months			
	PPL	PPL Electric	LG&E	KU
Residential	$ 1,297	$ 634	$ 336	$ 327
Commercial	586	155	224	207
Industrial	278	20	83	175
Other (a)	170	26	56	72
Wholesale - municipality	8	—	—	8
Wholesale - other (b)	17	—	22	19
Transmission	323	323	—	—
Revenues from Contracts with Customers	$ 2,679	$ 1,158	$ 721	$ 808

(a) Primarily includes revenues from pole attachments, street lighting, other public authorities and other non-core businesses.
(b) Includes wholesale power and transmission revenues. LG&E and KU amounts include intercompany power sales and transmission revenues, which are eliminated upon consolidation at the Kentucky Regulated segment.

As discussed in Note 2 in PPL's 2020 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.

Contract receivables from customers are primarily included in "Accounts receivable - Customer", "Unbilled revenues", and "Other noncurrent assets" 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	
	2021	2020	2021	2020
PPL	$ —	$ 6	$ 2	$ 12
PPL Electric	—	5	1	9
LG&E	—	—	—	1
KU	—	1	1	2

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

	PPL	PPL Electric	LG&E	KU
Contract liabilities at December 31, 2020	$ 40	$ 23	$ 5	$ 6
Contract liabilities at June 30, 2021	31	16	5	5
Revenue recognized during the six months ended June 30, 2021 that was included in the contract liability balance at December 31, 2020	24	11	5	6
Contract liabilities at December 31, 2019	$ 37	$ 21	$ 5	$ 4
Contract liabilities at June 30, 2020	30	16	4	5
Revenue recognized during the six months ended June 30, 2020 that was included in the contract liability balance at December 31, 2019	21	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, 2021, PPL had $48 million of performance obligations attributable to Corporate and Other that have not been satisfied. Of this amount, PPL expects to recognize approximately $42 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 share-based payment awards were converted to common shares as calculated using the Two-Class Method or Treasury Stock Method.

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	
	2021	2020	2021	2020
Income (Numerator)				
Income (loss) from continuing operations after income taxes available to PPL common shareowners - Basic and Diluted	$ (536)	$ 153	$ (333)	$ 357
Income (loss) from discontinued operations (net of income taxes) available to PPL common shareowners - Basic and Diluted	$ 555	$ 191	$ (1,488)	$ 541
Net income (loss) available to PPL common shareowners - Basic and Diluted	$ 19	$ 344	$ (1,821)	$ 898
Shares of Common Stock (Denominator)				
Weighted-average shares - Basic EPS	769,466	768,768	769,313	768,358
Add: Dilutive share-based payment awards (a)	—	640	—	715
Weighted-average shares - Diluted EPS	769,466	769,408	769,313	769,073
Basic and Diluted EPS				
Available to PPL common shareowners:				
Income from continuing operations after income taxes	$ (0.69)	$ 0.20	$ (0.44)	$ 0.47
Income (loss) from discontinued operations (net of income taxes)	0.72	0.25	(1.93)	0.70
Net Income (Loss) available to PPL common shareowners	$ 0.03	$ 0.45	$ (2.37)	$ 1.17

(a) All share-based payment awards were excluded from dilutive shares under the Treasury Stock Method for the three and six months ended June 30, 2021, as their effect would have been anti-dilutive due to the loss from continuing operations.

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	
	2021	2020	2021	2020
Stock-based compensation plans	137	9	657	607
DRIP	—	509	—	943

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	
	2021	2020	2021	2020
Stock-based compensation awards	3,443	1,170	1,838	710

6. Income Taxes

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

(PPL)

	Three Months		Six Months	
	2021	2020	2021	2020
Federal income tax on Income from Continuing Operations Before Income Taxes at statutory tax rate - 21%	$ (40)	$ 41	$ 15	$ 96
Increase (decrease) due to:				
State income taxes, net of federal income tax benefit (a)	(18)	11	(5)	24
Valuation allowance adjustments (a)	26	6	34	12
Impact of the U.K. Finance Acts on deferred tax balances (b)	383	(2)	383	(3)
Depreciation and other items not normalized	(2)	(2)	(4)	(4)
Amortization of excess deferred federal and state income taxes	(8)	(12)	(20)	(23)
Other	4	(2)	1	(1)
Total increase (decrease)	385	(1)	389	5
Total income tax expense (benefit)	$ 345	$ 40	$ 404	$ 101

(a) In June 2021, PPL recorded a $25 million state deferred tax benefit on a net operating loss and an offsetting valuation allowance in connection with the loss on extinguishment associated with a tender offer to purchase and retire PPL Capital Funding's outstanding Senior Notes. See Note 8 for additional information on the tender offer.

(b) The U.K. Finance Act 2021, formally enacted on June 10, 2021, increased the U.K. corporation tax rate from 19% to 25%, effective April 1, 2023. The primary impact of the corporation tax rate increase was an increase in deferred tax liabilities of the U.K. utility business, which was sold on June 14, 2021, and a corresponding deferred tax expense of $383 million, which was recognized in continuing operations.

PL Electric)

	Three Months		Six Months	
	2021	2020	2021	2020
leral income tax on Income Before Income Taxes at statutory tax rate - 21%	$ 27	$ 33	$ 59	$ 67
rease (decrease) due to:				
State income taxes, net of federal income tax benefit	10	12	22	25
Depreciation and other items not normalized	(2)	(2)	(4)	(4)
Amortization of excess deferred federal and state income taxes	(3)	(5)	(6)	(8)
Other	2	2	—	1
Total increase (decrease)	7	7	12	14
al income tax expense (benefit)	$ 34	$ 40	$ 71	$ 81

G&E)

		Three Months		Six Months	
		2021	2020	2021	2020
leral income tax on Income Before Income Taxes at statutory tax rate - 21%	$	$ 12	$ 12	$ 32	32
rease (decrease) due to:					
State income taxes, net of federal income tax benefit		2	2	6	6
Amortization of excess deferred federal and state income taxes		(3)	(2)	(6)	(5)
Other		1	—	(1)	(2)
Total increase (decrease)		—	—	(1)	(1)
al income tax expense (benefit)	$	$ 12	$ 12	$ 31	31

U)

		Three Months		Six Months	
		2021	2020	2021	2020
leral income tax on Income Before Income Taxes at statutory tax rate - 21%	$	$ 15	$ 13	$ 37	34
rease (decrease) due to:					
State income taxes, net of federal income tax benefit		3	3	7	6
Amortization of excess deferred federal and state income taxes		(4)	(4)	(8)	(8)
Other		(1)	(1)	(2)	(1)
Total increase (decrease)		(2)	(2)	(3)	(3)
al income tax expense (benefit)	$	$ 13	$ 11	$ 34	31

Other

Net Operating Loss and Tax Credit Carryforwards (All Registrants)

PPL utilized its remaining federal net operating losses of $1,111 million and tax credit carryforwards of $272 million in June 2021 as a result of the completion of the sale of the U.K. utility business on June 14, 2021. The related deferred tax assets decreased by approximately $506 million, with a corresponding reduction in current income taxes.

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, 2021	December 31, 2020	June 30, 2021	December 31, 2020
Current Regulatory Assets:				
Plant outage costs	$ —	$ 46	$ —	$ —
Gas supply clause	11	4	—	—
Smart meter rider	20	17	20	17
Transmission formula rate	21	15	21	15
Gas line tracker	7	4	—	—
Storm costs	4	7	4	7
Generation formula rate	3	2	—	—
Other	3	4	—	1
Total current regulatory assets	$ 69	$ 99	$ 45	$ 40
Noncurrent Regulatory Assets:				
Defined benefit plans	$ 550	$ 570	$ 283	$ 290
Storm costs	12	17	—	—
Unamortized loss on debt	26	30	5	8
Interest rate swaps	20	23	—	—
Terminated interest rate swaps	73	75	—	—
Accumulated cost of removal of utility plant	234	240	234	240
AROs	307	300	—	—
Plant outage costs	57	—	—	—
Other	2	7	—	3
Total noncurrent regulatory assets	$ 1,281	$ 1,262	$ 522	$ 541

	PPL		PPL Electric	
	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
Current Regulatory Liabilities:				
Generation supply charge	$ 17	$ 21	$ 17	$ 21
Transmission service charge	27	1	27	1
Environmental cost recovery	4	4	—	—
Universal service rider	15	22	15	22
Fuel adjustment clause	5	5	—	—
TCJA customer refund	17	11	17	11
Storm damage expense rider	6	6	6	6
Act 129 compliance rider	5	7	5	7
Economic relief billing credit (b)	50	—	—	—
Challenge to transmission formula rate return on equity reserve (a)	51	—	51	—
Other	1	2	—	—
Total current regulatory liabilities	$ 198	$ 79	$ 138	$ 68
Noncurrent Regulatory Liabilities:				
Accumulated cost of removal of utility plant	$ 671	$ 653	$ —	$ —
Power purchase agreement - OVEC	39	43	—	—
Net deferred taxes	1,624	1,690	545	560
Defined benefit plans	68	60	23	18
Terminated interest rate swaps	64	66	—	—
Other	2	18	—	—
Total noncurrent regulatory liabilities	$ 2,468	$ 2,530	$ 568	$ 578

	LG&E		KU	
	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
Current Regulatory Assets:				
Gas supply clause	$ 11	$ 4	$ —	$ —
Gas line tracker	7	4	—	—
Plant outage costs	—	12	—	34
Generation formula rate	—	—	3	2
Other	3	3	—	—
Total current regulatory assets	$ 21	$ 23	$ 3	$ 36
Noncurrent Regulatory Assets:				
Defined benefit plans	$ 167	$ 174	$ 100	$ 106
Storm costs	8	11	4	6
Unamortized loss on debt	13	13	8	9
Interest rate swaps	20	23	—	—
Terminated interest rate swaps	43	44	30	31
AROs	86	85	221	215
Plant outage costs	16	—	41	—
Other	1	1	1	3
Total noncurrent regulatory assets	$ 354	$ 351	$ 405	$ 370

	LG&E		KU	
	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
Current Regulatory Liabilities:				
Environmental cost recovery	$ 1	$ —	$ 3	$ 4
Fuel adjustment clause	1	—	4	5
Economic relief billing credit (b)	39	—	11	—
Other	—	—	1	2
Total current regulatory liabilities	$ 41	$ —	$ 19	$ 11
Noncurrent Regulatory Liabilities:				
Accumulated cost of removal of utility plant	$ 282	$ 274	$ 389	$ 379
Power purchase agreement - OVEC	27	30	12	13
Net deferred taxes	498	528	581	602
Defined benefit plans	1	—	45	42
Terminated interest rate swaps	32	33	32	33
Other	—	17	1	1
Total noncurrent regulatory liabilities	$ 840	$ 882	$ 1,060	$ 1,070

(a) See “Regulatory Matters - Federal Matters - Challenge to PPL Electric Transmission Formula Rate Return on Equity” below for further information.
(b) Represents regulatory liabilities to be returned to customers through June 30, 2022, as agreed to in the Kentucky rate case, in recognition of the economic impact of COVID-19. See "Rate Case Proceedings" below for additional information.

Regulatory Matters

Kentucky Activities *(PPL, 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. In recognition of the economic impact of COVID-19, LG&E and KU requested 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 included a request for a CPCN to deploy Advanced Metering Infrastructure across LG&E's and KU's service territories in Kentucky.
The applications were based on a forecasted test year of July 1, 2021 through June 30, 2022 and requested an authorized return on equity of 10.0%.

On April 19, 2021, LG&E and KU entered into an agreement with all intervening parties to the proceedings resolving all matters in their applications, with the explicit exception of LG&E's and KU's net metering proposals. The agreement proposed increases in annual revenues of $217 million ($77 million and $116 million in electricity revenues at LG&E and KU and $24 million in gas revenues at LG&E) based on an authorized return on equity of 9.55%. The proposal included an authorized 9.35% return on equity for the ECR and GLT mechanisms. The agreement did not modify the requested one-year billing credit. The agreement proposed that the KPSC should grant LG&E's and KU's request for a CPCN to deploy Advanced Metering Infrastructure and proposed the establishment of a Retired Asset Recovery rider (RAR) to provide for recovery of and return on the remaining investment in certain electric generating units upon their retirement over a ten-year period following retirement. In respect of the RAR rider, the agreement proposed that LG&E and KU will continue to use currently approved depreciation rates for Mill Creek Units 1 and 2 and Brown Unit 3. The agreement also proposed a four-year "stay-out" commitment from LG&E and KU to refrain from effective base rate increases before July 1, 2025, subject to certain exceptions.

On June 30, 2021, the KPSC issued orders approving the proposed agreement filed in April 2021, with certain modifications. The orders provide for increases in annual revenues of $199 million ($73 million and $106 million in electricity revenues at LG&E and KU and $20 million in gas revenues at LG&E) based on an authorized return on equity of 9.425%. The order grants the requested authorized 9.35% return on equity for the ECR and GLT mechanisms and does not modify the requested one-year billing credit. The orders approve the CPCN to deploy Advanced Metering Infrastructure and provide regulatory asset treatment for the remaining net book value of legacy meters upon full implementation of the Advanced Metering Infrastructure program. The orders also approve the establishment of the RAR rider and accepted the four-year "stay-out". The orders, however, disallowed certain legal costs that were included in the settlement. An order on the remaining net metering issues is expected by the end of September 2021. On July 23, 2021, LG&E and KU filed motions for partial rehearing and clarification of the return on equity, the disallowed legal costs and certain other matters related to the KPSC's orders. PPL, LG&E and KU cannot predict the outcome of the motions for partial rehearing and clarification or the remaining net metering issues.

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 (Phase IV Act 129 Plan) on November 30, 2020, for the five-year period starting June 1, 2021 and ending on May 31, 2026. PPL Electric's Phase IV Act 129 Plan was approved by the PUC at its March 25, 2021, public meeting.

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 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 and April 19, 2021, PPL Electric filed Petitions 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.

In the three and six months ended June 30, 2021, PPL Electric recorded a revenue reserve of $17 million and $36 million after-tax representing revenue subject to refund for the period May 21, 2020 through June 30, 2021. Of these amounts, $7 million for the three months ended June 30, 2021 and $20 million for the six months ended June 30, 2021, relates to the period from May 21, 2020 to December 31, 2020.

FERC Transmission Rate Filing (PPL, 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. In September 2020, the FERC issued orders in the rehearing process that modified various aspects of the September 2019 orders which had approved future termination of the credits, including adjusting which customer arrangements are covered by the transition mechanism and respective future periods or dates for termination of credits. In November 2020, the FERC denied the parties' rehearing requests. In November 2020 and January 2021, LG&E and KU and other parties appealed the September 2020 and November 2020 orders at the D.C. Circuit Court of Appeals. The appellate proceedings are continuing, and also include certain additional prior pending petitions for review relating to the matter. On January 15, 2021, LG&E and KU made a filing seeking FERC acceptance of a new proposal for a transition mechanism. On March 16, 2021, the FERC accepted the filed transition mechanism agreements effective on March 17, 2021 but subject to refund, and established hearing and settlement procedures. LG&E and KU cannot predict the outcome of the respective appellate and FERC proceedings. LG&E and KU currently receive recovery of the waivers and credits provided through other rate mechanisms and such rate recovery would be anticipated to be adjusted consistent with potential changes or terminations of the waivers and credits, as such become effective.

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Other

Purchase of Receivables Program *(PPL and PPL Electric)*

In accordance with a PUC-approved purchase of accounts receivable program, PPL Electric purchases certain accounts receivable from alternative electricity suppliers at a discount, which reflects a provision for uncollectible accounts. The alternative electricity suppliers have no continuing involvement or interest in the purchased accounts receivable. Accounts receivable that are acquired are initially recorded at fair value on the date of acquisition. During the three and six months ended June 30, 2021, PPL Electric purchased $250 million and $574 million of accounts receivable from alternative suppliers. During the three and six months ended June 30, 2020, PPL Electric purchased $240 million and $551 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, PPL's arrangements listed below include the credit facilities and commercial paper programs of PPL Electric, LG&E and KU. 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" at December 31, 2020. The following credit facilities were in place at:

	June 30, 2021					December 31, 2020	
	Expiration Date	Capacity	Borrowed	Letters of Credit and Commercial Paper Issued	Unused Capacity	Borrowed	Letters of Credit and Commercial Paper Issued
PPL							
PPL Capital Funding							
Syndicated Credit Facility	Jan. 2024	$ 1,450	$ —	$ —	$ 1,450	$ —	$ 402
Bilateral Credit Facility	Mar. 2022	50	—	—	50	—	—
Bilateral Credit Facility	Mar. 2022	50	—	15	35	—	15
Term Loan Credit Facility	Mar. 2022	—	—	—	—	100	—
Term Loan Credit Facility	Mar. 2021	—	—	—	—	100	—
Term Loan Credit Facility	Mar. 2021	—	—	—	—	200	—
Total PPL Capital Funding Credit Facilities		$ 1,550	$ —	$ 15	$ 1,535	$ 400	$ 417
PPL Electric							
Syndicated Credit Facility	Jan. 2024	$ 650	$ —	$ 1	$ 649	$ —	$ 1
LG&E							
Syndicated Credit Facility	Jan. 2024	$ 500	$ —	$ —	$ 500	$ —	$ 262
KU							
Syndicated Credit Facility	Jan. 2024	$ 400	$ —	$ —	$ 400	$ —	$ 203

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, 2021				December 31, 2020	
	Weighted - Average Interest Rate	Capacity	Commercial Paper Issuances	Unused Capacity	Weighted - Average Interest Rate	Commercial Paper Issuances
PPL Capital Funding		$ 1,500	$ —	$ 1,500	0.25%	$ 402
PPL Electric		650	—	650		—
LG&E (a)		425	—	425	0.28%	262
KU		350	—	350	0.28%	203
Total		$ 2,925	$ —	$ 2,925		$ 867

(a) In March 2021, the capacity for the LG&E commercial paper program was increased from $350 million to $425 million.

(PPL Electric, LG&E, and KU)

See Note 12 for discussion of intercompany borrowings.

Long-term Debt

(PPL)

In April 2021, PPL Capital Funding repaid its $100 million term loan expiring in March 2022.

In June 2021, PPL Capital Funding commenced a tender offer to purchase for cash and retire (1) any and all of its outstanding 4.20% Senior Notes due 2022, 3.50% Senior Notes due 2022, 3.40% Senior Notes due 2023 and 3.95% Senior Notes due 2024 and (2) up to $1 billion aggregate purchase price of its outstanding 4.70% Senior Notes due 2043, 5.00% Senior Notes due 2044, 4.00% Senior Notes due 2047, 4.125% Senior Notes due 2030 and 3.10% Senior Notes due 2026.

In June 2021, in connection with the tender offer, PPL Capital Funding retired $1,962 million combined aggregate principal amount of its outstanding Senior Notes for $2,293 million aggregate cash purchase price that included the tender premium and accrued interest. These Senior Notes had a weighted average interest rate of 4.14%. The loss on extinguishment associated with the transaction was $322 million, which included the tender premium, bank fees and unamortized fees, hedges and discounts. This loss on extinguishment was recorded to "Interest Expense" on the Statements of Income.

In July 2021, PPL Capital Funding redeemed the remaining $1,072 million combined aggregate principal amount of its outstanding 4.20% Senior Notes due 2022, 3.50% Senior Notes due 2022, 3.40% Senior Notes due 2023 and 3.95% Senior Notes due 2024 that had not been validly tendered for an aggregate cash purchase price of $1,133 million, which included make-whole premiums and accrued interest. These Senior Notes had a weighted average interest rate of 3.71%. The loss on extinguishment associated with the transaction was $58 million, which included make-whole premiums, unamortized fees, hedges and discounts. PPL Capital Funding also redeemed its $450 million of 5.90% Junior Subordinated Notes due in 2073 at par. There was no loss on the redemption of these notes.

In July 2021, LKE redeemed at par the $250 million 4.375% Senior Notes due 2021.

(PPL and LG&E)

In April 2021, the Louisville/Jefferson County Metro Government of Kentucky remarketed $128 million of Pollution Control Revenue Bonds, 2003 Series A due 2033 previously issued on behalf of LG&E. The bonds were remarketed at a long-term rate and will bear interest at 2.00% through their maturity date of October 1, 2033.

In May 2021, the County of Trimble, Kentucky remarketed $35 million of Pollution Control Revenue Bonds, 2001 Series B due 2027 previously issued on behalf of LG&E. The bonds were remarketed at a long-term rate and will bear interest at 1.35% through their maturity date of November 1, 2027.

In May 2021, the Louisville/Jefferson County Metro Government of Kentucky remarketed $35 million of Pollution Control Revenue Bonds, 2001 Series B due 2027 previously issued on behalf of LG&E. The bonds were remarketed at a long-term rate and will bear interest at 1.35% through their maturity date of November 1, 2027.

In June 2021, LG&E converted the $31 million of Louisville/Jefferson County Metro Government of Kentucky Environmental Facilities Revenue Refunding Bonds, 2007 Series A issued on its behalf to a weekly interest rate, as permitted under loan documents. The bonds mature on June 1, 2033.

In June 2021, LG&E converted the $35 million of Louisville/Jefferson County Metro Government, of Kentucky Environmental Facilities Revenue Refunding Bonds, 2007 Series B issued on its behalf to a weekly interest rate, as permitted under loan documents. The bonds mature on June 1, 2033.

(PPL and KU)

In June 2021, the County of Carroll, Kentucky remarketed $54 million of Environmental Facilities Revenue Refunding Bonds, 2006 Series B due 2034 previously issued on behalf of KU. The bonds were remarketed at a long-term rate and will bear interest at 2.125% though their maturity date of October 1, 2034.

In June 2021, the County of Carroll, Kentucky remarketed $78 million of Environmental Facilities Revenue Bonds 2008 Series A due 2032 previously issued on behalf of KU. The bonds were remarketed at a long-term rate and will bear interest at 2.00% through their maturity date of February 1, 2032.

(PPL and PPL Electric)

In June 2021, PPL Electric issued $650 million of First Mortgage Bonds, Floating Rate Series due 2024. PPL Electric received proceeds of $647 million, net of underwriting fees, which were used to redeem its $400 million outstanding First Mortgage Bonds, 3% Series due 2021 in July 2021 and for general corporate purposes.

(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 six months ended June 30, 2021. The ATM program expired in February 2021.

Distributions

In May 2021, PPL declared a quarterly common stock dividend, payable July 1, 2021, 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)

Discontinued Operations

Share Purchase Agreement to Sell U.K. Utility Business

On March 17, 2021, PPL WPD Limited (WPD Limited) entered into a share purchase agreement (the WPD SPA) to sell PPL's U.K. utility business to National Grid Holdings One plc (National Grid U.K.), a subsidiary of National Grid plc. Pursuant to the WPD SPA, National Grid U.K. would acquire 100% of the issued share capital of PPL WPD Investments Limited (WPD Investments) for £7.8 billion in cash. WPD Limited would also receive an additional amount of £548,000 for each day during the period from January 1, 2021 to the closing date if the dividends usually declared by WPD Investments to WPD Limited are not paid for that period.

On June 14, 2021, the sale of the U.K. utility business was completed. The transaction resulted in cash proceeds of $10.7 billion inclusive of foreign currency hedges executed by PPL. PPL received net proceeds, after taxes and fees, of $10.4 billion.

WPD Limited and National Grid U.K. each made customary representations and warranties in the WPD SPA. National Grid U.K., at its expense, purchased warranty and indemnity insurance. WPD Limited agreed to indemnify National Grid U.K. for certain tax related matters. See Note 11 for additional information. PPL will not have any significant involvement with the U.K. utility business after completion of the sale.

Loss on Sale

The following table summarizes the pre-tax loss recorded upon completion of the sale.

	Six Months 2021
Sales proceeds, net of realized foreign currency hedge losses (a)	$ 10,732
Unrealized foreign currency hedge losses recognized in 2020	125
Less: Costs to sell (b)	69
Less: Carrying value (c)	12,397
Loss on sale	$ (1,609)

(a) Includes the fixed and additional consideration of £7,881 million specified in the WPD SPA, converted at a spot rate of $1.4107 per GBP, offset by $386 million of realized foreign currency hedge losses to hedge the proceeds from the sale.
(b) Includes bank advisory, legal and accounting fees to facilitate the transaction.
(c) Represents the carrying value of the U.K. utility business at the time of sale and includes the realization of AOCI of $3.6 billion, which arose primarily from currency translation adjustments and defined benefit plans associated with the U.K. utility business.

Summarized Results of Discontinued Operations

The operations of the U.K. utility business are included in "Income (Loss) from Discontinued Operations (net of income taxes)" on the Statements of Income. Following are the components of discontinued operations in the Statements of Income for the periods ended June 30:

	Three Months		Six Months	
	2021	2020	2021	2020
Operating Revenues	$ 710	$ 476	$ 1,344	$ 1,090
Operating Expenses	214	228	466	449
Other Income (Expense) - net	136	66	202	196
Interest Expense (a)	116	89	209	183
Income before income taxes	516	225	871	654
Gain (Loss) on sale	38	—	(1,609)	—
Income tax expense (b)	(1)	34	750	113
Income (Loss) from Discontinued Operations (net of income taxes)	$ 555	$ 191	$ (1,488)	$ 541

(a) No interest from corporate level debt was allocated to discontinued operations.

(b) The six month period ended June 30, 2021 primarily includes a federal tax expense of $647 million for the recognition of the tax cost associated with the realization of the book-tax outside basis difference in PPL's investment in the U.K. utility business and foreign tax expense of $166 million on current year operations.

Summarized Assets and Liabilities Held for Sale

The following major classes of assets and liabilities of the U.K. utility business were reclassified on PPL's Balance Sheet to "Current assets held for sale" and "Current liabilities held for sale" as of December 31, 2020:

	Held for Sale at December 31, 2020
Cash and cash equivalents	$ 266
Accounts receivable and unbilled revenues	389
Price risk management assets	146
Property, plant and equipment, net (a)	14,392
Goodwill	2,558
Other intangibles	413
Pension benefit asset	682
Other assets	137
Total Assets	$ 18,983
Short-term debt and long-term debt due within one year	$ 994
Accounts payable	220
Customer deposits	217
Accrued interest	190
Long-term debt	7,938
Total deferred income taxes	1,032
Price risk management liabilities	137
Other deferred credits and liabilities	295
Total Liabilities	$ 11,023
Net assets (b)	$ 7,960

(a) Depreciation of fixed assets ceased upon classification as held for sale in the first quarter of 2021.
(b) The net assets and liabilities held for sale exclude $4.0 billion of AOCI related to the U.K. utility business that are required to be included in the carrying value of an entity classified as held for sale when assessing impairment and determining the gain or loss on sale. Prior to the sale, AOCI related to the U.K. utility business were reported as a component of PPL's equity.

Acquisitions

Share Purchase Agreement to Acquire Narragansett Electric

On March 17, 2021, PPL and its subsidiary, PPL Energy Holdings, entered into a share purchase agreement (Narragansett SPA) with National Grid USA (National Grid U.S.), a subsidiary of National Grid plc to acquire 100% of the outstanding shares of common stock of Narragansett Electric for approximately $3.8 billion in cash. On May 3, 2021, an Assignment and Assumption Agreement was entered into by PPL, PPL Energy Holdings, PPL Rhode Island Holdings and National Grid U.S. whereby certain interests of PPL Energy Holdings in the Narragansett SPA were assigned to and assumed by PPL Rhode Island Holdings. Pursuant to that Assignment and Assumption Agreement, PPL Rhode Island Holdings became the purchasing entity under the Narragansett SPA. The acquisition is expected to be funded with proceeds from the sale of the U.K. utility business. PPL has agreed to guarantee all obligations of PPL Energy Holdings and PPL Rhode Island Holdings under the Narragansett SPA and the related Assignment and Assumption Agreement.

The closing of the acquisition, which is currently expected to occur by March 2022, is subject to the receipt of certain U.S. regulatory approvals or waivers, including, among others, authorizations or waivers from the Rhode Island Division of Public Utilities and Carriers, the Massachusetts Department of Public Utilities, the Federal Communications Commission, and the FERC, as well as review under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and other customary conditions to closing, including the execution and delivery of certain related transaction documents. The waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, with respect to the acquisition, expired on June 2, 2021. On July 14, 2021, the FCC consented to the Transfer of Control Application for the transfer of control of certain

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communications licenses held by Narragansett Electric from National Grid U.S. to PPL. The Massachusetts Department of Public Utilities granted a waiver of jurisdiction with respect to the acquisition on July 16, 2021. The regulatory approvals and waiver remain subject to any applicable appeal periods.

PPL Energy Holdings and PPL Rhode Island Holdings and National Grid U.S. have each made customary representations, warranties and covenants in the Narragansett SPA, including, among others, customary indemnification provisions and covenants by National Grid U.S. to conduct the Narragansett Electric business in the ordinary course between the execution of the Narragansett SPA and the closing of the acquisition. The consummation of the transaction is not subject to a financing condition.

In connection with the acquisition, National Grid U.S. and one or more of its subsidiaries and Narragansett Electric will enter into a transition services agreement, pursuant to which National Grid U.S. and/or one or more of its affiliates will agree to provide certain transition services to Narragansett Electric and its affiliates to facilitate the operation of Narragansett Electric following the consummation of the acquisition and the transition of operations to PPL, as agreed upon in the Narragansett SPA.

10. Defined Benefits

(PPL)

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 for the periods ended June 30:

	Pension Benefits							
	Three Months				Six Months			
	U.S.		U.K. (a)		U.S.		U.K. (a)	
	2021	2020	2021	2020	2021	2020	2021	2020
PPL								
Service cost	$ 15	$ 15	$ 31	$ 21	$ 28	$ 28	$ 56	$ 44
Interest cost	29	36	33	35	61	74	62	71
Expected return on plan assets	(66)	(63)	(207)	(151)	(127)	(123)	(384)	(309)
Amortization of:								
Prior service cost	2	2	—	—	4	4	—	—
Actuarial loss	24	24	62	52	49	44	116	106
Net periodic defined benefit costs (credits)	$ 4	$ 14	$ (81)	$ (43)	$ 15	$ 27	$ (150)	$ (88)

(a) U.K. amounts are reflected in discontinued operations as the sale of the U.K. utility business was completed on June 14, 2021. See Note 9 for additional information on the sale of the U.K. utility business.

		Other Postretirement Benefits			
		Three Months		Six Months	
		2021	2020	2021	2020
L					
vice cost	$	$1	$1	$3	3
erest cost		4	5	8	10
ected return on plan assets		(7)	(6)	(12)	(11)
ortization of:					
rior service cost		1	1	1	1
periodic defined benefit costs	$	$(1)	$1	$—	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 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	
	2021	2020	2021	2020
PPL Electric	$ 2	$ 3	$ 2	$ 6
LG&E	(2)	2	1	5
KU	(2)	—	(1)	1

(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.

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. Prior to the sale of the U.K. utility business, which was completed on June 14, 2021, WPD made contributions to its pension plans of $124 million in 2021. See Note 9 for additional information on the sale. WPD is currently permitted to recover in current revenues approximately 78% of its pension funding requirements for its primary pension plans.

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 motions. 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 Talen's 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 was stayed at an early stage of litigation. While the Delaware Action is progressing, at this time PPL cannot predict the outcome of either 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 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. On April 20, 2021, the Kentucky Supreme Court denied further review of the lower court order. The case will be remanded to the Jefferson Circuit Court for the claims of the three remaining petitioners to be heard on an individual basis. PPL and LG&E cannot predict the ultimate outcome of the remaining proceedings, but do not anticipate this matter will have a significant impact on operations or financial condition.

(PPL 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 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' filed motions for partial summary judgment. In December 2020, the U.S. District Court delayed the trial scheduled for February 2, 2021 indefinitely due to pandemic considerations. In May 2021, the U.S. District Court issued an order granting KU's motion for summary judgment and dismissed the case. In June 2021, the plaintiffs appealed the district court's order to the U.S. Court of Appeals for the Sixth Circuit. The parties are conducting certain settlement discussions. PPL 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. On May 31, 2021, the KEEC approved the report and released a response to public comments. PPL and KU are currently performing an evaluation addressing whether additional remedial measures will be required at the E.W. Brown plant.

Air

Sulfuric Acid Mist Emissions (PPL 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. In June 2021, the U.S. District Court approved the parties' request for a three-month stay in connection with settlement discussions occurring among the parties. PPL and LG&E are unable to predict the outcome of this matter but do not believe the matter will have a significant impact on LG&E's operations or financial condition.

Water/Waste

(PPL, 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 is expected to be implemented by the states or applicable permitting authorities in the course of their normal permitting activities. LG&E and KU are currently implementing 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.

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 regarding various other amendments to the rule. Certain ongoing legal challenges to various provisions of the CCR Rule have been held in abeyance pending review by the EPA pursuant to the President's executive order. PPL, 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. As of April 2021, LG&E and KU have commenced closure of all of the subject impoundments and have completed closure of some of their smaller impoundments. 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. Cleanup actions have been or are being undertaken at these sites as requested by governmental agencies, the costs of which have not been and are not expected to be significant to PPL Electric.

As of June 30, 2021 and December 31, 2020, 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. The Registrants 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.

Gas - Security Directives *(PPL and LG&E)*

In May and July of 2021, the Department of Homeland Security’s (DHS) Transportation Security Administration (TSA) released two security directives applicable to certain notified owners and operators of natural gas pipeline facilities (including local distribution companies) that TSA has determined to be critical. The first security directive required notified owners/operators to implement cybersecurity incident reporting to the DHS, designate a cybersecurity coordinator, and perform a gap assessment of current entity cybersecurity practices against certain voluntary TSA security guidelines and report relevant results and proposed mitigation to applicable DHS agencies. The second security directive requires notified entities to implement a significant number of specified cyber security controls and processes. PPL and LG&E are currently evaluating the impact of the security directives. The impact on operations or an estimate or range of possible costs cannot be determined.

Other

Labor Union Agreements

(PPL and PPL Electric)

For PPL and PPL Electric, labor agreement negotiations with the IBEW are expected to commence in the second half of 2021. The current five-year agreement expires in May 2022.

(KU)

KU has 70 employees that are represented by the IBEW labor union. On August 1, 2021, KU and the IBEW ratified a three-year labor agreement through August 2024. The terms of the new labor agreement are not expected to have a significant impact on the financial results of 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 and loan obligations of PPL Capital Funding.

(All Registrants)

The table below details guarantees provided as of June 30, 2021. "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. For reporting purposes, amounts for PPL on a consolidated basis include guarantees of PPL Electric, LG&E and KU.

	Exposure at June 30, 2021		Expiration Date
PPL			
Indemnifications related to the sale of the U.K. utility business	£ 7,881	(a)	2021
Indemnifications related to certain tax liabilities related to the sale of the U.K. utility business	£ 50	(b)	2028
LKE indemnification of WKE lease termination and other divestitures	$ 200	(c)	2021
LG&E and KU			
LG&E and KU obligation of shortfall related to OVEC		(d)	

(a) PPL WPD Limited agreed to provide a standard indemnity regarding “leakage” amounts, which includes amounts taken out of the sold assets through dividends, return of capital, bonuses or similar method, received or waived by WPD (or its affiliates defined as members of the Sellers Group in the SPA) during the period from April 1, 2020 through June 14, 2021, except such amounts permitted under the WPD SPA. The amount of the cap on this indemnity is the amount paid to PPL WPD Limited at closing.

(b) PPL WPD Limited entered into a Tax Deed dated June 9, 2021 in which it agreed to a tax indemnity regarding certain potential tax liabilities of the entities sold with respect to periods prior to the completion of the sale, subject to customary exclusions and limitations. Because National Grid Holdings One plc, the buyer, agreed to purchase indemnity insurance, the amount of the cap on the indemnity for these liabilities is £1, except with respect to certain surrenders of tax losses, for which the amount of the cap on the indemnity is £50 million.

(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 qualifying open claims, if any, or government fines and penalties that may survive the expiration or exceed the maximum, respectively. 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. PPL cannot predict the ultimate outcomes of the various indemnification scenarios, but does not expect such outcomes to result in significant losses.

(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. PPL's proportionate share of OVEC's outstanding debt was $97 million at June 30, 2021, consisting of LG&E's share of $67 million and KU's share of $30 million. The maximum exposure and the expiration date of these potential obligations are not presently determinable. See "Energy Purchase Commitments" in Note 11 in PPL's, LG&E's and KU's 2020 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.

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 challenges to businesses, communities, workforces and markets. In the U.S. and throughout the world, governmental authorities have taken actions to contain the spread of the virus and mitigate known or foreseeable impacts. In the Registrants’ service territories, mitigation measures 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. Many restrictions that had been imposed are in the process of being lifted but may be reenacted if there is a resurgence of infections. These actions 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 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, LG&E and KU)*

PPL Services, PPL EU Services and LKS provide the Registrants, their respective subsidiaries 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 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	
	2021	2020	2021	2020
PPL Electric from PPL Services	$ 11	$ 14	$ 21	$ 26
PPL Electric from PPL EU Services	49	41	99	82
LG&E from LKS	44	44	86	82
KU from LKS	45	46	89	87

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 PPL and LG&E and KU are reimbursed through LKS.

Intercompany Borrowings

(PPL Electric)

PPL Energy Funding maintains a $1,200 million revolving line of credit with a PPL Electric subsidiary. At June 30, 2021, PPL Energy Funding had borrowings outstanding in the amount of $1,075 million. This balance is reflected in "Notes receivable from affiliate" on the PPL Electric balance sheet. No balance was outstanding at December 31, 2020. 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.

(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 the difference between LG&E's FERC borrowing limit and LG&E's commercial paper limit at an interest rate based on the lower of a market index of commercial paper issues and two additional rate options based on LIBOR. LG&E's money pool borrowing limit is $325 million. At June 30, 2021, LG&E had borrowings outstanding from LKE in the amount of $282 million. This balance is reflected in "Notes payable to affiliates" on the LG&E balance sheets. No balances were outstanding December 31, 2020.

KU participates in an intercompany money pool agreement whereby LKE and/or LG&E make available to KU funds up to the difference between KU's FERC borrowing limit and KU's commercial paper limit at an interest rate based on the lower of a market index of commercial paper issues and two additional rate options based on LIBOR. KU's money pool borrowing limit is $300 million. At June 30, 2021, KU had borrowings outstanding from LKE in the amount of $226 million. This balance is reflected in "Notes payable to affiliates" on the KU balance sheets. No balances were outstanding at December 31, 2020.

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 $17 million as of June 30, 2021, of which $10 million was reflected in "Accounts receivable from affiliates" and $7 million was reflected in "Other noncurrent assets" on the PPL Electric Balance Sheet. 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 PPL Electric balance sheets.

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

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

13. Other Income (Expense) - net

(PPL)

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

	Three Months		Six Months	
	2021	2020	2021	2020
Other Income				
Defined benefit plans - non-service credits (Note 10)	$ 8	$ 2	$ 12	$ 3
Interest Income	4	1	4	1
AFUDC - equity component	5	5	9	8
Miscellaneous	5	1	5	2
Total Other Income	22	9	30	14
Other Expense				
Charitable contributions	1	1	2	2
Miscellaneous	8	(2)	15	7
Total Other Expense	9	(1)	17	9
Other Income (Expense) - net	$ 13	$ 10	$ 13	$ 5

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 2020 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, 2021				December 31, 2020			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
PPL								
Assets								
Cash and cash equivalents	$ 7,629	$ 7,629	$ —	$ —	$ 442	$ 442	$ —	$ —
Restricted cash and cash equivalents (a)	1	1	—	—	1	1	—	—

	June 30, 2021				December 31, 2020			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Special use funds (a):								
Money market fund	1	1	—	—	—	—	—	—
Commingled debt fund measured at NAV (b)	24	—	—	—	26	—	—	—
Commingled equity fund measured at NAV (b)	24	—	—	—	25	—	—	—
Total special use funds	49	1	—	—	51	—	—	—
Total assets	$ 7,679	$ 7,631	$ —	$ —	$ 494	$ 443	$ —	$ —
Liabilities								
Price risk management liabilities (c):								
Interest rate swaps	$ 20	$ —	$ 20	$ —	$ 23	$ —	$ 23	$ —
Total price risk management liabilities	$ 20	$ —	$ 20	$ —	$ 23	$ —	$ 23	$ —
PPL Electric								
Assets								
Cash and cash equivalents	$ 58	$ 58	$ —	$ —	$ 40	$ 40	$ —	$ —
Total assets	$ 58	$ 58	$ —	$ —	$ 40	$ 40	$ —	$ —
LG&E								
Assets								
Cash and cash equivalents	$ 4	$ 4	$ —	$ —	$ 7	$ 7	$ —	$ —
Total assets	$ 4	$ 4	$ —	$ —	$ 7	$ 7	$ —	$ —
Liabilities								
Price risk management liabilities:								
Interest rate swaps	$ 20	$ —	$ 20	$ —	$ 23	$ —	$ 23	$ —
Total price risk management liabilities	$ 20	$ —	$ 20	$ —	$ 23	$ —	$ 23	$ —
KU								
Assets								
Cash and cash equivalents	$ 7	$ 7	$ —	$ —	$ 22	$ 22	$ —	$ —
Total assets	$ 7	$ 7	$ —	$ —	$ 22	$ 22	$ —	$ —

(a) Included in "Other current 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 "Other current liabilities" and noncurrent portion is included in "Other deferred credits and noncurrent liabilities" on the Balance Sheets.

Special Use Funds

(PPL)

The special use funds are investments restricted for paying active union employee medical costs. In May 2018, PPL received a favorable private letter ruling from the IRS permitting a transfer of excess funds from the PPL Bargaining Unit Retiree Health Plan VEBA to a new subaccount within the VEBA to be used to pay medical claims of active bargaining unit employees. 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, LG&E and KU)

To manage interest rate risk, PPL, 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 used 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, 2021		December 31, 2020	
	Carrying Amount (a)	Fair Value	Carrying Amount (a)	Fair Value
PPL	$ 13,295	$ 15,393	$ 14,689	$ 17,774
PPL Electric	4,885	5,732	4,236	5,338
LG&E	2,006	2,394	2,007	2,499
KU	2,618	3,160	2,618	3,334

(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. Until the sale of the U.K. utility business on June 14, 2021, PPL and WPD held 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 and LG&E utilize over-the-counter interest rate swaps to limit exposure to market fluctuations on floating-rate debt. PPL, LG&E and KU utilize forward starting interest rate swaps to hedge changes in benchmark interest rates, when appropriate, in connection with future debt issuances.
- PPL and its subsidiaries are exposed to interest rate risk associated with debt securities 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, prior to the sale of the U.K. utility business on June 14, 2021, for certain plans at WPD due to the recovery methods in place.

Foreign Currency Risk (PPL)

- Prior to the sale of the U.K. utility business on June 14, 2021, PPL was 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.

- Prior to the sale of the U.K. utility business on June 14, 2021, WPD was exposed to volumetric risk which was 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, prior to the sale of the U.K. utility business on June 14, 2021, 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 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, 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 no obligation and an immaterial obligation to return cash collateral under master netting arrangements at June 30, 2021 and December 31, 2020.

PPL had no obligation to post cash collateral under master netting arrangements at June 30, 2021 and December 31, 2020.

LG&E and KU had no obligation to return cash collateral under master netting arrangements at June 30, 2021 and December 31, 2020.

LG&E and KU had no obligation to post cash collateral under master netting arrangements at June 30, 2021 and December 31, 2020.

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 June 30, 2021.

As of June 30, 2021, PPL had no aggregate notional value in cross-currency interest rate swap contracts. In March 2021, $500 million of WPD's U.S. dollar-denominated senior notes were repaid prior to maturity and $500 million notional value of cross-currency interest rate swap contracts matured.

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, 2021 and 2020, PPL had no cash flow hedges reclassified into earnings associated with discontinued cash flow hedges.

At June 30, 2021, 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 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 June 30, 2021, LG&E held contracts with a notional amount of $64 million that mature in 2033.

Foreign Currency Risk *(PPL)*

Prior to the sale of the U.K. utility business on June 14, 2021, PPL was exposed to foreign currency risk, primarily through investments in and earnings of U.K. affiliates. PPL had 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 sale of its U.K. utility business and net investments. In addition, PPL entered into financial instruments to protect against foreign currency translation risk of expected GBP earnings.

Net Investment Hedges

Prior to the sale of the U.K. utility business on June 14, 2021, PPL entered 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, 2021.

At December 31, 2020, PPL had $33 million of accumulated net investment hedge after tax gains (losses) that were included in the foreign currency translation adjustment component of AOCI. The remaining balance was transferred out of AOCI and realized in discontinued operations as a result of the sale of the U.K. utility business.

Economic Activity

Prior to the sale of the U.K. utility business on June 14, 2021, PPL entered into foreign currency contracts on behalf of a subsidiary to economically hedge GBP-denominated anticipated earnings and anticipated transactions, including the sale of its U.K. utility business.

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, 2021 and December 31, 2020.

See Note 1 in each Registrant's 2020 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, 2021				December 31, 2020			
	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:								
Interest rate swaps (a) (b)	$ —	$ —	$ —	$ 2	$ —	$ —	$ —	$ 2
Cross-currency swaps (c)	—	—	—	—	94	—	—	—
Foreign currency contracts (c)	—	—	—	—	—	—	—	137
Total current	—	—	—	2	94	—	—	139
Noncurrent:								
Price Risk Management								
Assets/Liabilities:								
Interest rate swaps (a) (b)	—	—	—	18	—	—	—	21
Cross-currency swaps (c)	—	—	—	—	52	—	—	—
Total noncurrent	—	—	—	18	52	—	—	21
Total derivatives	$ —	$ —	$ —	$ 20	$ 146	$ —	$ —	$ 160

(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.
(c) Included in "Current assets held for sale" and "Current liabilities held for sale" on the Balance Sheets.

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, 2021.

	Three Months	Six Months		Three Months	Six Months
Derivative Relationships	Derivative Gain (Loss) Recognized in OCI	Derivative Gain (Loss) Recognized in OCI	Location of Gain (Loss) Recognized in Income on Derivative	Gain (Loss) Reclassified from AOCI into Income	Gain (Loss) Reclassified from AOCI into Income
Cash Flow Hedges:					
Interest rate swaps	$ —	$ —	Interest expense	$ 14	$ 13
			Income (Loss) from Discontinued Operations (net of taxes)	(1)	(2)
Cross-currency swaps	(4)	(50)	Income (Loss) from Discontinued Operations (net of taxes)	(2)	(39)
Total	$ (4)	$ (50)		$ 11	$ (28)

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	Three Months	Six Months
Foreign currency contracts	Income (Loss) from Discontinued Operations (net of taxes)	$ (241)	$ (266)
Interest rate swaps	Interest expense	(1)	(2)
	Total	$ (242)	$ (268)

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	$ (3)	$ 3

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)	$ (4)
			Income (Loss) from Discontinued Operations (net of taxes)	—	(1)
Cross-currency swaps	39	54	Income (Loss) from Discontinued Operations (net of taxes)	26	32
Total	$ 34	$ 44		$ 24	$ 27

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	Three Months	Six Months
Foreign currency contracts	Income (Loss) from Discontinued operations (net of taxes)	$ 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 table presents the effect of cash flow hedge activity on the Statement of Income for the period ended June 30, 2021.

	Location and Amount of Gain (Loss) Recognized in Income on Hedging Relationships			
	Three Months		Six Months	
	Interest Expense	Income (Loss) from Discontinued Operations (net of income taxes)	Interest Expense	Income (Loss) from Discontinued Operations (net of income taxes)
Total income and expense line items presented in the income statement in which the effect of cash flow hedges are recorded	$ 474	$ 555	$ 627	$ (1,488)
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	14	(1)	13	(2)
Cross-currency swaps:				
Hedged items	—	2	—	39
Amount of gain (loss) reclassified from AOCI to Income	—	(2)	—	(39)

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

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	Location and Amount of Gain (Loss) Recognized in Income on Hedging Relationships			
	Three Months		Six Months	
	Interest Expense	Income (Loss) from Discontinued Operations (net of taxes)	Interest Expense	Income (Loss) from Discontinued Operations (net of taxes)
Total income and expense line items presented in the income statement in which the effect of cash flow hedges are recorded	$ 164	$ 191	$ 318	$ 541
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)	—	(4)	(1)
Cross-currency swaps:				
Hedged items	—	(26)	—	(32)
Amount of gain (loss) reclassified from AOCI to Income	—	26	—	32

(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, 2021		December 31, 2020	
	Assets	Liabilities	Assets	Liabilities
Current:				
Price Risk Management				
Assets/Liabilities:				
Interest rate swaps	$ —	$ 2	$ —	$ 2
Total current	—	2	—	2
Noncurrent:				
Price Risk Management				
Assets/Liabilities:				
Interest rate swaps	—	18	—	21
Total noncurrent	—	18	—	21
Total derivatives	$ —	$ 20	$ —	$ 23

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, 2021.

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	$ (3)	$ 3

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)

(PPL, LG&E and KU)

Offsetting Derivative Instruments

PPL, 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, 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, 2021								
Treasury Derivatives								
PPL	$ —	$ —	$ —	$ —	$ 20	$ —	$ —	$ 20
LG&E	—	—	—	—	20	—	—	20

	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
LG&E	—	—	—	—	23	—	—	23

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, 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, 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 June 30, 2021, there were no 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.

16. Asset Retirement Obligations

(PPL, LG&E and KU)

PPL'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 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	LG&E	KU
Balance at December 31, 2020	$ 182	$ 67	$ 115
Accretion	8	3	5
Changes in estimated timing or cost	15	5	10
Obligations settled	(33)	(15)	(18)
Balance at June 30, 2021	$ 172	$ 60	$ 112

17. 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, 2021	$ (855)	$ (5)	$ (16)	$ (3,006)	$ (3,882)
Amounts arising during the period	69	(9)	—	(6)	54
Reclassifications from AOCI	—	(1)	(7)	67	59
Reclassifications from AOCI due to the sale of the U.K. utility business (Note 9)	786	15	8	2,769	3,578
Net OCI during the period	855	5	1	2,830	3,691
June 30, 2021	$ —	$ —	$ (15)	$ (176)	$ (191)
December 31, 2020	$ (1,158)	$ —	$ (16)	$ (3,046)	$ (4,220)
Amounts arising during the period	372	(39)	—	(6)	327
Reclassifications from AOCI	—	24	(7)	107	124
Reclassifications from AOCI due to the sale of the U.K. utility business (Note 9)	786	15	8	2,769	3,578
Net OCI during the period	1,158	—	1	2,870	4,029
June 30, 2021	$ —	$ —	$ (15)	$ (176)	$ (191)
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)

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

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	2021	2020	2021	2020	Statements of Income
Qualifying derivatives					
Interest rate swaps	$ 14	$ (2)	$ 13	$ (4)	Interest Expense
	(1)	—	(2)	(1)	Income (Loss) from Discontinued Operations (net of income taxes)
Cross-currency swaps	(2)	26	(39)	32	Income (Loss) from Discontinued Operations (net of income taxes)
Total Pre-tax	11	24	(28)	27	
Income Taxes	(10)	(4)	4	(4)	
Total After-tax	1	20	(24)	23	
Defined benefit plans					
Prior service costs (a)	9	(1)	9	(2)	
Net actuarial loss (a)	(71)	(58)	(133)	(117)	
Total Pre-tax	(62)	(59)	(124)	(119)	
Income Taxes	2	11	24	23	
Total After-tax	(60)	(48)	(100)	(96)	
Sale of the U.K. utility business (Note 9)					
Foreign currency translation adjustments	(646)	—	(646)	—	Income (Loss) from Discontinued Operations (net of income taxes)
Qualifying derivatives	(15)	—	(15)	—	Income (Loss) from Discontinued Operations (net of income taxes)
Defined benefit plans	(3,577)	—	(3,577)	—	Income (Loss) from Discontinued Operations (net of income taxes)
Total Pre-tax	(4,238)	—	(4,238)	—	
Income Taxes	660	—	660	—	
Total After-tax	(3,578)	—	(3,578)	—	
Total reclassifications during the period	$ (3,637)	$ (28)	$ (3,702)	$ (73)	

(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, 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' 2020 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, 2021 with the same periods in 2020. The 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.

- "Application of Critical Accounting Policies" provides an update to PPL's critical accounting policy related to "Income Taxes."

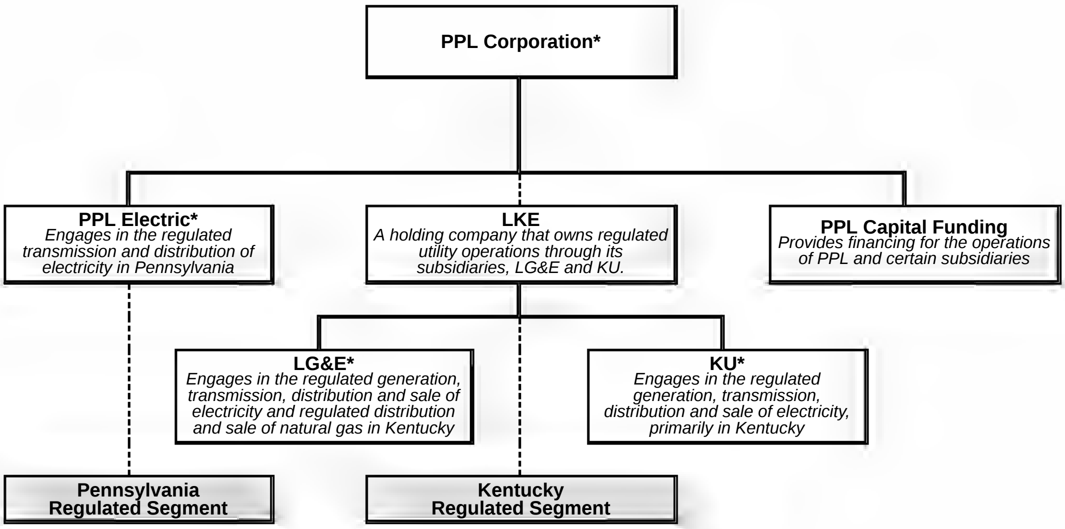
Overview

Introduction

(PPL)

PPL, headquartered in Allentown, Pennsylvania, is a utility holding company. PPL, through its regulated utility subsidiaries, delivers electricity to customers in 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 LKE and PPL Electric, except that in 2020 the reportable segments were also allocated certain corporate level financing and other costs that were not included in the results of LKE and PPL Electric. In 2021, corporate level financing costs are no longer being allocated to the reportable segments.

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.

(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's strategy, which is supported by the other Registrants, is to achieve industry-leading performance in safety, reliability, customer satisfaction and operational efficiency; to advance a clean energy transition while maintaining affordability and reliability; to maintain a strong financial foundation and create long-term value for our shareowners; to foster a diverse and exceptional workplace; and to build strong communities in areas that we serve.

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 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.

In March 2021, PPL entered into definitive agreements that strategically reposition the company as a U.S.-based energy company focused on building the utilities of the future. PPL WPD Limited entered into a share purchase agreement to sell PPL's U.K. utility business to National Grid Holdings One plc, a subsidiary of National Grid plc. On June 14, 2021, PPL completed the sale of its U.K. utility business. PPL and its subsidiary, PPL Energy Holdings, also entered into a separate share purchase agreement to acquire Narragansett Electric from a different subsidiary of National Grid plc, to be financed with a portion of the proceeds from the sale of the U.K. utility business. On May 3, 2021, an Assignment and Assumption Agreement was entered into by PPL, PPL Energy Holdings, PPL Rhode Island Holdings and National Grid U.S. whereby certain interests of PPL Energy Holdings in the Narragansett SPA were assigned to and assumed by PPL Rhode Island Holdings. These transactions are intended to strengthen PPL’s credit metrics, enhance long-term earnings growth and predictability, and provide the company with greater financial flexibility to invest in sustainable energy solutions. See Note 9 to the Financial Statements, and the discussions in "Financial and Operating Developments" below, for additional information on these transactions.

Financial and Operational Developments

(PPL)

Share Purchase Agreement to Sell U.K. Utility Business

On March 17, 2021, PPL WPD Limited (WPD Limited) entered into a share purchase agreement (the WPD SPA) to sell PPL's U.K. utility business to National Grid Holdings One plc (National Grid U.K.), a subsidiary of National Grid plc. Pursuant to the WPD SPA, National Grid U.K. would acquire 100% of the issued share capital of PPL WPD Investments Limited (WPD Investments) for £7.8 billion in cash. WPD Limited would also receive an additional amount of £548,000 for each day during the period from January 1, 2021 to the closing date if the dividends usually declared by WPD Investments to WPD Limited are not paid for that period.

On June 14, 2021, the sale of the U.K. utility business was completed. The transaction resulted in cash proceeds of $10.7 billion inclusive of foreign currency hedges executed by PPL. PPL received net proceeds, after taxes and fees, of $10.4 billion, resulting in a pre-tax loss on sale of $1,609 million.

WPD Limited and National Grid U.K. each made customary representations and warranties in the WPD SPA. National Grid U.K., at its expense, purchased warranty and indemnity insurance. WPD Limited agreed to indemnify National Grid U.K. for certain tax related matters. See Note 11 to the Financial Statements for additional information. PPL will not have any significant involvement with the U.K. utility business after completion of the sale.

See Note 9 to the Financial Statements for additional information on the sale of the U.K. utility business.

Share Purchase Agreement to Acquire Narragansett Electric

On March 17, 2021, PPL and its subsidiary, PPL Energy Holdings, entered into a share purchase agreement (Narragansett SPA) with National Grid USA (National Grid U.S.), a subsidiary of National Grid plc to acquire 100% of the outstanding shares of common stock of Narragansett Electric for approximately $3.8 billion in cash. On May 3, 2021, an Assignment and Assumption Agreement was entered into by PPL, PPL Energy Holdings, PPL Rhode Island Holdings and National Grid U.S. whereby certain interests of PPL Energy Holdings in the Narragansett SPA were assigned to and assumed by PPL Rhode Island Holdings. Pursuant to that Assignment and Assumption Agreement, PPL Rhode Island Holdings became the purchasing entity under the Narragansett SPA. The acquisition is expected to be funded with proceeds from the sale of the U.K. utility business. PPL has agreed to guarantee all obligations of PPL Energy Holdings and PPL Rhode Island Holdings under the Narragansett SPA and the related Assignment and Assumption Agreement.

The closing of the acquisition, which is currently expected to occur by March 2022, is subject to the receipt of certain U.S. regulatory approvals or waivers, and other customary conditions to closing. The consummation of the transaction is not subject to a financing condition.

See Note 9 to the Financial Statements for additional information on the Narragansett SPA.

Use of Proceeds from the Sale of the U.K. Utility Business *(All Registrants)*

PPL announced its intent to use the proceeds from the sale of the U.K. utility business to acquire Narragansett Electric to further strengthen its balance sheet and enhance opportunities for growth. The announcement included plans to reduce outstanding debt by approximately $3 billion to $3.5 billion. PPL will continue to evaluate the best use of the remaining proceeds to maximize shareowner value. This includes potentially investing incremental capital at PPL's utilities or in renewables, and repurchasing shares.

Long Term Debt

In connection with the company’s strategic repositioning, PPL Capital Funding tendered and/or redeemed an aggregate total of $3,484 million of outstanding debt during June and July 2021. The extinguished debt consisted of a series of $3,034 million of Senior Notes and $450 million of Junior Subordinated notes.

The total cash purchase price for the retired Senior Notes was $3,426 million, which resulted in a loss on extinguishment of debt of $322 million and $58 million being recorded in the second and third quarters of 2021 related primarily to premiums paid.

PPL Capital Funding also redeemed its $450 million of 5.90% Junior Subordinated Notes due in 2073 at par. There was no loss on the redemption of these notes.

See Note 8 to the Financial Statements for additional information related to the companies’ financing activities.

Capital Expenditures

Capital expenditure plans are revised periodically to reflect changes in operational, market and regulatory conditions. In connection with PPL’s announced strategic repositioning, the company is reevaluating its capital expenditure plan, which may result in an increase to its previously disclosed capital expenditure projections for PPL’s domestic utilities included in “Item 7. Combined Management’s Discussion and Analysis of Financial Condition and Result of Operations - Financial Condition – Liquidity and Capital Resources – Forecasted Uses of Cash – Capital Expenditures” in PPL’s 2020 Form 10-K.

Share Repurchase

In July of 2021, PPL's Board of Directors authorized share repurchases of up to $3 billion of PPL common shares. PPL currently expects to repurchase $500 million by the end of 2021. The actual amount repurchased will depend on various factors, including PPL’s share price, market conditions, and the determination of other uses for the proceeds from the sale of the U.K. utility business, including for incremental capital expenditures.

(PPL)

LKE Debt Redemption

On July 1, 2021, LKE redeemed, at par, its $250 million 4.375% Senior Notes due 2021 and on July 9, 2021, LKE filed a Form 15 with the SEC to suspend its duty to file reports under sections 13 and 15(d) of the Securities Exchange Act of 1934. As a result, beginning with this Form 10-Q, LKE is no longer reported as a Registrant. PPL has no intention to issue debt from the LKE subsidiary in the future.

U.K. Corporation Tax Rate Change

The U.K. Finance Act 2021, formally enacted on June 10, 2021, increased the U.K. corporation tax rate from 19% to 25%, effective April 1, 2023. The primary impact of the corporation tax rate increase was an increase in deferred tax liabilities of the U.K. utility business, which was sold on June 14, 2021, and a corresponding deferred tax expense of $383 million, which was recognized in continuing operations.

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, LG&E and KU)

The businesses of 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 environmental requirements led PPL, LG&E and KU to retire approximately 1,200 MW of coal-fired generating plants in Kentucky since 2010. As part of the long-term generation planning process, LG&E and KU evaluate a range of factors including the impact of potential stricter environmental regulations, fuel price scenarios, the cost of replacement generation, continued operations and major maintenance costs and the risk of major equipment failures in determining when to retire generation assets. As a result of environmental requirements and aging infrastructure, LG&E anticipates retiring two older coal-fired units at the Mill Creek Plant and KU anticipates retiring one coal-fired unit at the E.W. Brown plant. Mill Creek Unit 1 has 300 MW of capacity and is expected to be retired in 2024. Mill Creek Unit 2 and E.W. Brown Unit 3 have capacities of 297 MW and 412 MW and are expected to be retired in 2028. LG&E and KU anticipate earning recovery of and return on any remaining net book value of these assets through the Retired Asset Recovery (RAR) rider. See Note 7 to the Financial Statements for additional information related to the RAR rider.

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 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 and April 19, 2021, PPL Electric filed Petitions 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.

In the three and six months ended June 30, 2021, PPL Electric recorded a revenue reserve of $17 million and $36 million after-tax representing revenue subject to refund for the period May 21, 2020 through June 30, 2021. Of these amounts, $7 million for the three months ended June 30, 2021 and $20 million for the six months ended June 30, 2021, relates to the period from May 21, 2020 to December 31, 2020.

FERC Transmission Rate Filing (PPL, 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. In September 2020, the FERC issued orders in the rehearing process that modified various aspects of the September 2019 orders which had approved future termination of the credits, including adjusting which customer arrangements are covered by the transition mechanism and respective future periods or dates for termination of credits. In November 2020, the FERC denied the parties' rehearing requests. In November 2020 and January 2021, LG&E and KU and other parties appealed the September 2020 and November 2020 orders at the D.C. Circuit Court of Appeals. The appellate proceedings are continuing, and also include certain additional prior pending petitions for review relating to the matter. On January 15, 2021, LG&E and KU made a filing seeking FERC acceptance of a new proposal for a transition mechanism. On March 16, 2021, the FERC accepted the filed transition mechanism agreements effective on March 17, 2021 but subject to refund, and established hearing and settlement procedures. LG&E and KU cannot predict the outcome of the respective appellate and FERC proceedings. LG&E and KU currently receive recovery of the waivers and credits provided through other rate mechanisms and such rate recovery would be anticipated to be adjusted consistent with potential changes or terminations of the waivers and credits, as such become effective.

Rate Case Proceedings

(PPL, 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. In recognition of the economic impact of COVID-19, LG&E and KU requested 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 included a request for a CPCN to deploy Advanced Metering Infrastructure across LG&E’s and KU’s service territories in Kentucky.
The applications were based on a forecasted test year of July 1, 2021 through June 30, 2022 and requested an authorized return on equity of 10.0%.

On April 19, 2021, LG&E and KU entered into an agreement with all intervening parties to the proceedings resolving all matters in their applications, with the explicit exception of LG&E's and KU's net metering proposals. The agreement proposed increases in annual revenues of $217 million ($77 million and $116 million in electricity revenues at LG&E and KU and

$24 million in gas revenues at LG&E) based on an authorized return on equity of 9.55%. The proposal included an authorized 9.35% return on equity for the ECR and GLT mechanisms. The agreement did not modify the requested one-year billing credit. The agreement proposed that the KPSC should grant LG&E's and KU's request for a CPCN to deploy Advanced Metering Infrastructure and proposed the establishment of a Retired Asset Recovery rider (RAR) to provide for recovery of and return on the remaining investment in certain electric generating units upon their retirement over a ten-year period following retirement. In respect of the RAR rider, the agreement proposed that LG&E and KU will continue to use currently approved depreciation rates for Mill Creek Units 1 and 2 and Brown Unit 3. The agreement also proposed a four-year "stay-out" commitment from LG&E and KU to refrain from effective base rate increases before July 1, 2025, subject to certain exceptions.

On June 30, 2021, the KPSC issued orders approving the proposed agreement filed in April 2021, with certain modifications. The orders provide for increases in annual revenues of $199 million ($73 million and $106 million in electricity revenues at LG&E and KU and $20 million in gas revenues at LG&E) based on an authorized return on equity of 9.425%. The order grants the requested authorized 9.35% return on equity for the ECR and GLT mechanisms and does not modify the requested one-year billing credit. The orders approve the CPCN to deploy Advanced Metering Infrastructure and provide regulatory asset treatment for the remaining net book value of legacy meters upon full implementation of the Advanced Metering Infrastructure program. The orders also approve the establishment of the RAR rider and accepted the four-year "stay-out". The orders, however, disallowed certain legal costs that were included in the settlement. An order on the remaining net metering issues is expected by the end of September 2021. On July 23, 2021, LG&E and KU filed motions for partial rehearing and clarification of the return on equity, the disallowed legal costs and certain other matters related to the KPSC's orders. PPL, LG&E and KU cannot predict the outcome of the motions for partial rehearing and clarification or the remaining net metering issues.

(KU)

On June 30, 2021, KU filed a notice of intent with the VSCC to file an application for proposed adjustments of general electricity rates on or after August 31, 2021. KU cannot predict the outcome of this proceeding.

Results of Operations

(PPL)

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, 2021 with the same periods in 2020. The "Segment Earnings" and "Adjusted Gross Margins" discussions 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.

(PPL Electric, LG&E and KU)

A "Statement of Income Analysis" is presented separately for PPL Electric, 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, 2021 with the same periods in 2020.

(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		
	2021	2020	$ Change	2021	2020	$ Change
Operating Revenues	$ 1,288	$ 1,263	$ 25	$ 2,786	$ 2,703	$ 83
Operating Expenses						
Operation						
Fuel	159	138	21	336	301	35
Energy purchases	137	133	4	357	334	23
Other operation and maintenance	404	353	51	771	708	63
Depreciation	269	255	14	536	505	31
Taxes, other than income	49	37	12	101	84	17
Total Operating Expenses	1,018	916	102	2,101	1,932	169
Other Income (Expense) - net	13	10	3	13	5	8
Interest Expense	474	164	310	627	318	309
Income (Loss) from Continuing Operations Before Income Taxes	(191)	193	(384)	71	458	(387)
Income Taxes	345	40	305	404	101	303
Income (Loss) from Continuing Operations After Income Taxes	(536)	153	(689)	(333)	357	(690)
Income (Loss) from Discontinued Operations (net of income taxes) (Note 9)	555	191	364	(1,488)	541	(2,029)
Net Income (Loss)	$ 19	$ 344	$ (325)	$ (1,821)	$ 898	$ (2,719)

Operating Revenues

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

	Three Months	Six Months
PPL Electric distribution price (a)	$ (5)	$ (7)
PPL Electric distribution volume (b)	2	19
PPL Electric PLR (c)	—	6
PPL Electric transmission formula rate (d)	(14)	(36)
LG&E volumes (e)	4	24
LG&E fuel and other energy prices (f)	6	16
LG&E demand	2	1
KU volumes (e)	11	34
KU fuel and other energy prices (f)	7	12
KU demand	5	6
Other	7	8
Total	$ 25	$ 83

(a) The decreases were primarily due to lower distribution rider prices.
(b) The increase for the six months ended June 30, 2021 was primarily due to favorable weather.
(c) The increase for the six months ended June 30, 2021 was due to favorable volumes, partially offset by lower prices and higher customer shopping.
(d) The decreases were primarily due to a reserve recorded due to a challenge to the transmission formula rate return on equity and a lower PPL zonal peak load billing factor, partially offset by returns on additional transmission capital investments and return of related depreciation expense. See Note 7 to the Financial Statements for additional information on the transmission formula rate return on equity challenge.
(e) The increases were primarily due to favorable weather.
(f) The increases were primarily due to higher recoveries of fuel and energy purchases due to higher commodity costs and higher off-system sales prices.

Fuel

Fuel increased $21 million for the three months ended June 30, 2021 compared with 2020, primarily due to a $16 million increase in volumes driven by weather and the timing of generation maintenance outages at LG&E and a $5 million increase in commodity costs at KU.

Fuel increased $35 million for the six months ended June 30, 2021 compared with 2020, primarily due to a $9 million increase in volumes driven by weather and the timing of generation maintenance outages at LG&E and due to a $17 million increase in volumes driven by weather and the timing of generation maintenance outages and an $8 million increase in commodity costs at KU.

Energy Purchases

Energy purchases increased $4 million for the three months ended June 30, 2021 compared with 2020, due to a $5 million increase in commodity costs at LG&E.

Energy purchases increased $23 million for the six months ended June 30, 2021 compared with 2020, due to a $9 million increase in gas volumes driven by weather and a $9 million increase in commodity costs at LG&E as well as higher PLR volumes of $19 million, partially offset by lower PLR prices of $16 million at PPL Electric.

Other Operation and Maintenance

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

	Three Months	Six Months
PPL Electric canceled projects	$ —	$ (11)
PPL Electric bad debts	(6)	(9)
PPL Electric storm costs	(2)	4
LG&E plant operations and maintenance	2	5
LG&E gas distribution operations and maintenance	2	2
KU plant operations and maintenance	3	8
KU distribution operations and maintenance	—	4
KU transmission operations and maintenance	—	3
Solar panel impairment (Note 2)	37	37
Charges related to the sale of the U.K. utility business	8	8
Other	7	12
Total	$ 51	$ 63

Depreciation

The increase in depreciation was due to:

	Three Months	Six Months
Additions to PP&E, net	$ 12	$ 26
Other	2	5
Total	$ 14	$ 31

Taxes, Other Than Income

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

	Three Months		Six Months	
State gross receipts tax (a)	$	8	$	10
Domestic property tax expense		4		6
Other		—		1
Total	$	12	$	17

(a) The increases were primarily due to a favorable settlement of 2008-2010 gross receipts tax assessments in 2020.

Other Income (Expense) - net

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

	Three Months		Six Months	
Defined benefit plans - non-service credits (Note 10)	$	6	$	9
Other		(3)		(1)
Total	$	3	$	8

Interest Expense

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

	Three Months		Six Months	
Loss on extinguishment of debt (Note 8)	$	322	$	322
Long-term debt		(10)		(6)
Other		(2)		(7)
Total	$	310	$	309

Income Taxes

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

	Three Months		Six Months	
Change in pre-tax income	$	(109)	$	(110)
Valuation allowance adjustments (a)		20		22
Impact of the U.K. Finance Acts on deferred tax balances (b)		385		386
Amortization of excess deferred federal and state income taxes		4		3
Other		5		2
Total	$	305	$	303

(a) In June 2021, PPL recorded a $25 million state deferred tax benefit on a net operating loss and an offsetting valuation allowance in connection with the loss on extinguishment associated with a tender offer to purchase and retire PPL Capital Funding's outstanding Senior Notes. See Note 8 to the Financial Statements for additional information on the tender offer.

(b) The U.K. Finance Act 2021, formally enacted on June 10, 2021, increased the U.K. corporation tax rate from 19% to 25%, effective April 1, 2023. The primary impact of the corporation tax rate increase was an increase in deferred tax liabilities of the U.K. utility business, which was sold on June 14, 2021, and a corresponding deferred tax expense of $383 million, which was recognized in continuing operations.

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

Income from discontinued operations (net of income taxes) increased $364 million for the three months ended June 30, 2021 compared with 2020. The increase was attributable primarily to an increase in operating revenues.

Loss from discontinued operations (net of income taxes) increased $2,029 million for the six months ended June 30, 2021 compared with 2020. The decrease was attributable primarily to a loss on sale of $1,609 million and an increase in income tax expense of $637 million in 2021, offset by an increase in income before income taxes of $217 million. The increase in income tax expense includes federal tax expense of $647 million for the recognition of the tax cost associated with the realization of the book-tax outside basis difference in PPL's investment in the U.K. utility business.

See "Discontinued Operations" in Note 9 to the Financial Statements for summarized results of the operations of the U.K. utility business.

Segment Earnings

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

	Three Months			Six Months		
	2021	2020	$ Change	2021	2020	$ Change
Kentucky Regulated	$ 84	$ 74	$ 10	$ 230	$ 201	$ 29
Pennsylvania Regulated	96	118	(22)	209	236	(27)
Corporate and Other (a)(b)	(716)	(39)	(677)	(772)	(80)	(692)
Discontinued Operations (c)	555	191	364	(1,488)	541	(2,029)
Net Income	$ 19	$ 344	$ (325)	$ (1,821)	$ 898	$ (2,719)

(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.
(b) The amounts for the periods ended June 30, 2020 have been adjusted for certain costs that were previously included in the U.K. Regulated segment.
(c) See Note 9 to the Financial Statements for additional information.

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:

- 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.
- Significant losses on early extinguishment of debt.
- Other charges or credits that are, in management's view, non-recurring or otherwise not reflective of the company's ongoing operations.

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

	Three Months			Six Months		
	2021	2020	$ Change	2021	2020	$ Change
Kentucky Regulated	$ 84	$ 78	$ 6	$ 226	$ 205	$ 21
Pennsylvania Regulated	103	118	(15)	229	236	(7)
Corporate and Other (a)	(40)	(37)	(3)	(89)	(76)	(13)
Earnings from Ongoing Operations	$ 147	$ 159	$ (12)	$ 366	$ 365	$ 1

(a) The amounts for the periods ended June 30, 2020 have been adjusted for certain costs that were previously included in the U.K. Regulated segment.

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

Kentucky Regulated Segment

The Kentucky Regulated segment consists primarily of the 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.

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

	Three Months			Six Months		
	2021	2020	$ Change	2021	2020	$ Change
Operating revenues	$ 741	$ 700	$ 41	$ 1,626	$ 1,525	$ 101
Fuel	159	138	21	336	301	35
Energy purchases	27	22	5	98	79	19
Other operation and maintenance	215	207	8	435	411	24
Depreciation	158	151	7	314	300	14
Taxes, other than income	22	18	4	43	36	7
Total operating expenses	581	536	45	1,226	1,127	99
Other Income (Expense) - net	6	2	4	6	2	4
Interest Expense	62	77	(15)	126	152	(26)
Income Taxes	20	15	5	50	47	3
Net Income	84	74	10	230	201	29
Less: Special Items	—	(4)	4	4	(4)	8
Earnings from Ongoing Operations	$ 84	$ 78	$ 6	$ 226	$ 205	$ 21

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	2021	2020	2021	2020
Valuation allowance adjustment (a)	Income Taxes	$ —	$ —	$ 4	$ —
COVID-19 impact, net of tax of $0, $1, $0, $1 (b)	Other operation and maintenance	—	(4)	—	(4)
Total Special Items		$ —	$ (4)	$ 4	$ (4)

(a) Adjustment of valuation allowances related to certain tax credits recorded in 2017 as a result of the TCJA.
(b) 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	$ 10	$ 33
Other operation and maintenance	(9)	(21)
Depreciation	(4)	(8)
Taxes, other than income	(6)	(7)
Other Income (Expense) - net	4	4
Interest Expense	15	26
Income Taxes	(4)	(6)
Earnings from Ongoing Operations	6	21
Special items, after-tax	4	8
Net Income	$ 10	$ 29

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

- Higher other operation and maintenance expense for the three month period primarily due to a $4 million increase in plant operations and maintenance and a $2 million increase in administrative and general expenses.

- Higher other operation and maintenance expense for the six month period primarily due to an $11 million increase in plant operations and maintenance, a $5 million increase in distribution operations and maintenance and a $3 million increase in administrative and general expenses.

- Higher depreciation expense for the three and six month periods primarily due to additional assets placed into service, net of retirements.

- Higher taxes, other than income for the three month period primarily due to higher property taxes driven by increased property tax rates and additional assets placed into service.

- Lower interest expense for the three and six month periods primarily due to interest costs allocated to the Kentucky Regulated segment in 2020 that were not allocated in 2021.

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

Pennsylvania Regulated Segment

The Pennsylvania Regulated segment includes the regulated electricity transmission and distribution operations of PPL Electric.

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

	Three Months			Six Months		
	2021	2020	$ Change	2021	2020	$ Change
Operating revenues	$ 537	$ 554	$ (17)	$ 1,142	$ 1,162	$ (20)
Energy purchases	110	111	(1)	259	255	4
Other operation and maintenance	125	129	(4)	253	266	(13)
Depreciation	109	101	8	217	199	18
Taxes, other than income	26	18	8	58	48	10
Total operating expenses	370	359	11	787	768	19
Other Income (Expense) - net	5	5	—	10	9	1
Interest Expense	42	42	—	85	86	(1)
Income Taxes	34	40	(6)	71	81	(10)
Net Income	96	118	(22)	209	236	(27)
Less: Special Item	(7)	—	(7)	(20)	—	(20)
Earnings from Ongoing Operations	$ 103	$ 118	$ (15)	$ 229	$ 236	$ (7)

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

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	Income Statement Line Item	Three Months 2021	Three Months 2020	Six Months 2021	Six Months 2020
Challenge to transmission formula rate return on equity reserve, net of tax of $2, $0, $8, $0 (a)	Operating revenues	$ (7)	$ —	$ (20)	$ —
Total Special Items		$ (7)	$ —	$ (20)	$ —

(a) Represents the portion of the reserve recognized in the June 30, 2021 Statements of Income related to the period from May 21, 2020 through December 31, 2020. See Note 7 to the Financial Statements for additional information.

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 and the items that management considers special on separate lines and not in their respective Statement of Income line items.

	Three Months	Six Months
Pennsylvania Adjusted Gross Margins	$ (13)	$ (11)
Other operation and maintenance	6	17
Depreciation	(6)	(11)
Taxes, other than income	(7)	(7)
Other Income (Expense) - net	—	1
Interest Expense	—	1
Income Taxes	5	3
Earnings from Ongoing Operations	(15)	(7)
Special Item, after tax	(7)	(20)
Net Income	$ (22)	$ (27)

- 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.

- Lower other operation and maintenance expense for the six month period primarily due to lower canceled project write-offs of $11 million and lower bad debt expense of $9 million.

- Higher depreciation expense for the three month period primarily due to higher cost of removal and salvage amortization of $3 million and additional assets placed in service, net of retirements of $2 million.

- Higher depreciation expense for the six month period primarily due to higher cost of removal and salvage amortization of $6 million and additional assets placed in service, net of retirements of $6 million.

- Higher taxes, other than income for the three and six month periods primarily due to a favorable settlement of 2008-2010 gross receipts tax assessments in 2020.

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.

	2021 Three Months				
	KY Regulated	PA Regulated	Corporate and Other	Discontinued Operations (a)	Total
Net Income	$ 84	$ 96	$ (716)	$ 555	$ 19
Less: Special Item (expense) benefit:					
Income (Loss) from Discontinued Operations (a)	—	—	—	555	555
Talen litigation costs, net of tax of $1 (b)	—	—	(6)	—	(6)
Strategic corporate initiatives, net of tax of $1 (c)	—	—	(2)	—	(2)
Challenge to transmission formula rate return on equity reserve, net of tax of $2	—	(7)	—	—	(7)
Acquisition integration, net of tax of $1 (e)	—	—	(2)	—	(2)
U.K. tax rate change (f)	—	—	(383)	—	(383)
Solar panel impairment, net of tax of $9 (g)	—	—	(28)	—	(28)
Loss on early extinguishment of debt, net of tax of $67 (h)	—	—	(255)	—	(255)
Total Special Items	—	(7)	(676)	555	(128)
Earnings from Ongoing Operations	$ 84	$ 103	$ (40)	$ —	$ 147

	2020 Three Months				
	KY Regulated	PA Regulated	Corporate and Other (i)	Discontinued Operations (a)	Total
Net Income	$ 74	$ 118	$ (39)	$ 191	$ 344
Less: Special Item (expense) benefit:					
Income (Loss) from Discontinued Operations (a)	—	—	—	191	191
Talen litigation costs, net of tax of $0 (b)	—	—	(2)	—	(2)
COVID-19 impact, net of tax of $1	(4)	—	—	—	(4)
Total Special Items	(4)	—	(2)	191	185
Earnings from Ongoing Operations	$ 78	$ 118	$ (37)	$ —	$ 159

	2021 Six Months				
	KY Regulated	PA Regulated	Corporate and Other	Discontinued Operations (a)	Total
Net Income	$ 230	$ 209	$ (772)	$ (1,488)	$ (1,821)
Less: Special Items (expense) benefit:					
Income (Loss) from Discontinued Operations (a)	—	—	—	(1,492)	(1,492)
Talen litigation costs, net of tax of $2 (b)	—	—	(9)	—	(9)
Strategic corporate initiatives, net of tax of $1 (c)	—	—	(2)	—	(2)
Valuation allowance adjustment (d)	4	—	(4)	4	4
Challenge to transmission formula rate return on equity reserve, net of tax of $8	—	(20)	—	—	(20)
Acquisition integration, net of tax of $1 (e)	—	—	(2)	—	(2)
U.K. tax rate change (f)	—	—	(383)	—	(383)
Solar panel impairment, net of tax of $9 (g)	—	—	(28)	—	(28)
Loss on early extinguishment of debt, net of tax of $67 (h)	—	—	(255)	—	(255)
Total Special Items	4	(20)	(683)	(1,488)	(2,187)
Earnings from Ongoing Operations	$ 226	$ 229	$ (89)	$ —	$ 366

	2020 Six Months				
	KY Regulated	PA Regulated	Corporate and Other (i)	Discontinued Operations (a)	Total
Net Income	$ 201	$ 236	$ (80)	$ 541	$ 898
Less: Special Items (expense) benefit:					
Income (Loss) from Discontinued Operations (a)	—	—	—	541	541
Talen litigation costs, net of tax of $1 (b)	—	—	(4)	—	(4)
COVID-19 impact, net of tax of $1	(4)	—	—	—	(4)
Total Special Items	(4)	—	(4)	541	533
Earnings from Ongoing Operations	$ 205	$ 236	$ (76)	$ —	$ 365

(a) See Note 9 to the Financial Statements for additional information.
(b) PPL incurred legal expenses related to litigation with its former affiliate, Talen Montana. See Note 11 to the Financial Statements for additional information.
(c) Costs related to the process to sell the U.K. utility business.
(d) Adjustment of valuation allowances related to certain tax credits recorded in 2017 as a result of the TCJA.
(e) Costs related to the integration of Narragansett Electric. See Note 9 to the Financial Statements for additional information.
(f) The U.K. Finance Act 2021 was formally enacted on June 10, 2021, increasing the U.K. corporate income tax rate from 19% to 25% effective April 1, 2023. This reflects the deferred tax expense. See Note 6 to the Financial Statements for additional information.
(g) See Note 2 to the Financial Statements for additional information.
(h) See Note 8 to the Financial Statements for additional information.
(i) The amounts for the periods ended June 30, 2020 have been adjusted for certain costs that were previously included in the U.K. Regulated segment.

Adjusted Gross Margins

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

- "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		
	2021	2020	$ Change	2021	2020	$ Change
Kentucky Regulated						
Kentucky Adjusted Gross Margins	$ 489	$ 479	$ 10	$ 1,059	$ 1,026	$ 33
Pennsylvania Regulated						
Pennsylvania Adjusted Gross Margins						
Distribution	$ 211	$ 218	$ (7)	$ 458	$ 460	$ (2)
Transmission	159	165	(6)	315	324	(9)
Total Pennsylvania Adjusted Gross Margins	$ 370	$ 383	$ (13)	$ 773	$ 784	$ (11)

Kentucky Adjusted Gross Margins

Kentucky Adjusted Gross Margins increased for the three months ended June 30, 2021 compared with 2020, primarily due to $7 million of higher commercial and industrial demand revenue primarily due to the impacts of COVID-19 in 2020 and $2 million of higher sales volumes primarily due to weather.

Kentucky Adjusted Gross Margins increased for the six months ended June 30, 2021 compared with 2020, primarily due to $25 million of higher sales volumes primarily due to weather and $7 million of higher commercial and industrial demand primarily due to the impacts of COVID-19 in 2020.

Pennsylvania Adjusted Gross Margins

Distribution

Distribution Adjusted Gross Margins decreased for the three months ended June 30, 2021 compared with 2020, primarily due to an $8 million favorable adjustment related to TCJA customer refunds in 2020.

Distribution Adjusted Gross Margins decreased for the six months ended June 30, 2021 compared with 2020, primarily due to $8 million of lower returns on distribution system improvement capital investments and an $8 million favorable adjustment related to TCJA customer refunds in 2020, partially offset by $15 million of higher sales volumes primarily due to weather.

Transmission

Transmission Adjusted Gross Margins decreased for the three months ended June 30, 2021 compared with 2020, primarily due to an $11 million decrease as a result of a lower PPL zonal peak load billing factor and a $15 million decrease due to a reserve recorded as a result of a challenge to the transmission formula rate return on equity. Partially offsetting these unfavorable items was $16 million of returns on additional transmission capital investments focused on replacing aging infrastructure and improving reliability and $5 million return of related depreciation expense. See Note 7 to the Financial Statements for additional information on the transmission formula rate return on equity challenge.

Transmission Adjusted Gross Margins decreased for the six months ended June 30, 2021 compared with 2020, primarily due to a $28 million decrease as a result of a lower PPL zonal peak load billing factor and a $23 million decrease due to a reserve recorded as a result of a challenge to the transmission formula rate return on equity. Partially offsetting these unfavorable items was $34 million of returns on additional transmission capital investments focused on replacing aging infrastructure and improving reliability and $10 million return of related depreciation expense. See Note 7 to the Financial Statements for additional information on the transmission formula rate return on equity challenge.

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.

	2021 Three Months			
	Kentucky Adjusted Gross Margins	Pennsylvania Adjusted Gross Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 741	$ 545	$ 2	$ 1,288
Operating Expenses				
Fuel	159	—	—	159
Energy purchases	27	110	—	137
Energy purchases from affiliate	—		—	—
Other operation and maintenance	24	26	354	404
Depreciation	41	15	213	269
Taxes, other than income	1	24	24	49
Total Operating Expenses	252	175	591	1,018
Total	$ 489	$ 370	$ (589)	$ 270

	2020 Three Months			
	Kentucky Adjusted Gross Margins	Pennsylvania Adjusted Gross Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 700	$ 554	$ 9	$ 1,263
Operating Expenses				
Fuel	138	—	—	138
Energy purchases	22	111	—	133
Energy purchases from affiliate	—	—	—	—
Other operation and maintenance	20	23	310	353
Depreciation	38	13	204	255
Taxes, other than income	3	24	10	37
Total Operating Expenses	221	171	524	916
Total	$ 479	$ 383	$ (515)	$ 347

	2021 Six Months			
	Kentucky Adjusted Gross Margins	Pennsylvania Adjusted Gross Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 1,626	$ 1,169	$ (9)	$ 2,786
Operating Expenses				
Fuel	336	—	—	336
Energy purchases	98	259	—	357
Other operation and maintenance	49	51	671	771
Depreciation	81	32	423	536
Taxes, other than income	3	54	44	101
Total Operating Expenses	567	396	1,138	2,101
Total	$ 1,059	$ 773	$ (1,147)	$ 685

	2020 Six Months			
	Kentucky Adjusted Gross Margins	Pennsylvania Adjusted Gross Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 1,525	$ 1,162	$ 16	$ 2,703
Operating Expenses				
Fuel	301	—	—	301
Energy purchases	79	255	—	334
Other operation and maintenance	41	46	621	708
Depreciation	75	25	405	505
Taxes, other than income	3	52	29	84
Total Operating Expenses	499	378	1,055	1,932
Total	$ 1,026	$ 784	$ (1,039)	$ 771

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

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		
	2021	2020	$ Change	2021	2020	$ Change
Operating Revenues	$ 537	$ 554	$ (17)	$ 1,142	$ 1,162	$ (20)
Operating Expenses						
Operation						
Energy purchases	110	111	(1)	259	255	4
Other operation and maintenance	125	129	(4)	253	266	(13)
Depreciation	109	101	8	217	199	18
Taxes, other than income	26	18	8	58	48	10
Total Operating Expenses	370	359	11	787	768	19
Other Income (Expense) - net	5	5	—	10	8	2
Interest Income from Affiliate	—	—	—	—	1	(1)
Interest Expense	42	42	—	85	86	(1)
Income Taxes	34	40	(6)	71	81	(10)
Net Income	$ 96	$ 118	$ (22)	$ 209	$ 236	$ (27)

Operating Revenues

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

	Three Months	Six Months
Distribution price (a)	$ (5)	$ (7)
Distribution volume (b)	2	19
PLR (c)	—	6
Transmission Formula Rate (d)	(14)	(36)
Other	—	(2)
Total	$ (17)	$ (20)

(a) The decreases were primarily due to lower distribution rider prices.
(b) The increase for the six months ended June 30, 2021 was primarily due to favorable weather.
(c) The increase for the six months ended June 30, 2021 was due to favorable volumes, partially offset by lower prices and higher customer shopping.
(d) The decreases were primarily due to a reserve recorded due to a challenge to the transmission formula rate return on equity and a lower PPL zonal peak load billing factor, partially offset by returns on additional transmission capital investments and return of related depreciation expense. See Note 7 to the Financial Statements for additional information on the transmission formula rate return on equity challenge.

Energy Purchases

Energy purchases increased $4 million for the six months ended June 30, 2021 compared with 2020, primarily due to higher PLR volumes of $19 million, partially offset by lower PLR prices of $16 million.

Other Operation and Maintenance

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

	Three Months	Six Months
Canceled projects	$ —	$ (11)
Bad debts	(6)	(9)
Storm costs	(2)	4
Other	4	3
Total	$ (4)	$ (13)

Depreciation

The increase in depreciation was due to:

	Three Months	Six Months
Additions of PP&E, net	$ 5	$ 12
Cost of removal and salvage amortization	3	6
Total	$ 8	$ 18

Taxes, Other Than Income

Taxes, other than income increased by $8 million and $10 million for the three and six months ended June 30, 2021 compared with 2020, primarily due to a favorable settlement of 2008-2010 gross receipts tax assessments in 2020.

Income Taxes

Income taxes decreased $6 million and $10 million for the three and six months ended June 30, 2021 compared with 2020, primarily due to a change in pre-tax income.

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		
	2021	2020	$ Change	2021	2020	$ Change
Operating Revenues						
Retail and wholesale	$ 333	$ 320	$ 13	$ 754	$ 713	$ 41
Electric revenue from affiliate	9	2	7	16	16	—
Total Operating Revenues	342	322	20	770	729	41
Operating Expenses						
Operation						
Fuel	66	50	16	133	124	9
Energy purchases	23	18	5	89	70	19
Energy purchases from affiliate	3	8	(5)	8	8	—
Other operation and maintenance	97	92	5	193	184	9
Depreciation	68	65	3	134	129	5
Taxes, other than income	11	9	2	22	19	3
Total Operating Expenses	268	242	26	579	534	45
Other Income (Expense) - net	3	1	2	1	—	1
Interest Expense	20	22	(2)	41	44	(3)
Income Taxes	12	12	—	31	31	—
Net Income	$ 45	$ 47	$ (2)	$ 120	$ 120	$ —

Operating Revenues

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

	Three Months	Six Months
Volumes (a)	$ 10	$ 23
Fuel and other energy prices (b)	6	16
Demand	2	1
Other	2	1
Total	$ 20	$ 41

(a) The increases were primarily due to favorable weather.
(b) The increases were primarily due to higher recoveries of fuel and energy purchases due to higher commodity costs and higher off-system sales prices.

Fuel

Fuel increased $16 million and $9 million for the three and six months ended June 30, 2021 compared with 2020, primarily due to increased volumes driven by weather and the timing of generation maintenance outages.

Energy Purchases

Energy purchases increased $5 million for the three months ended June 30, 2021 compared with 2020, primarily due to an increase in commodity costs.

Energy purchases increased $19 million for the six months ended June 30, 2021 compared with 2020, primarily due to a $9 million increase in gas volumes driven by weather and a $9 million increase in commodity costs.

Energy Purchases from affiliate

Energy purchases from affiliate decreased $5 million for the three months ended June 30, 2021 compared with 2020, primarily due to the timing of generation maintenance outages.

Other Operation and Maintenance

The increase in other operation and maintenance was due to:

	Three Months	Six Months
Plant operations and maintenance	$ 2	$ 5
Gas distribution operations and maintenance	2	2
Other	1	2
Total	$ 5	$ 9

Depreciation

Depreciation increased $3 million for the three months ended June 30, 2021 compared with 2020, primarily due to additional assets placed into service, net of retirements.

Taxes, other than income

Taxes, other than income increased $2 million for the three months ended June 30, 2021 compared with 2020, primarily due to increased property tax expense in 2021 due to increases in tax rates and additional assets placed into service.

Interest expense

Interest expense decreased $2 million for the three months ended June 30, 2021 compared with 2020, primarily due to lower interest rates.

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		
	2021	2020	$ Change	2021	2020	$ Change
Operating Revenues						
Retail and wholesale	$ 408	$ 380	$ 28	$ 872	$ 812	$ 60
Electric revenue from affiliate	3	8	(5)	8	8	—
Total Operating Revenues	411	388	23	880	820	60
Operating Expenses						
Operation						
Fuel	93	88	5	203	177	26
Energy purchases	4	4	—	9	9	—
Energy purchases from affiliate	9	2	7	16	16	—
Other operation and maintenance	111	107	4	226	211	15
Depreciation	90	86	4	179	170	9
Taxes, other than income	11	8	3	21	17	4
Total Operating Expenses	318	295	23	654	600	54
Other Income (Expense) - net	3	—	3	4	1	3
Interest Expense	27	29	(2)	54	57	(3)
Income Taxes	13	11	2	34	31	3
Net Income	$ 56	$ 53	$ 3	$ 142	$ 133	$ 9

Operating Revenues

The increase in operating revenues was due to:

	Three Months	Six Months
Volumes (a)	$ 6	$ 32
Fuel and other energy prices (b)	7	12
Demand	5	6
Other	5	10
Total	$ 23	$ 60

(a) The increases were primarily due to favorable weather.
(b) The increases were primarily due to higher recoveries of fuel and energy purchases due to higher commodity costs and higher off-system sales prices.

Fuel

Fuel increased $5 million for the three months ended June 30, 2021 compared with 2020, primarily due to an increase in commodity costs.

Fuel increased $26 million for the six months ended June 30, 2021 compared with 2020, primarily due to a $17 million increase in volumes driven by weather and the timing of generation maintenance outages and an $8 million increase in commodity costs.

Energy Purchases from affiliate

Energy purchases from affiliate increased $7 million for the three months ended June 30, 2021 compared with 2020, primarily due to the timing of generation maintenance outages.

Other Operation and Maintenance

The increase in other operation and maintenance was due to:

	Three Months	Six Months
Plant operations and maintenance	$ 3	$ 8
Distribution operations and maintenance	—	4
Transmission operations and maintenance	—	3
Other	1	—
Total	$ 4	$ 15

Depreciation

Depreciation increased $4 million and $9 million for the three and six months ended June 30, 2021 compared with 2020, primarily due to additional assets placed into service, net of retirements.

Taxes, other than income

Taxes, other than income increased $3 million for the three months ended June 30, 2021 compared with 2020, primarily due to increased property tax expense in 2021 due to increases in tax rates and additional assets placed into service.

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		PPL Electric		LG&E		KU	
June 30, 2021								
Cash and cash equivalents	$	7,629	$	58	$	4	$	7
Short-term debt		—		—		—		—
Long-term debt due within one year		2,200		400		28		—
Notes payable to affiliates				—		282		226
December 31, 2020								
Cash and cash equivalents	$	442	$	40	$	7	$	22
Short-term debt		1,168		—		262		203
Long-term debt due within one year		1,074		400		292		132
Notes payable to affiliates				—		—		—

(PPL)

The Statements of Cash Flows separately report the cash flows of discontinued operations. The "Operating Activities", "Investing Activities" and "Financing Activities" sections below include only the cash flows of continuing operations.

(All Registrants)

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

	PPL		PPL Electric		LG&E		KU	
2021								
Operating activities	$	795	$	354	$	258	$	280
Investing activities		9,583		(1,533)		(215)		(266)
Financing activities		(3,556)		1,197		(46)		(29)
2020								
Operating activities	$	866	$	360	$	275	$	293
Investing activities		(1,149)		(558)		(214)		(451)
Financing activities		730		(51)		(71)		291
Change - Cash Provided (Used)								
Operating activities	$	(71)	$	(6)	$	(17)	$	(13)
Investing activities		10,732		(975)		(1)		185
Financing activities		(4,286)		1,248		25		(320)

Operating Activities

The components of the change in cash provided by (used in) operating activities for the six months ended June 30, 2021 compared with 2020 were as follows.

	PPL		PPL Electric		LG&E		KU	
Change - Cash Provided (Used)								
Net income	$	(690)	$	(27)	$	—	$	9
Non-cash components		293		10		7		1
Working capital		347		36		(20)		(28)
Defined benefit plan funding		20		—		3		—
Other operating activities		(41)		(25)		(7)		5
Total	$	(71)	$	(6)	$	(17)	$	(13)

(PPL)

PPL's cash provided by operating activities in 2021 decreased $71 million compared with 2020.

- Net income decreased $690 million between the periods and included an increase in non-cash charges of $293 million. The increase in non-cash charges was primarily due to the loss on extinguishment of debt and the impairment of solar panels.

- The $347 million increase in cash from changes in working capital was primarily due to an increase in taxes payable, an increase in accounts payable (primarily due to timing of payments) and an increase in regulatory liabilities (primarily due to the challenge to PPL Electric's transmission formula rate return on equity reserve and the timing of rate recovery mechanisms).

(PPL Electric)

PPL Electric's cash provided by operating activities in 2021 decreased $6 million compared with 2020.

- Net income decreased $27 million between the periods and included an increase in non-cash components of $10 million. The increase in non-cash components was primarily due to an increase in depreciation expense (primarily due to additional assets placed into service, net of retirements and increased cost of removal and salvage amortization) and an increase in deferred income taxes and investment tax credits (primarily due to the utilization of net operating losses partially offset by the tax impact of the transmission formula rate return on equity reserve), partially offset by a decrease in other expenses (primarily due to a decrease in canceled projects).

- The $36 million increase in cash from changes in working capital was primarily due to an increase in regulatory liabilities (primarily due to the challenge to transmission formula rate return on equity reserve and the timing of rate recovery mechanisms) and a decrease in materials and supplies (primarily due to a decrease in transmission capital projects material), partially offset by an increase in accounts receivable (primarily due to the impact of COVID-19) and a decrease in accounts payable (primarily due to timing of payments).

- The $25 million decrease in cash provided by other operating activities was driven primarily by an increase in noncurrent assets (primarily related to prepayments) and an increase in noncurrent regulatory assets (primarily related to energy conservation programs).

(LG&E)

LG&E's cash provided by operating activities in 2021 decreased $17 million compared with 2020.

- Net income was consistent between the periods and included an increase in non-cash components of $7 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).

- The decrease in cash from changes in working capital was due to an increase in tax payments (primarily due to timing of payments), an increase in net regulatory assets (primarily due to the timing of rate recovery mechanisms) 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).

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

(KU)

KU's cash provided by operating activities in 2021 decreased $13 million compared with 2020.

- Net income increased $9 million between the periods and included an increase in non-cash components of $1 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).

- The decrease in cash from changes in working capital was primarily due to an increase in tax payments (primarily due to timing of payments), an increase in accounts receivable (primarily due to weather and the impacts of COVID-19), a decrease in accounts payable (primarily due to timing of payments) and a decrease in other current liabilities (primarily due to timing of payments), partially offset by an increase in accounts payable to affiliates (primarily due to timing of payments), a decrease in fuel inventory (primarily due to higher generation due to weather) and a decrease in net regulatory assets (primarily due to the timing of rate recovery mechanisms).

Investing Activities

(All Registrants)

The components of the change in cash provided by (used in) investing activities for the six months ended June 30, 2021 compared with 2020 were as follows.

	PPL	PPL Electric	LG&E	KU
Change - Cash Provided (Used)				
Expenditures for PP&E	$ 189	$ 98	$ (1)	$ (6)
Proceeds from sale of discontinued operations, net of cash divested	10,560	—	—	—
Notes receivable from affiliate	—	(1,075)	—	190
Other investing activities	(17)	2	—	1
Total	$ 10,732	$ (975)	$ (1)	$ 185

For PPL, the decrease in expenditures for PP&E was due to lower project expenditures at Safari Energy and PPL Electric. The decrease in expenditures at Safari Energy was primarily due to timing differences on capital spending projects. The decrease in expenditures at PPL Electric was primarily due to timing differences on capital spending projects related to the ongoing efforts to improve reliability and replace aging infrastructure.

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

For PPL, on June 14, 2021, the sale of the U.K. utility business was completed. The transaction resulted in cash proceeds of $10,732 million inclusive of foreign currency hedges executed by PPL. See Note 9 to the Financial Statements for additional information.

For PPL Electric, the changes in "Notes receivable from affiliate" activity resulted from the funding of $1,075 million to an affiliate for general corporate purposes. See Note 12 to the Financial Statements for further discussion of intercompany borrowings.

Financing Activities

(All Registrants)

The components of the change in cash provided by (used in) financing activities for the six months ended June 30, 2021 compared with 2020 were as follows.

	PPL	PPL Electric	LG&E	KU
Change - Cash Provided (Used)				
Debt issuance/retirement, net	$ (3,327)	$ 650	$ —	$ (498)
Proceeds from project financing	(91)	$ —	—	—
Stock issuances/redemptions, net	(33)	—	—	—
Dividends	(4)	45	(33)	(22)
Capital contributions/distributions, net	—	755	(9)	23
Issuance of term loan	(300)	—	—	—
Retirement of term loan	(300)	—	—	—
Change in short-term debt, net	(157)	(200)	17	(21)
Retirement of commercial paper	(73)	—	(41)	(32)
Net increase in notes payable with affiliate	—	—	92	226
Other financing activities	(1)	(2)	(1)	4
Total	$ (4,286)	$ 1,248	$ 25	$ (320)

See Note 8 to the Financial Statements in this Form 10-Q for information on 2021 short-term and long-term debt activity, equity transactions and PPL dividends. See Note 8 to the Financial Statements in the Registrants' 2020 Form 10-K for information on 2020 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, 2021, the total committed borrowing capacity under credit facilities and the borrowings under these facilities were:

External

	Committed Capacity	Borrowed	Letters of Credit and Commercial Paper Issued	Unused Capacity
PPL Capital Funding Credit Facilities	$ 1,550	$ —	$ 15	$ 1,535
PPL Electric Credit Facility	650	—	1	649
LG&E Credit Facilities	500	—	—	500
KU Credit Facilities	400	—	—	400
Total Credit Facilities (a)	$ 3,100	$ —	$ 16	$ 3,084

(a) The commitments under the 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 - 7%, PPL Electric - 6%, LG&E - 7% and KU - 7%.

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

Intercompany (LG&E and KU)

	Committed Capacity	Borrowed	Commercial Paper Program Capacity	Unused Capacity
LG&E Money Pool (a)	$ 750	$ 282	$ 425	$ 43
KU Money Pool (a)	650	226	350	74

(a) LG&E and KU participate in an intercompany money pool agreement whereby LKE and/or KU make available to LG&E, and LKE and/or LG&E make available to KU funds up to the difference between LG&E's and KU's FERC borrowing limit and LG&E's and KU's commercial paper capacity limit, at an interest rate based on the lower of a market index of commercial paper issues and two additional rate options based on LIBOR.

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

Commercial Paper *(All Registrants)*

The Registrants 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, 2021:

	Capacity	Commercial Paper Issuances	Unused Capacity
PPL Capital Funding	$ 1,500	$ —	$ 1,500
PPL Electric	650	—	650
LG&E (a)	425	—	425
KU	350	—	350
Total PPL	$ 2,925	$ —	$ 2,925

(a) In March 2021, the capacity for the LG&E commercial paper program was increased from $350 million to $425 million.

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, 2021. The ATM program expired in February 2021.

Common Stock Dividends

In May 2021, PPL declared a quarterly common stock dividend, payable July 1, 2021, 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 2021:

(PPL)

In March 2021, Moody's revised its outlook to positive for PPL and PPL Capital Funding.

(PPL and PPL Electric)

In March 2021, S&P revised its outlook to positive for PPL Electric.

In June 2021, Moody’s and S&P assigned ratings of A1 and A to PPL Electric’s $650 million First Mortgage Bonds, Floating Rate Series, due 2024. The bonds were issued on June 24, 2021.

(PPL and LG&E)

In March 2021, Moody’s and S&P assigned ratings of A1 and A to the Louisville/Jefferson County Metro Government, Kentucky’s $128 million 2.00% Pollution Control Revenue Bonds, 2003 Series A, due 2033, previously issued on behalf of LG&E. The bonds were remarketed April 1, 2021.

In March 2021, Moody’s assigned a rating of A1 and in April 2021, S&P assigned a rating of A to the Louisville/Jefferson County Metro Government, Kentucky’s $35 million 1.35% Pollution Control Revenue Bonds, 2001 Series B, due 2027, previously issued on behalf of LG&E. The bonds were remarketed May 3, 2021.

In March 2021, Moody’s assigned a rating of A1 and in April 2021, S&P assigned a rating of A to the County of Trimble, Kentucky’s $35 million 1.35% Pollution Control Revenue Bonds, 2001 Series B, due 2027, previously issued on behalf of LG&E. The bonds were remarketed May 3, 2021.

In May 2021, Moody’s and S&P assigned ratings of A1/P-2 and A/A-2 to the Louisville/Jefferson County Metro Government, Kentucky’s $31 million Environmental Facilities Revenue Refunding Bonds, 2007 Series A, due 2033, previously issued on behalf of LG&E. The bonds were remarketed June 1, 2021.

In May 2021, Moody’s and S&P assigned ratings of A1/P-2 and A/A-2 to Louisville/Jefferson County Metro Government, Kentucky’s $35 million Environmental Facilities Revenue Refunding Bonds, 2007 Series B, due 2033, previously issued on behalf of LG&E. The bonds were remarketed June 1, 2021.

(PPL and KU)

In May 2021, Moody's and S&P assigned ratings of A1 and A to the County of Carroll, Kentucky's $78 million 2.00% Environmental Facilities Revenue Bonds, 2008 Series A, due 2032, previously issued on behalf of KU. The bonds were remarketed June 1, 2021.

In May 2021, Moody's and S&P assigned ratings of A1 and A to County of Carroll, Kentucky's $54 million 2.125% Environmental Facilities Revenue Bonds, 2006 Series B, due 2034, previously issued on behalf of KU. The bonds were remarketed June 1, 2021.

Ratings Triggers

(PPL, 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, 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 and LG&E for derivative contracts in a net liability position at June 30, 2021.

(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' 2020 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 June 30, 2021.

	Exposure Hedged	Fair Value, Net - Asset (Liability) (a)	Effect of a 10% Adverse Movement in Rates (b)	Maturities Ranging Through
PPL				
Economic hedges				
Interest rate swaps (c)	$ 64	$ (20)	$ (1)	2033
LG&E				
Economic hedges				
Interest rate swaps (c)	64	(20)	(1)	2033

(a) Includes accrued interest, if applicable.
(b) Effects of adverse movements decrease assets or increase liabilities, as applicable, which could result in an asset becoming a liability. Sensitivities represent a 10% adverse movement in interest rates, except for cross-currency swaps which also includes a 10% adverse movement in foreign currency exchange rates.
(c) 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, 2021 was insignificant for PPL, PPL Electric, LG&E and KU. The estimated impact of a 10% adverse movement in interest rates on the fair value of debt at June 30, 2021 is shown below.

		10% Adverse Movement in Rates
PPL	$	468
PPL Electric		178
LG&E		79
KU		124

Foreign Currency Risk (PPL)

Prior to the sale of the U.K. utility business on June 14, 2021, PPL was exposed to foreign currency risk, primarily through investments in and earnings of U.K. affiliates. PPL had 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 sale of its U.K. utility business and net investments. In addition, PPL entered into financial instruments to protect against foreign currency translation risk of expected GBP earnings.

(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.

- Prior to the sale of the U.K. utility business on June 14, 2021, WPD was exposed to volumetric risk which was 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.

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' 2020 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. The impact of foreign currency translation is recorded in AOCI. Changes in this exchange rate resulted in a pre-tax foreign currency translation gain of $495 million for the six months ended June 30, 2021, which primarily reflected a $856 million increase to PP&E, a $151 million increase to goodwill and a $36 million increase to other net assets, partially offset by a $467 million increase to long-term debt, a $61 million increase to deferred income taxes and a $20 million increase to long term debt due within one year. Changes in this exchange rate resulted in a pre-tax 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.

As a result of the sale of the U.K. utility business on June 14, 2021, accumulated foreign currency translation losses of $786 million were removed from PPL's Balance Sheets and realized as a component of "Income (Loss) from Discontinued Operations (net of income taxes)" on PPL's Statements of Income (Loss) for the six months ended June 30, 2021. See Note 9 to the Financial Statements for additional information.

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, 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 the Registrants 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. The Registrants 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' 2020 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 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" in the Registrants' 2020 Form 10-K for information on projected environmental capital expenditures for 2021 through 2025. See Note 16 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 – Air – NAAQS" and "Item 1. Business – Environmental Matters – Air – Climate Change" in the Registrants' 2020 Form 10-K.

NAAQS (PPL, LG&E and KU)

In March 2021, the EPA released final 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. Additionally, the EPA reversed its previous approval of the Kentucky State Implementation Plan with respect to these requirements. The CSAPR revisions are aimed at ensuring compliance with the 2008 ozone NAAQS, so additional nitrogen oxide emission reductions could potentially be required for compliance with the revised 2015 ozone NAAQS. PPL, LG&E and KU are currently assessing the potential impact of the CSAPR revisions on operations, but such impact is not expected to be material. Pursuant to the President's executive order, the EPA is currently reviewing its previous determinations made in December 2020 to retain the existing NAAQS for ozone and particulate matter without change.

PPL, LG&E, and KU are unable to predict future emission reductions that may be required by future federal rules or state implementation actions. Compliance with the NAAQS, CSAPR and related requirements may require installation of additional pollution controls or other compliance actions, the costs of which PPL, LG&E and KU believe would be subject to rate recovery.

Climate Change (All Registrants)

The new U.S. presidential administration is undertaking wide-ranging efforts to address climate change. Recent government actions and policy developments, including the President's announced goal of a carbon free electricity sector by 2035, could have far-reaching impacts on PPL's business operations, products, and services. All of these developments are preliminary or ongoing in nature and the Registrants cannot predict their final outcome or ultimate impact on operations.

New Accounting Guidance *(All Registrants)*

There has been no new accounting guidance adopted in 2021 and there is no new significant accounting guidance pending adoption as of June 30, 2021.

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' 2020 Form 10-K for a discussion of each critical accounting policy.

	PPL	PPL Electric	LG&E	KU
Defined Benefits	X	X	X	X
Income Taxes	X	X	X	X
Regulatory Assets and Liabilities	X	X	X	X
Price Risk Management	X			
Asset Impairment (Excluding Investments)	X		X	X
AROs	X		X	X
Revenue Recognition - Unbilled Revenue			X	X

Following is an update to the critical accounting policies disclosed in PPL's 2020 Form 10-K.

Income Taxes *(PPL)*

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.

The TCJA included new provisions requiring that certain income, referred to as global intangible low-taxed income (GILTI), earned by certain foreign subsidiaries be included in the gross income of their U.S. shareholder. Accounting guidance allows a policy election regarding the timing of inclusion of GILTI in an entity’s financial statements. The election may be either to record deferred taxes for expected GILTI in future periods or record such taxes as a current-period expense when incurred. PPL has elected to record the tax effect of expected GILTI inclusions and thus, records deferred taxes relating to such inclusions.

In light of the sale of PPL's U.K. utility business, indefinite reinvestment is no longer relevant. As such, PPL realized the outside book-tax basis difference in those assets. Accordingly, a current tax liability has been recorded reflecting the estimated tax cost associated with the realization of that basis difference.

See Note 6 to the Financial Statements for income tax disclosures.

PPL Corporation
PPL Electric Utilities Corporation
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, 2021 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, 2021, 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 2021 see:

- "Item 3. Legal Proceedings" in each Registrant's 2020 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' 2020 Form 10-K.

Item 4. Mine Safety Disclosures

Not applicable.

Item 6. Exhibits

The following Exhibits indicated by an asterisk preceding the Exhibit number are filed herewith. The balance of the Exhibits has heretofore been filed with the Commission and pursuant to Rule 12(b)-23 are incorporated herein by reference. Exhibits indicated by a [_] are filed or listed pursuant to Item 601(b)(10)(iii) of Regulation S-K.

2(a)	- Tax Deed, dated as of June 9, 2021, by and among PPL WPD Limited, National Grid Holdings One plc (Exhibit 2.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated June 14, 2021)
4(a)	- Supplemental Indenture No. 23, dated as of June 15, 2020, to Indenture, dated as of August 1, 2001, 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 June 24, 2021)

Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, for the quarterly period ended June 30, 2021, 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)	- Louisville Gas and Electric Company's principal executive officer
*31(f)	- Louisville Gas and Electric Company's principal financial officer
*31(g)	- Kentucky Utilities Company's principal executive officer
*31(h)	- 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, 2021, 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)	- Louisville Gas and Electric Company's principal executive officer and principal financial officer
*32(d)	- 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: August 5, 2021

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

PPL Electric Utilities Corporation
(Registrant)

Date: August 5, 2021

/s/ Stephen K. Breininger
Stephen K. Breininger
Vice President-Finance and Regulatory Affairs and Controller
(Principal Financial Officer and Principal Accounting Officer)

Louisville Gas and Electric Company
(Registrant)

Kentucky Utilities Company
(Registrant)

Date: August 5, 2021

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

Exhibit 31(a)

CERTIFICATION

I, VINCENT SORGI, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 5, 2021

/s/ Vincent Sorgi

Vincent Sorgi
President and Chief Executive Officer
(Principal Executive Officer)
PPL Corporation

Exhibit 31(b)

CERTIFICATION

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

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

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

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

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

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

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

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

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

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

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

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

Date: August 5, 2021

/s/ Joseph P. Bergstein, Jr.

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

Exhibit 31(c)

CERTIFICATION

I, STEPHANIE R. RAYMOND, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 5, 2021

/s/ Stephanie R. Raymond

Stephanie R. Raymond
President
(Principal Executive Officer)
PPL Electric Utilities Corporation

Exhibit 31(d)

CERTIFICATION

I, STEPHEN K. BREININGER, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 5, 2021

/s/ Stephen K. Breininger

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

Exhibit 31(e)

CERTIFICATION

I, PAUL W. THOMPSON, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 5, 2021

/s/ Paul W. Thompson

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

Exhibit 31(f)

CERTIFICATION

I, KENT W. BLAKE, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 5, 2021

/s/ Kent W. Blake

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

Exhibit 31(g)

CERTIFICATION

I, PAUL W. THOMPSON, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 5, 2021

/s/ Paul W. Thompson

Paul W. Thompson
President and Chief Executive Officer
(Principal Executive Officer)
Kentucky Utilities Company

Exhibit 31(h)

CERTIFICATION

I, KENT W. BLAKE, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 5, 2021

/s/ Kent W. Blake

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

Exhibit 32(a)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL CORPORATION'S FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2021

In connection with the quarterly report on Form 10-Q of PPL Corporation (the "Company") for the quarter ended June 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Vincent Sorgi, the Principal Executive Officer of the Company, and Joseph P. Bergstein, Jr., the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

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

Date: August 5, 2021

/s/ Vincent Sorgi
Vincent Sorgi
President and Chief Executive Officer
(Principal Executive Officer)
PPL Corporation

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

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

Exhibit 32(b)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL ELECTRIC UTILITIES CORPORATION'S FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2021

In connection with the quarterly report on Form 10-Q of PPL Electric Utilities Corporation (the "Company") for the quarter ended June 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Stephanie R. Raymond, the Principal Executive Officer of the Company, and Stephen K. Breininger, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

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

Date: August 5, 2021	/s/ Stephanie R. Raymond
	Stephanie R. Raymond President (Principal Executive Officer) PPL Electric Utilities Corporation
	/s/ Stephen K. Breininger
	Stephen K. Breininger Vice President-Finance and Regulatory Affairs and Controller (Principal Financial Officer) PPL Electric Utilities Corporation

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

Exhibit 32(c)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR LOUISVILLE GAS AND ELECTRIC COMPANY'S FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2021

In connection with the quarterly report on Form 10-Q of Louisville Gas and Electric Company (the "Company") for the quarter ended June 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Paul W. Thompson, the Principal Executive Officer of the Company, and Kent W. Blake, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

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

Date: August 5, 2021

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

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

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

Exhibit 32(d)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR KENTUCKY UTILITIES COMPANY'S FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2021

In connection with the quarterly report on Form 10-Q of Kentucky Utilities Company (the "Company") for the quarter ended June 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Paul W. Thompson, the Principal Executive Officer of the Company, and Kent W. Blake, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

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

Date: August 5, 2021

/s/ Paul W. Thompson
Paul W. Thompson
President and Chief Executive Officer
(Principal Executive Officer)
Kentucky Utilities Company

/s/ Kent W. Blake
Kent W. Blake
Chief Financial Officer
(Principal Financial Officer)
Kentucky Utilities Company

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