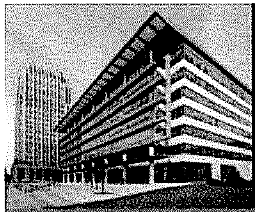
Enhancing Value Through Active Hedging

	2011	2012
Baseload		
Expected Generation[1] (Million MWhs)	**51.4**	**54.7**
East	43.1	46.2
West	8.3	8.5
Current Hedges (%)	**99%**	**68%**
East	100%	63%
West	95%	94%
Average Hedged Price (Energy Only) ($/MWh) [2] [3]		
East	$56	$59-61
West	$54	$53-54
Current Coal Hedges (%)	**99%**	**96%**
East	99%	94%
West	100%	100%
Average Hedged Consumed Coal Price (Delivered $/Ton)		
East	$73-74	$76-80
West	$23-28	$23-29
Intermediate/Peaking		
Expected Generation[1] (Million MWhs)	6.0	6.2
Current Hedges (%)	34%	7%

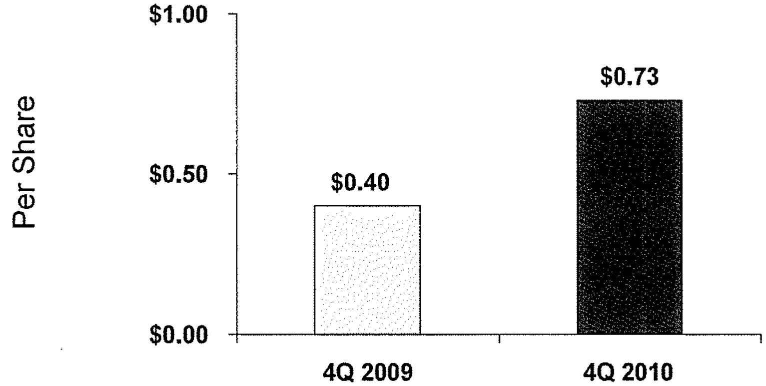
Capacity revenues are expected to be $430 million, $385 million and $590 million for 2011, 2012 and 2013, respectively.

As of December 31, 2010
(1) Represents expected sales based on current business plan assumptions.
(2) The 2011 average hedge energy prices are based on the fixed price swaps as of December 31, 2010; the prior collars have all been converted to fixed swaps.
(3) The 2012 ranges of average energy prices for existing hedges were estimated by determining the impact on the existing collars resulting from 2012 power prices at the 5th and 95th percentile confidence levels.

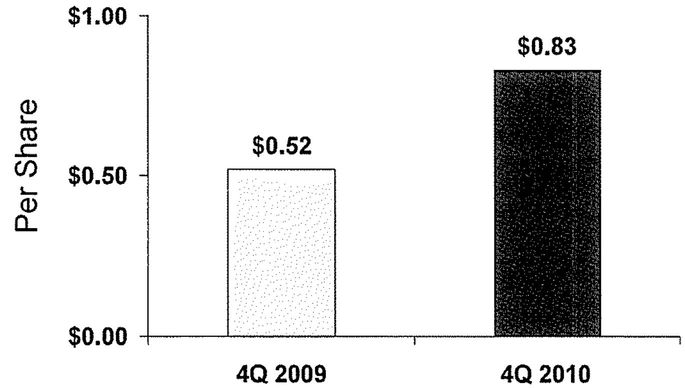


Earnings Results

Fourth Quarter Reported Earnings

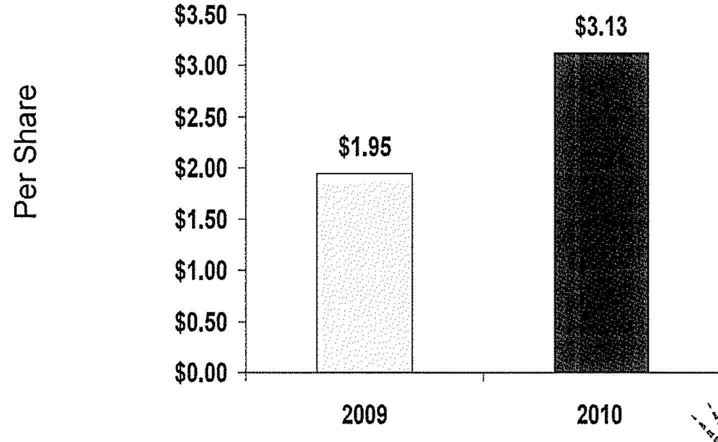


Fourth Quarter Earnings from Ongoing Operations



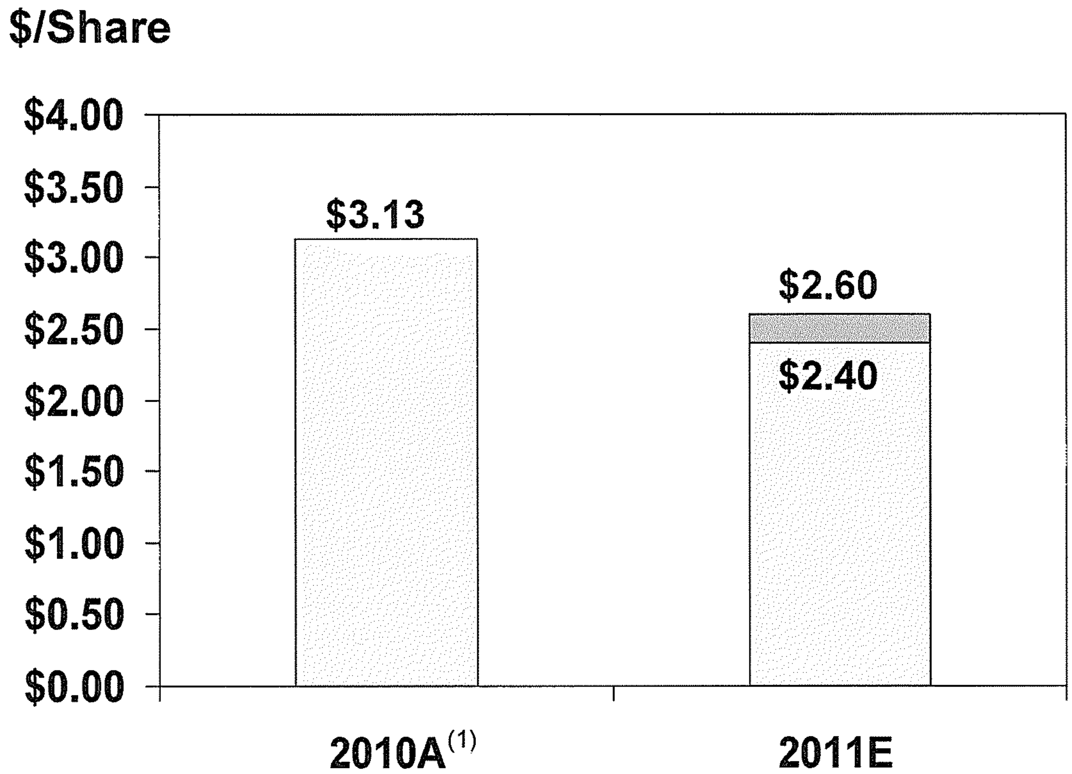
Year-to-Date Reported Earnings

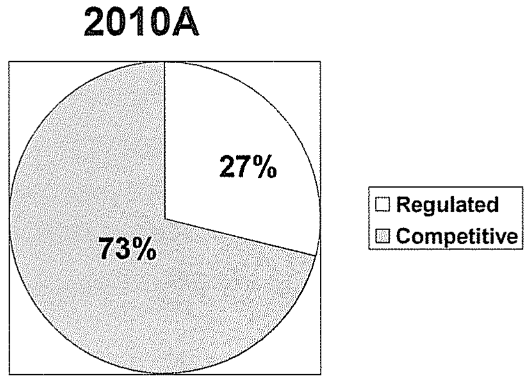
Year-to-Date Earnings from Ongoing Operations

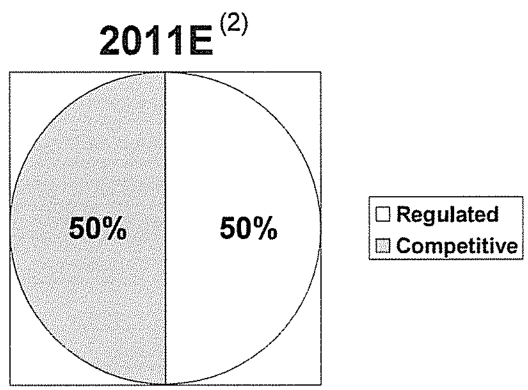


Note: See Appendix for the reconciliation of earnings from ongoing operations to reported earnings.

2011 Earnings Forecast







(1) See appendix for reconciliation of earnings from ongoing operations to reported earnings.

(2) Based on mid-point of forecasted earnings range.

Ongoing Earnings Overview

	Q4 2010	Q4 2009	Change
Kentucky Regulated	$0.07	$0.00	$0.07
International Regulated	0.07	0.18	(0.11)
Pennsylvania Regulated	0.05	0.09	(0.04)
Supply	0.64	0.25	0.39
Total	$0.83	$0.52	$0.31

	2010	2009	Change
Kentucky Regulated	$0.06	$0.00	$0.06
International Regulated	0.53	0.72	(0.19)
Pennsylvania Regulated	0.27	0.35	(0.08)
Supply	2.27	0.88	1.39
Total	$3.13	$1.95	$1.18

Note: See Appendix for the reconciliation of earnings from ongoing operations to reported earnings.

International Regulated Segment Earnings Drivers

	2010	
2009 EPS – Ongoing Earnings		$0.72
Delivery Revenue	0.08	
O&M	(0.09)	
Financing	(0.10)	
Effect of Exchange Rates	0.04	
Income Taxes & Other	(0.05)	
Dilution	(0.07)	
Total		(0.19)
2010 EPS – Ongoing Earnings		$0.53

Note: See Appendix for the reconciliation of earnings from ongoing operations to reported earnings.

Pennsylvania Regulated Segment Earnings Drivers

		2010
2009 EPS – Ongoing Earnings		$0.35
O&M	(0.06)	
Other	0.01	
Dilution	(0.03)	
Total		(0.08)
2010 EPS – Ongoing Earnings		$0.27

Note: See Appendix for the reconciliation of earnings from ongoing operations to reported earnings.

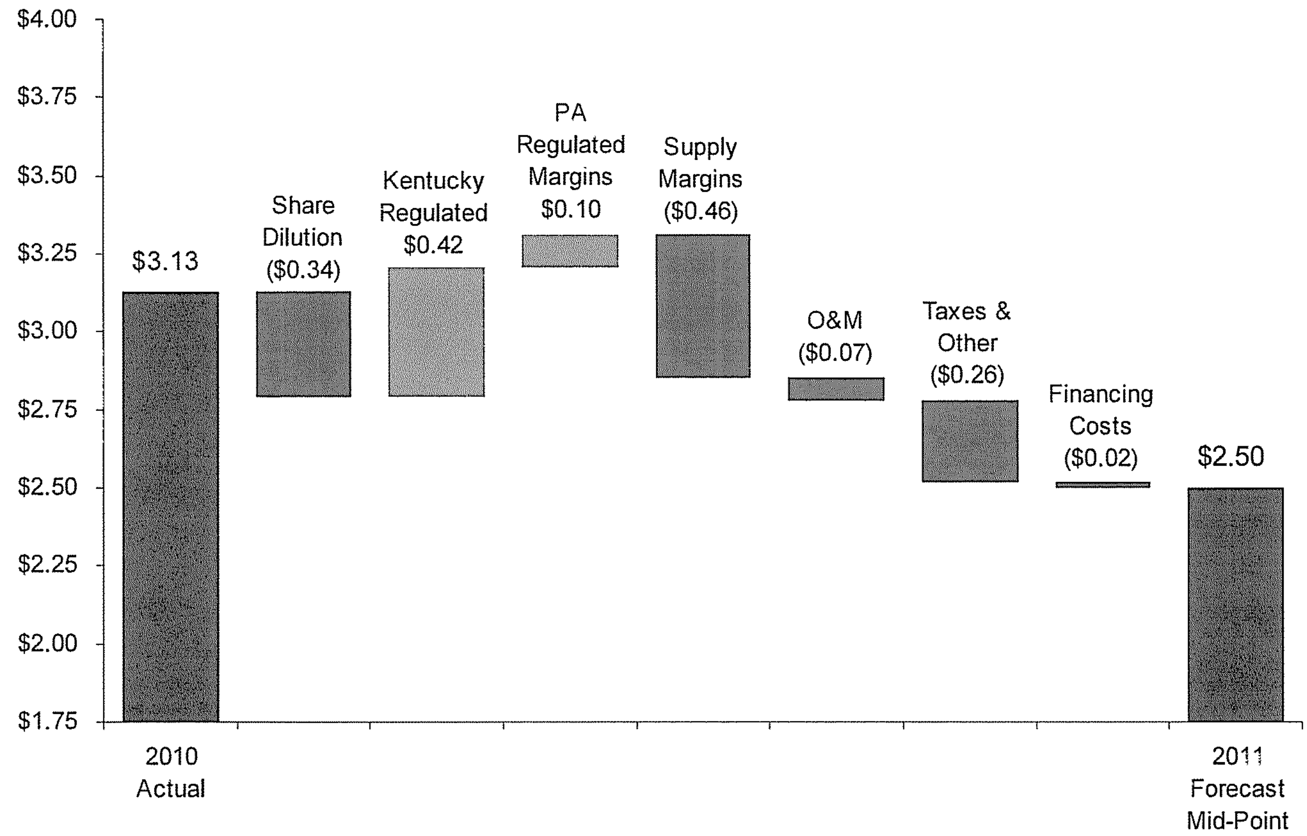
Supply Segment Earnings Drivers

		2010
2009 EPS – Ongoing Earnings		$0.88
Margins – East	1.56	
Margins – West	0.03	
O&M	(0.08)	
Depreciation	(0.07)	
Income Taxes & Other	0.24	
Discontinued Operations	0.04	
Dilution	(0.33)	
Total		1.39
2010 EPS – Ongoing Earnings		$2.27

Note: See Appendix for the reconciliation of earnings from ongoing operations to reported earnings.

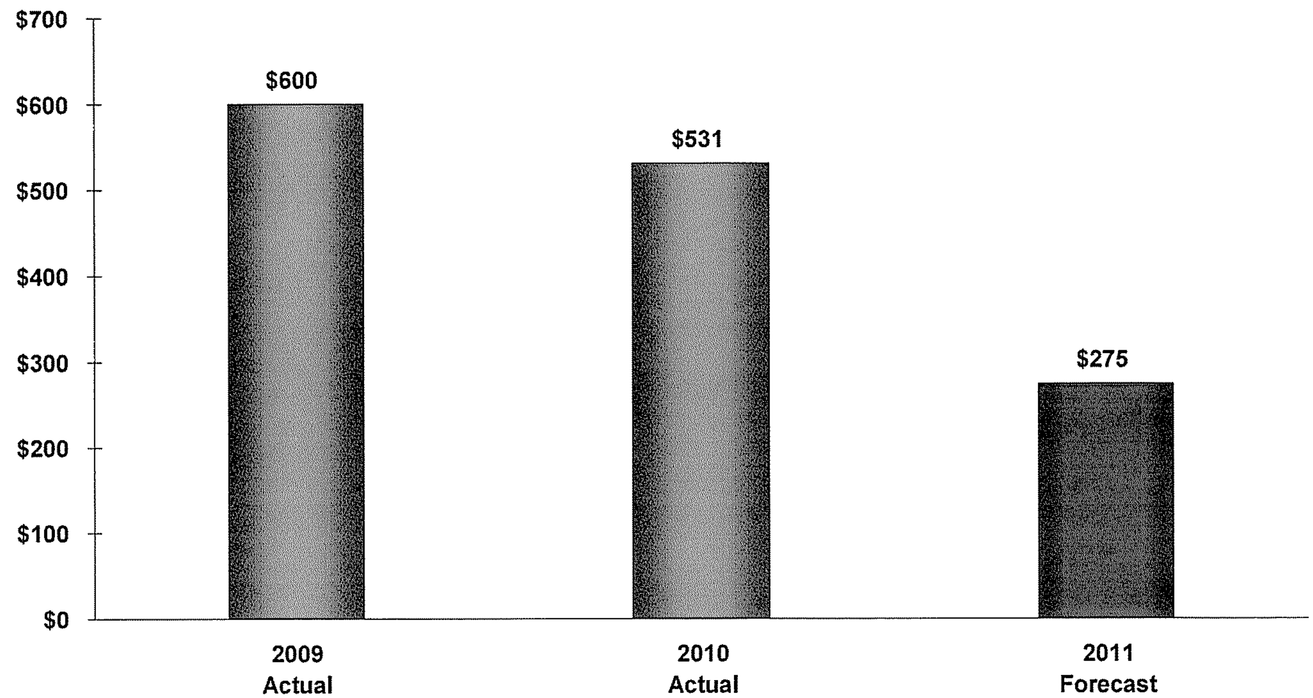
2010 to 2011 Earnings Walk

Earnings Per Share



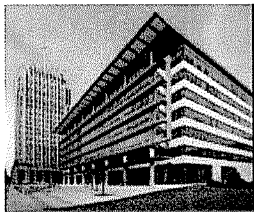
Free Cash Flow before Dividends

Millions of Dollars



2010 Free Cash Flow includes two months of the results of the Kentucky Regulated segment

Note: See Appendix for reconciliation of free cash flow before dividends to cash from operations.



Debt Maturities

(Millions)

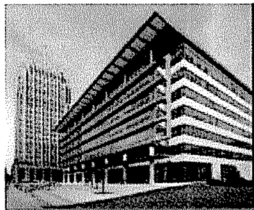
	2011	2012	2013	2014	2015
PPL Capital Funding	$0	$0	$0 [1]	$0	$0
LG&E and KU Energy (Holding Co LKE)	2	0	0	0	400
Louisville Gas & Electric	0	0	0	0	250
Kentucky Utilities	0	0	0	0	250
PPL Electric Utilities	0	0	400	10 [2]	100
PPL Energy Supply	500	0	737	300	300 [3]
WPD	0	0	0	0	0
Total	$502	$0	$1,137	$310	$1,300

Note: As of December 31, 2010

(1) Excludes $1.15 billion of junior subordinated notes due 2018 that are a component of PPL's Equity Units and may be put back to PPL Capital Funding if the remarketing in 2013 is not successful.

(2) Bonds defeased in substance in 2008 by depositing sufficient funds with the trustee.

(3) Represents REset Put Securities due 2035 that are required to be put by the holders in October 2015 either for (a) purchase and remarketing by a remarketing dealer or (b) repurchase by PPL Energy Supply.



Liquidity Profile

Institution	Facility	Expiration Date	Total Facility (Millions)	Letters of Credit Outstanding (Millions)	Drawn (Millions)	Availability (Millions)
PPL Energy Supply	Syndicated Credit Facility	Dec-2014	$3,000	$0	$350	$2,650
	3-Year Bilateral Credit Facility	Mar-2013	200	24	0	176
	5-year Structured Credit Facility	Mar-2011	300	161	0	139
			$3,500	$185	$350	$2,965
PPL Electric Utilities	Syndicated Credit Facility	Dec-2014	$200	$13	$0	$187
	Asset-backed Credit Facility	Jul-2011	150	0	0	150
			$350	$13	$0	$337
Louisville Gas & Electric	Syndicated Credit Facility	Dec-2014	$400	$0	$163	$237
Kentucky Utilities	Syndicated Credit Facility	Dec-2014	$400	$198	$0	$202
WPD	5-year Credit Facility	Jan-2013	£150	£0	£115	£35
	3-year Credit Facility	Jul-2012	210	0	0	210
	Uncommitted Credit Facilities		63	3	0	60
			£423	£3	£115	£305

Domestic facilities consist of a diverse bank group, with no bank and its affiliates providing an aggregate commitment of more than 12% of the total committed capacity.

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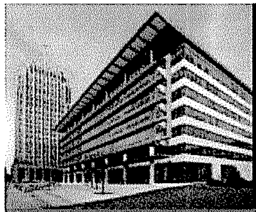
Reconciliation of Fourth Quarter Earnings from Ongoing Operations to Reported Earnings

(Millions)	Kentucky Regulated	International Regulated	Pennsylvania Regulated	Supply	Unallocated Costs	Total
Quarter Ending December 31, 2010						
Earnings from Ongoing Operations	$ 36	$ 32	$ 26	$ 311	$ (1)	$ 404
Special Items:						
Energy-related economic activity	(1)			(6)		(7)
Foreign currency-related economic hedges		3				3
Sales of assets:						
Maine hydroelectric generation business				15		15
Impairments:						
Impacts from emission allowances				(1)		(1)
LKE acquisition-related costs:						
Monetization of certain full-requirement sales contracts				(23)		(23)
Anticipated sale of certain non-core generation facilities				(2)		(2)
Discontinued cash flow hedges & ineffectiveness				(9)		(9)
Reduction of credit facility				(6)		(6)
Bridge Facility costs					(8)	(8)
Other acquisition-related costs					(14)	(14)
Other:						
Change in U.K. tax rate		(1)				(1)
LKE discontinued operations	2					2
Montana basin seepage litigation				2		2
Total Special Items	1	2		(30)	(22)	(49)
Reported Earnings *	$ 37	$ 34	$ 26	$ 281	$ (23)	$ 355
Quarter Ending December 31, 2009						
Earnings from Ongoing Operations		$ 70	$ 34	$ 94		$ 198
Special Items:						
Energy-related economic activity				(57)		(57)
Foreign currency-related economic hedges		3				3
Sales of assets:						
Maine hydroelectric generation business				22		22
Long Island generation business				1		1
Latin American businesses		(3)				(3)
Interest in Wyman Unit 4				(4)		(4)
Impairments:						
Impacts from emission allowances				(4)		(4)
Adjustments - nuclear decommissioning trust investments				1		1
Other asset impairments				(2)		(2)
Other:						
Montana hydroelectric litigation				(3)		(3)
Change in tax accounting method related to repairs			(3)	4		1
Total Special Items			(3)	(42)		(45)
Reported Earnings *		$ 70	$ 31	$ 52		$ 153
Change in earnings from ongoing operations	$ 36	$ (38)	$ (8)	$ 217	$ (1)	$ 206

* Represents net income attributable to PPL Corporation.



Reconciliation of Fourth Quarter Earnings from Ongoing Operations to Reported Earnings

(Per Share)

	Kentucky Regulated	International Regulated	Pennsylvania Regulated	Supply	Unallocated Costs	Total
Quarter Ending December 31, 2010						
Earnings from Ongoing Operations	$ 0.07	$ 0.07	$ 0.05	$ 0.64		$ 0.83
Special Items:						
Energy-related economic activity				(0.01)		(0.01)
Sales of assets:						
Maine hydroelectric generation business				0.03		0.03
LKE acquisition-related costs:						
Monetization of certain full-requirement sales contracts				(0.05)		(0.05)
Discontinued cash flow hedges & ineffectiveness				(0.02)		(0.02)
Reduction of credit facility				(0.01)		(0.01)
Bridge Facility costs					$ (0.01)	(0.01)
Other acquisition-related costs					(0.03)	(0.03)
Total Special Items				(0.06)	(0.04)	(0.10)
Reported Earnings	$ 0.07	$ 0.07	$ 0.05	$ 0.58	$ (0.04)	$ 0.73
Quarter Ending December 31, 2009						
Earnings from Ongoing Operations		$ 0.18	$ 0.09	$ 0.25		$ 0.52
Special Items:						
Energy-related economic activity				(0.15)		(0.15)
Foreign currency-related economic hedges		0.01				0.01
Sales of assets:						
Maine hydroelectric generation business				0.06		0.06
Latin American businesses		(0.01)				(0.01)
Interest in Wyman Unit 4				(0.01)		(0.01)
Impairments:						
Impacts from emission allowances				(0.01)		(0.01)
Other:						
Montana hydroelectric litigation				(0.01)		(0.01)
Change in tax accounting method related to repairs			(0.01)	0.01		
Total Special Items			(0.01)	(0.11)		(0.12)
Reported Earnings		$ 0.18	$ 0.08	$ 0.14		$ 0.40
Change in earnings from ongoing operations	$ 0.07	$ (0.11)	$ (0.04)	$ 0.39		$ 0.31

Note: Per share amounts are based on diluted shares outstanding. 2010 amounts reflect the dilution associated with the June 2010 issuance of common stock.

Reconciliation of Year-to-Date Earnings from Ongoing Operations to Reported Earnings

(Millions)

	Kentucky Regulated	International Regulated	Pennsylvania Regulated	Supply	Unallocated Costs	Total
Year-to-Date December 31, 2010						
Earnings from Ongoing Operations	$ 25	$ 230	$ 115	$ 990	$ (2)	$ 1,358
Special Items:						
Energy-related economic activity	(1)			(121)		(122)
Foreign currency-related economic hedges		1				1
Sales of assets:						
Maine hydroelectric generation business				15		15
Sundance indemnification				1		1
Impairments:						
Impacts from emission allowances				(10)		(10)
LKE acquisition-related costs:						
Monetization of certain full-requirement sales contracts				(125)		(125)
Anticipated sale of certain non-core generation facilities				(64)		(64)
Discontinued cash flow hedges & ineffectiveness				(28)		(28)
Reduction of credit facility				(6)		(6)
Bridge Facility costs					(52)	(52)
Other acquisition-related costs					(22)	(22)
Other:						
Montana hydroelectric litigation				(34)		(34)
Health Care Reform - tax impact				(8)		(8)
Change in U.K. tax rate		18				18
U.S. Tax Court ruling (U.K. Windfall Profits Tax)		12				12
LKE discontinued operations	2					2
Montana basin seepage litigation				2		2
Total Special Items	1	31		(378)	(74)	(420)
Reported Earnings*	$ 26	$ 261	$ 115	$ 612	$ (76)	$ 938
Year-to-Date December 31, 2009						
Earnings from Ongoing Operations		$ 272	$ 133	$ 333		$ 738
Special Items:						
Energy-related economic activity				(225)		(225)
Foreign currency-related economic hedges		1				1
Sales of assets:						
Maine hydroelectric generation business				22		22
Long Island generation business				(33)		(33)
Latin American businesses		(27)				(27)
Interest in Wyman Unit 4				(4)		(4)
Impairments:						
Impacts from emission allowances				(19)		(19)
Other asset impairments		(1)	(1)	(4)		(6)
Workforce reduction		(2)	(5)	(6)		(13)
Other:						
Montana hydroelectric litigation				(3)		(3)
Change in tax accounting method related to repairs			(3)	(21)		(24)
Total Special Items		(29)	(9)	(293)		(331)
Reported Earnings*		$ 243	$ 124	$ 40		$ 407
Change in earnings from ongoing operations	$ 25	$ (42)	$ (18)	$ 657	$ (2)	$ 620

* Represents net income attributable to PPL Corporation.

Reconciliation of Year-to-Date Earnings from Ongoing Operations to Reported Earnings

(Per Share)

	Kentucky Regulated	International Regulated	Pennsylvania Regulated	Supply	Unallocated Costs	Total
Year-to-Date December 31, 2010						
Earnings from Ongoing Operations	$ 0.06	$ 0.53	$ 0.27	$ 2.27		$ 3.13
Special Items:						
Energy-related economic activity				(0.27)		(0.27)
Sales of assets:						
Maine hydroelectric generation business				0.03		0.03
Impairments:						
Impacts from emission allowances				(0.02)		(0.02)
LKE acquisition-related costs:						
Monetization of certain full-requirement sales contracts				(0.29)		(0.29)
Anticipated sale of certain non-core generation facilities				(0.14)		(0.14)
Discontinued cash flow hedges & ineffectiveness				(0.06)		(0.06)
Reduction of credit facility				(0.01)		(0.01)
Bridge Facility costs					$ (0.12)	(0.12)
Other acquisition-related costs					(0.05)	(0.05)
Other:						
Montana hydroelectric litigation				(0.08)		(0.08)
Health Care Reform - tax impact				(0.02)		(0.02)
Change in U.K. tax rate		0.04				0.04
U.S. Tax Court ruling (U.K. Windfall Profits Tax)		0.03				0.03
Total Special Items		0.07		(0.86)	(0.17)	(0.96)
Reported Earnings	$ 0.06	$ 0.60	$ 0.27	$ 1.41	$ (0.17)	$ 2.17
Year-to-Date December 31, 2009						
Earnings from Ongoing Operations		$ 0.72	$ 0.35	$ 0.88		$ 1.95
Special Items:						
Energy-related economic activity				(0.59)		(0.59)
Sales of assets:						
Maine hydroelectric generation business				0.06		0.06
Long Island generation business				(0.09)		(0.09)
Latin American businesses		(0.07)				(0.07)
Interest in Wyman Unit 4				(0.01)		(0.01)
Impairments:						
Impacts from emission allowances				(0.05)		(0.05)
Other asset impairments				(0.01)		(0.01)
Workforce reduction		(0.01)	(0.01)	(0.01)		(0.03)
Other:						
Montana hydroelectric litigation				(0.01)		(0.01)
Change in tax accounting method related to repairs			(0.01)	(0.06)		(0.07)
Total Special Items		(0.08)	(0.02)	(0.77)		(0.87)
Reported Earnings		$ 0.64	$ 0.33	$ 0.11		$ 1.08
Change in earnings from ongoing operations	$ 0.06	$ (0.19)	$ (0.08)	$ 1.39		$ 1.18

Note: Per share amounts are based on diluted shares outstanding. 2010 amounts reflect the dilution associated with the June 2010 issuance of common stock.

Reconciliation of PPL's Earnings from Ongoing Operations to Reported Earnings

(Per Share)	Forecast		Actual		
	High 2011	Low 2011	2010 [a]	2009	2008
Earnings from Ongoing Operations per share of common stock	$ 2.60	$ 2.40	$ 3.13	$ 1.95	$ 2.02
Special Items:					
Energy-related economic activity			(0.27)	(0.59)	0.67
Sales of assets:					
Maine hydroelectric generation business			0.03	0.06	
Long Island generation business				(0.09)	
Latin American businesses				(0.07)	
Interest in Wyman Unit 4				(0.01)	
Gas and propane businesses					(0.01)
Impairments:					
Impacts from emission allowances			(0.02)	(0.05)	(0.07)
Adjustments - nuclear decommissioning trust investments					(0.04)
Holtwood hydroelectric plant					(0.03)
Other asset impairments				(0.01)	(0.01)
LKE acquisition-related costs:					
Monetization of certain full-requirement sales contracts			(0.29)		
Anticipated sale of certain non-core generation facilities			(0.14)		
Bridge Facility costs			(0.12)		
Discontinued cash flow hedges & ineffectiveness			(0.06)		
Reduction of credit facility			(0.01)		
Other acquisition-related costs			(0.05)		
Workforce reductions				(0.03)	(0.01)
Other:					
Montana hydroelectric litigation			(0.08)	(0.01)	
Health Care Reform - tax impact			(0.02)		
Change in U.K. tax rate			0.04		
U.S. Tax Court ruling (U.K. Windfall Profits Tax)			0.03		
Change in tax accounting method related to repairs				(0.07)	
Synfuel tax adjustment					(0.04)
Montana basin seepage litigation					(0.01)
Total Special Items			(0.96)	(0.87)	0.45
Reported Earnings per share of common stock	$ 2.60	$ 2.40	$ 2.17	$ 1.08	$ 2.47

Note: Amounts are based on diluted shares outstanding.
[a] Reflects the dilution associated with the June 2010 issuance of common stock.

Reconciliation of Year-to-Date Operating Income to Unregulated Gross Energy Margins

(Millions of Dollars)

	Year Ended December 31,			
	2010	2009	Change	Per Share Diluted (after-tax) (a)
Eastern U.S., pre-tax	$ 2,428	$ 1,406	$ 1,022	$ 1.56
Western U.S., pre-tax	342	325	17	0.03
Unregulated gross energy margins, pre-tax	$ 2,770	$ 1,731	$ 1,039	$ 1.59

	Year Ended December 31,	
	2010	2009
Operating Income	$ 1,866	$ 896
Adjustments:		
Utility	(3,668)	(3,902)
Energy-related businesses, net	(26)	(27)
Other operation and maintenance	1,756	1,418
Amortization of recoverable transition costs	-	304
Depreciation	556	455
Taxes, other than income	238	280
Revenue adjustments (b)	920	2,217
Expense adjustments (b)	1,128	90
Unregulated gross energy margins	$ 2,770	$ 1,731

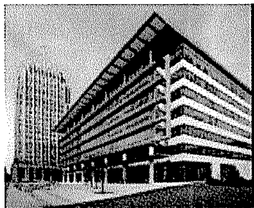
(a) Excludes dilution associated with the June 2010 issuance of common stock.

(b) See additional information on the following slide.

Reconciliation of Year-to-Date Operating Income to Unregulated Gross Energy Margins

(Millions of Dollars)

	Year Ended December 31, 2010		Year Ended December 31, 2009	
Revenue adjustments				
Exclude the impact from the Supply segment's energy-related economic activity	$	483	$	274
Include PLR revenue from energy supplied to PPL Electric by PPL EnergyPlus		320		1,806
Include gains from the sale of emission allowances/RECs		-		2
Include revenue from Supply segment discontinued operations		117		135
Total revenue adjustments	$	920	$	2,217
Expense adjustments				
Exclude fuel and energy purchases from the Kentucky Regulated segment	$	(207)		
Exclude the impact from the Supply segment's energy-related economic activity		63	$	(109)
Exclude external PLR energy purchases		(1,072)		(44)
Include expenses from Supply segment discontinued operations		33		22
Include ancillary charges		24		19
Include gross receipts tax		15		-
Other		16		22
Total expense adjustments	$	(1,128)	$	(90)



PPL Corporation Reconciliation of Cash from Operations to Free Cash Flow before Dividends

(Millions of Dollars)

	2009	2010	2011
Cash from Operations	$1,852	$2,034	$2,399
Increase (Decrease) in cash due to:			
Capital Expenditures	(1,265)	(1,644)	(2,505)
Sale of Assets	84	161	381
Other Investing Activities – Net	(71)	(20)	0
Free Cash Flow before Dividends	$ 600	$ 531	$ 275

Forward-Looking Information Statement

Statements contained in this news release, including statements with respect to future events and their timing, including statements concerning the acquisition by PPL Corporation of E.ON U.S. LLC and its subsidiaries Louisville Gas and Electric Company and Kentucky Utilities Company (collectively, the "Kentucky Entities"), the expected results of operations of any of the Kentucky Entities or PPL Corporation both before or following PPL Corporation's acquisition of the Kentucky Entities, as well as statements as to future earnings, energy prices, margins and sales, growth, revenues, expenses, cash flow, credit profile, ratings, financing, asset disposition, marketing performance, hedging, regulation, corporate strategy and generating capacity and performance, are "forward-looking statements" within the meaning of the federal securities laws. Although PPL Corporation believes that the expectations and assumptions reflected in these forward-looking statements are reasonable, these expectations, assumptions and statements are subject to a number of risks and uncertainties, and actual results may differ materially from the results discussed in the statements. The following are among the important factors that could cause actual results to differ materially from the forward-looking statements: capital market conditions and decisions regarding capital structure; the market prices of equity securities and the impact on pension income and resultant cash funding requirements for defined benefit pension plans; the securities and credit ratings of PPL Corporation and its subsidiaries; stock price performance; receipt of necessary government permits, approvals, rate relief and regulatory cost recovery; market demand and prices for energy, capacity and fuel; weather conditions affecting customer energy usage and operating costs; competition in power markets; the effect of any business or industry restructuring; the profitability and liquidity of PPL Corporation, the Kentucky Entities and either of their subsidiaries; new accounting requirements or new interpretations or applications of existing requirements; operating performance of plants and other facilities; environmental conditions and requirements and the related costs of compliance, including environmental capital expenditures and emission allowance and other expenses; system conditions and operating costs; development of new projects, markets and technologies; performance of new ventures; asset acquisitions and dispositions; any impact of hurricanes or other severe weather on our business, including any impact on fuel prices; the impact of state, federal or foreign investigations applicable to PPL Corporation, the Kentucky Entities and either of their subsidiaries; the outcome of litigation against PPL Corporation, the Kentucky Entities and either of their subsidiaries; political, regulatory or economic conditions in states, regions or countries where PPL Corporation, the Kentucky Entities and either of their subsidiaries conduct business, including any potential effects of threatened or actual terrorism or war or other hostilities; foreign exchange rates; new state, federal or foreign legislation, including new tax or environmental legislation or regulation; and the commitments and liabilities of PPL Corporation, the Kentucky Entities and each of their subsidiaries. Any such forward-looking statements should be considered in light of such important factors and in conjunction with PPL Corporation's Form 10-K and other reports on file with the Securities and Exchange Commission.

Definitions of Non-GAAP Financial Measures

"Earnings from ongoing operations" should not be considered as an alternative to reported earnings, or net income attributable to PPL, which is an indicator of operating performance determined in accordance with generally accepted accounting principles (GAAP). PPL believes that "earnings from ongoing operations," although a non-GAAP financial measure, is also useful and meaningful to investors because it provides management's view of PPL's fundamental earnings performance as another criterion in making investment decisions. PPL's management also uses "earnings from ongoing operations" in measuring certain corporate performance goals. Other companies may use different measures to present financial performance.

"Earnings from ongoing operations" is adjusted for the impact of special items. Special items include:

- *Energy-related economic activity (as discussed below).*
- *Foreign currency-related economic hedges.*
- *Gains and losses on sales of assets not in the ordinary course of business.*
- *Impairment charges (including impairments of securities in the company's nuclear decommissioning trust funds).*
- *Workforce reduction and other restructuring impacts.*
- *Costs and charges related to the acquisition of E.ON U.S.*
- *Other charges or credits that are, in management's view, not reflective of the company's ongoing operations.*

Energy-related economic activity includes the changes in fair value of positions used economically to hedge a portion of the economic value of PPL's generation assets, load-following and retail activities. This economic value is subject to changes in fair value due to market price volatility of the input and output commodities (e.g., fuel and power). Also included in this special item are the ineffective portion of qualifying cash flow hedges and the premium amortization associated with options classified as economic activity. These items are included in ongoing earnings over the delivery period of the item that was hedged or upon realization. Management believes that adjusting for such amounts provides a better matching of earnings from ongoing operations to the actual amounts settled for PPL's underlying hedged assets. Please refer to the Notes to the Consolidated Financial Statements and MD&A in PPL Corporation's periodic filings with the Securities and Exchange Commission for additional information on energy-related economic activity.

"Free cash flow before dividends" is derived by deducting capital expenditures and other investing activities-net, from cash flow from operations. Free cash flow before dividends should not be considered as an alternative to cash flow from operations, which is determined in accordance with GAAP. PPL believes that free cash flow before dividends, although a non-GAAP measure, is an important measure to both management and investors since it is an indicator of the company's ability to sustain operations and growth without additional outside financing beyond the requirement to fund maturing debt obligations. Other companies may calculate free cash flow before dividends in a different manner.

Attachment to Question No. 4

3 of 8

Arbough

Acquisition of Central Networks

Strategic and Immediately Accretive Transaction

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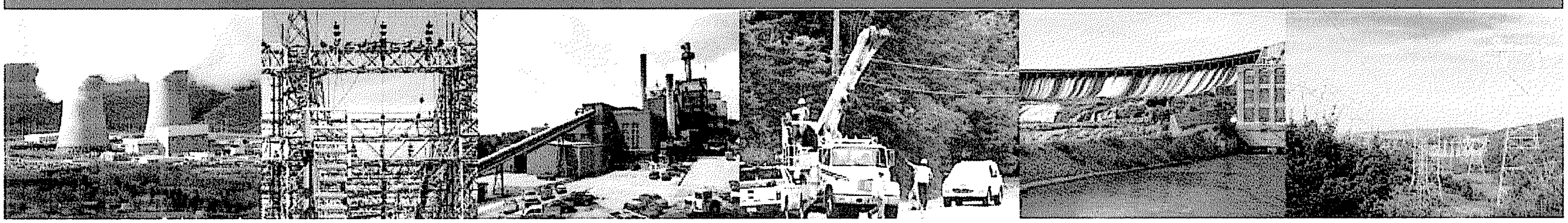
PPL Corporation
March 2, 2011



Cautionary Statements and Factors That May Affect Future Results

Any statements made in this presentation about future operating results or other future events are forward-looking statements under the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from such forward-looking statements. A discussion of factors that could cause actual results or events to vary is contained in the Appendix to this presentation and in the Company's SEC filings.

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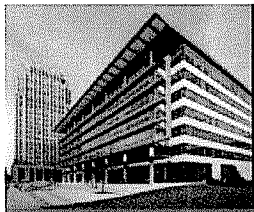
Agenda

Introduction	Jim Miller *Chairman, President & CEO, PPL*
Business Overview	Robert Symons *CEO, WPD*
Transaction Overview	Paul Farr *Executive Vice President & CFO, PPL*
Concluding Remarks	Jim Miller *Chairman, President & CEO, PPL*

Transaction Overview

Transaction	▪ Purchase price of £4.0 billion ($6.4 billion); £3.5 billion ($5.6 billion) cash and £500 million ($800 million) assumed debt ▫ $1.70 – $1.90 billion of PPL common stock ▫ $750 – $950 million of convertible equity units ▫ $2.95 – $3.25 billion (£1.85 – £2.03 billion) of unsecured debt ▪ Acquisition of Central Networks East plc and Central Networks West plc (together Central Networks) ▪ Central Networks is the second largest Distribution Network Operator ("DNO") in the U.K., serving 5 million customers ▪ Contiguous with PPL's WPD operations
Regulatory Approvals	▪ No regulatory approvals required
Timing	▪ The transaction is expected to close in early April 2011

Note: Based on assumed exchange rate of $1.60 / GBP.



Highly Strategic Transaction

- PPL achieves a highly regulated business mix
  - Project 75% of EBITDA from regulated businesses by 2013
- U.K. electric distribution networks compare favorably to FERC-regulated independent transmission
  - Regulator-approved 5-year forward-looking revenues based on pre-approved capital expenditure plan
  - No volumetric risk
  - Additional incentives for operational efficiency and high-quality service
- Opportunity to leverage WPD's best-in-class management
  - Experience with rapid and successful integration of an acquired network
  - Highly confident in ability to achieve synergy targets
  - Creates largest U.K. electric distribution network operator by asset base

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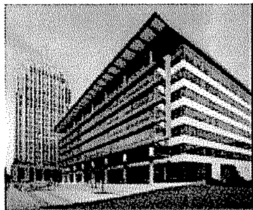
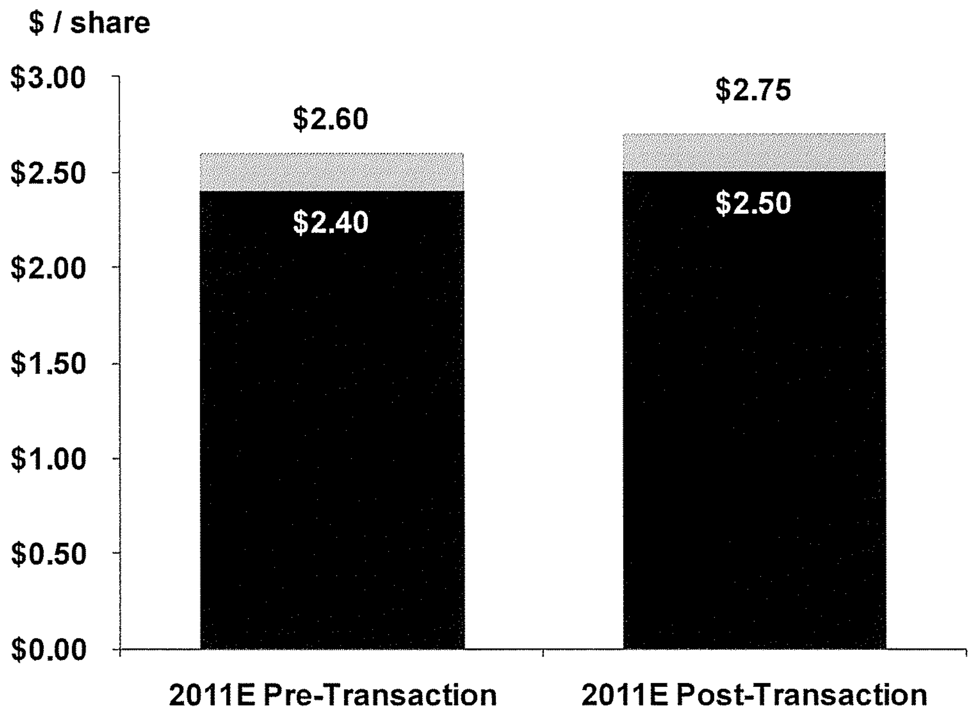
Compelling for Shareholders

- Delivers immediate and significant benefits to PPL shareholders
- Immediately and significantly accretive [(1)]
  - 2011 – $0.10 - $0.15 per share
  - 2012 – $0.23 - $0.27 per share
  - 2013 – $0.32 - $0.38 per share
- Strong value for shareholders
  - Attractive valuation
  - Unique ability to create and retain synergies
  - Provides future dividend flexibility
- Enhances quality of future earnings
  - Post-transaction, approximately two-thirds of regulated capital expenditures earn returns subject to minimal or no regulatory lag
- Able to complete the acquisition on an expedited timeline

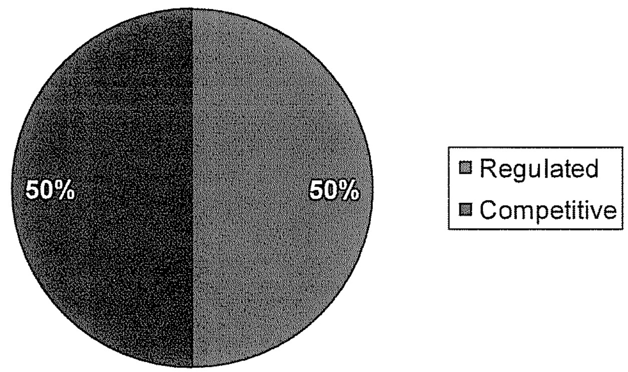
(1) *Accretion includes effects of equity to fund the acquisition; assumes transaction close in early April 2011 (performance and shares on partial year basis for 2011).*



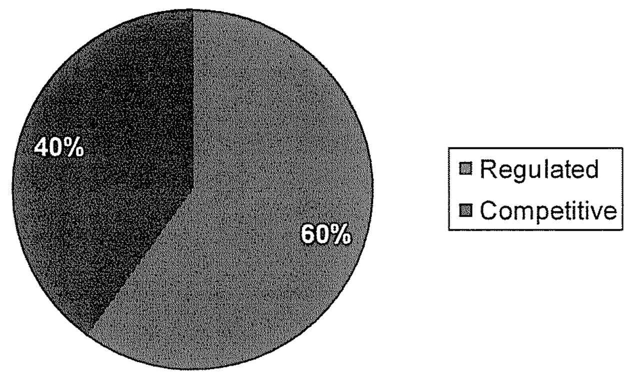
Increasing 2011 Earnings Guidance



2011E Pre-Transaction [1]



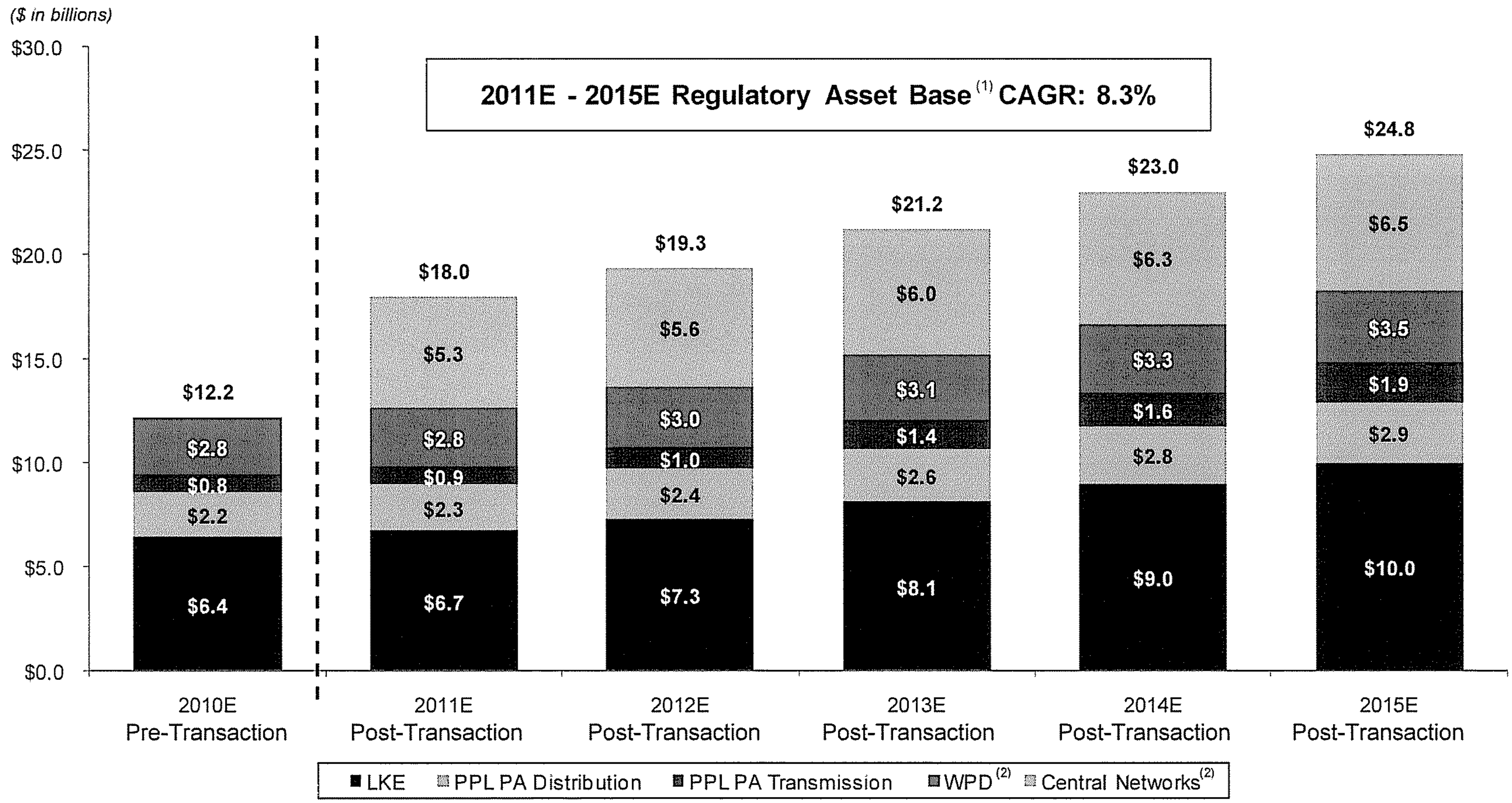
2011E Post-Transaction [1]



Note: *Excludes special items related to the transaction, does not reflect final determination of purchase accounting and assumes transaction close in early April 2011 (performance and shares on partial year basis).*

(1) *Based on midpoint of guidance range.*

Increased Scale with Attractive Growth



(1) *Represents capitalization for LKE since LG&E and KU rate constructs are based on capitalization. Represents Regulatory Asset Value (RAV) for WPD and Central Networks.*

(2) *Figures based on assumed exchange rate of $1.60 / GBP and are as of year-end December 31.*

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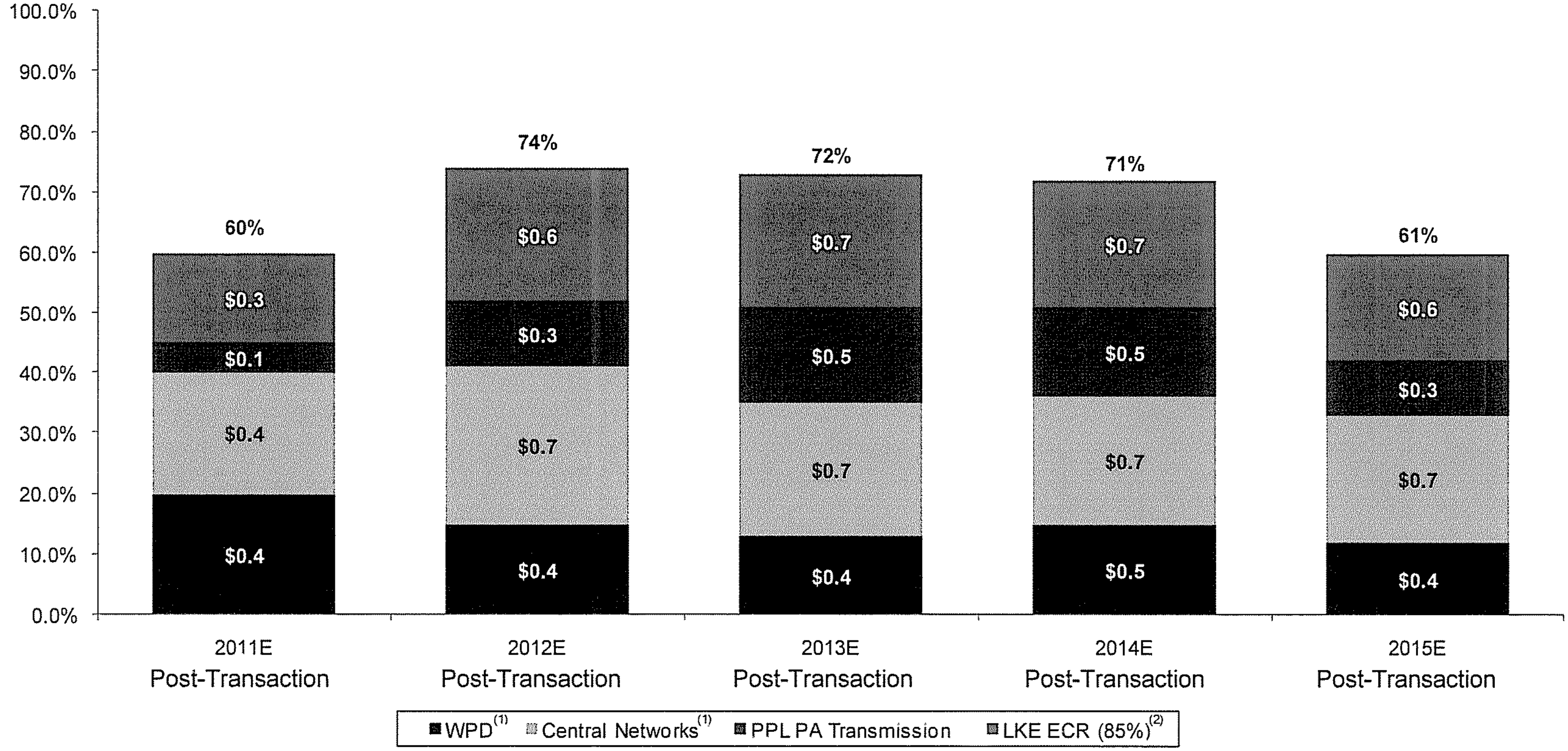
Real-Time Recovery of Majority of Regulated Capex Spending

Approximately two-thirds of regulated capital expenditures earn returns subject to minimal or no regulatory lag



Note: *$ in billions.*
(1) *Figures based on assumed exchange rate of $1.60 / GBP.*
(2) *Assumes approximately 85% of Environmental Capex of LKE runs through the ECR mechanism.*

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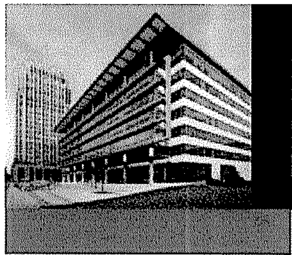
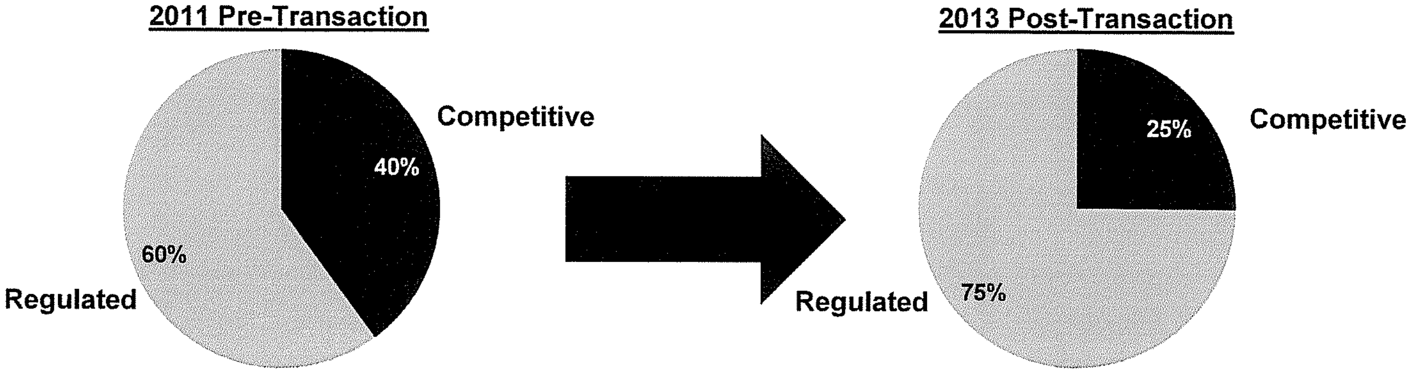
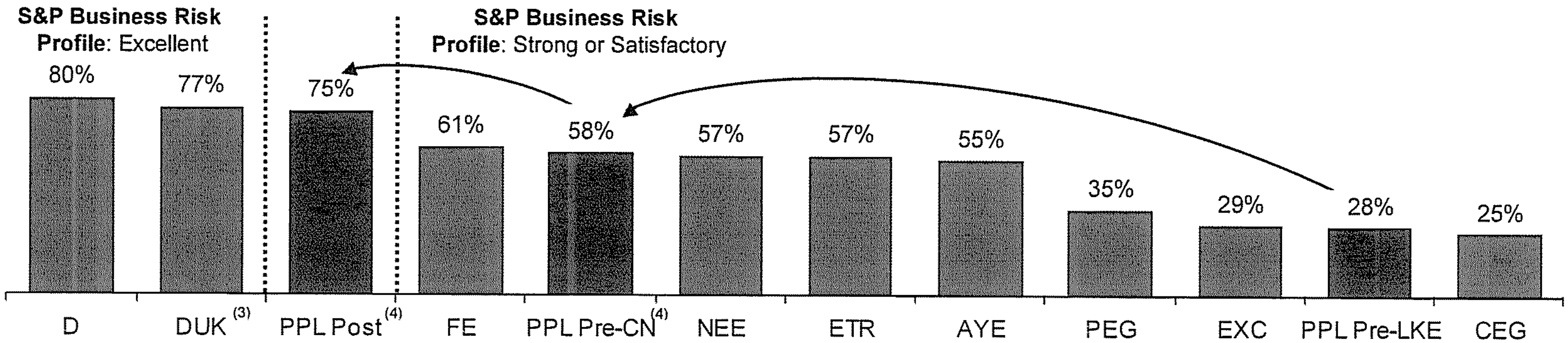


Predominantly Regulated Business Mix

EBITDA Projection (1)

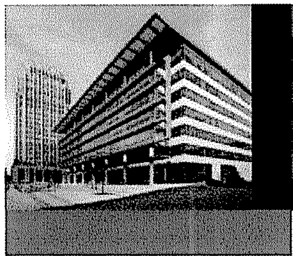


Regulated Cash Flow (2)



(1) *Approximate projections.*
(2) *"Does The Shale Gas Glut Pose A Threat To U.S. Integrated Power Merchants' Credit Quality?" Standard & Poor's, October 22, 2010.*
(3) *Based on EBIT estimate from company presentation.*
(4) *PPL estimates; CN pre-transaction figure based on 2011 FFO; post-transaction figure based on 2013 FFO for the combined entity, which includes full realization of synergies.*

International Regulated Overview



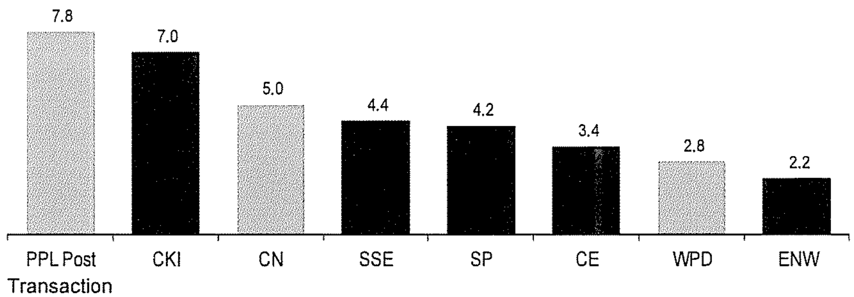
U.K. Networks Overview

($ in billions)

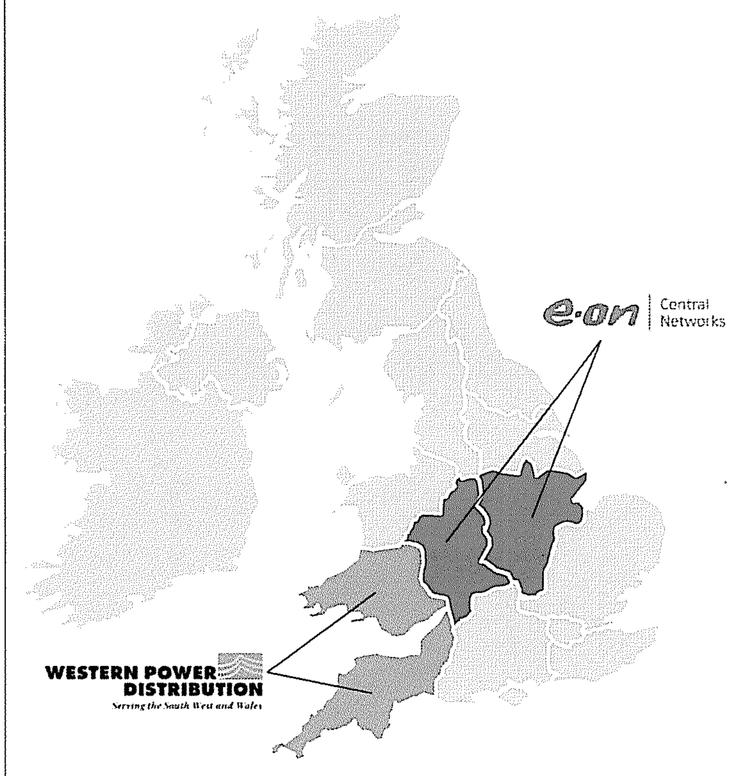
	WPD	Central Networks	Combined
RAV[1]	$2.8	$5.0	$7.8
Utility customers (m)	2.6	5.0	7.6
Network miles	~52,000	~83,000	~135,000

($ in billions)

Regulated Asset Value[1]



Service Territory



Note: Based on $1.60 / GBP exchange rate.

(1) Figures as per Office for Gas and Electric Markets ("Ofgem") final proposals, adjusted for inflation, year-end 3/31/2011.

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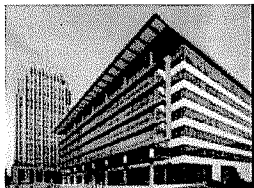
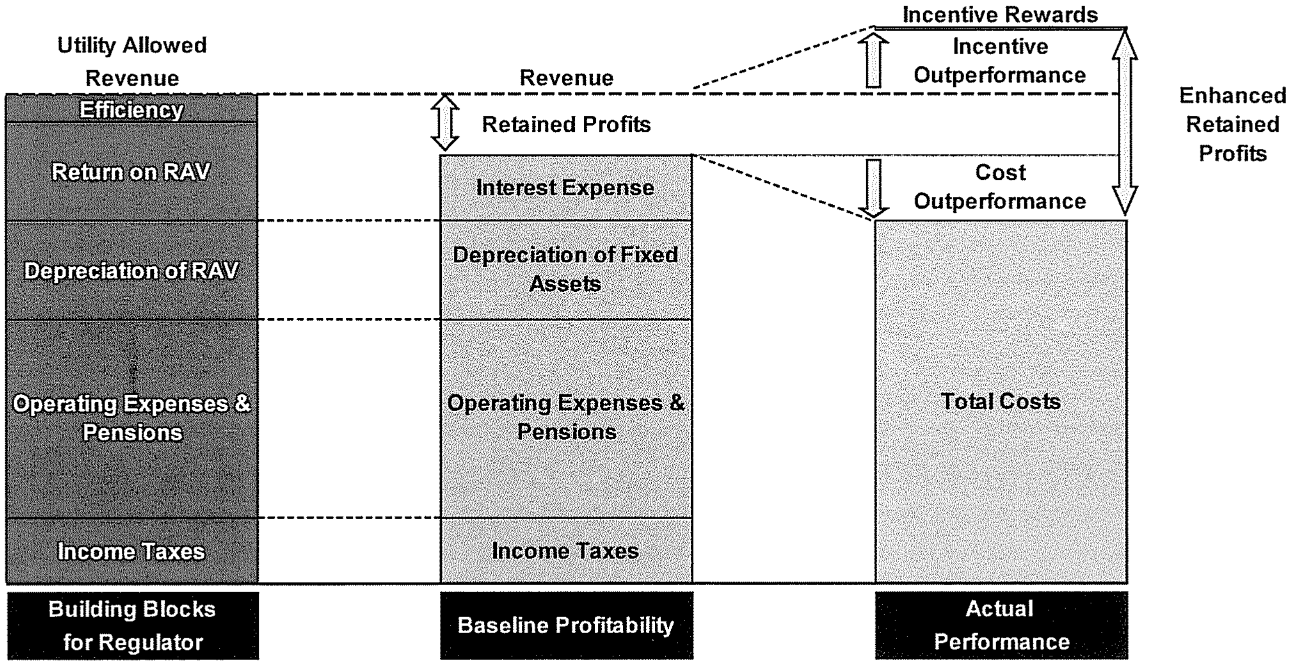
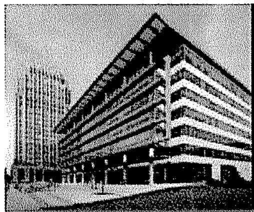


Performance Incentive-Based U.K. Electricity Distribution Regulation

- The U.K.'s Office of Gas and Electricity Markets (Ofgem) determines rates for a 5-year period on the basis of:
  - Efficiently incurred operating costs
  - A 5-year forward assessment and funding of capital expenditures
  - A return on and a return of capital through depreciation of the regulated asset value
  - Incentive revenue geared to outperformance



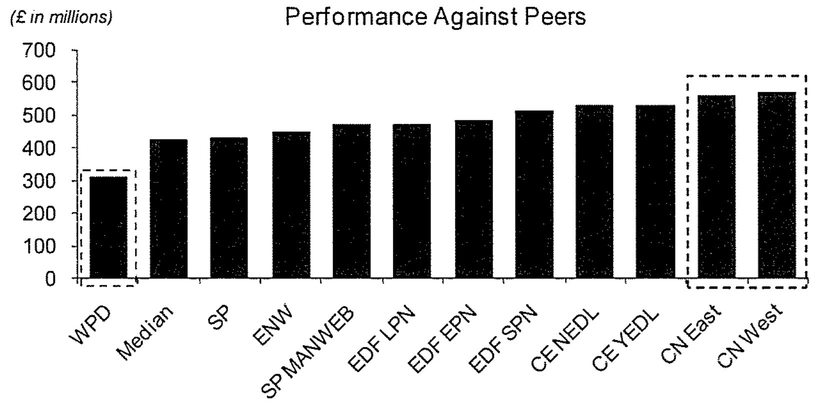


WPD: Best-in-Class U.K. Performance

- Best reliability among 14 distribution companies
- Highest incentive payments for surpassing regulatory targets
- Most capital efficient in sector
- Awarded $250m efficiency allowance in DPCR5
- 6 years with no customer complaints to regulator
- Awarded the U.K. Customer Excellence Standard (18 consecutive years of recognition)

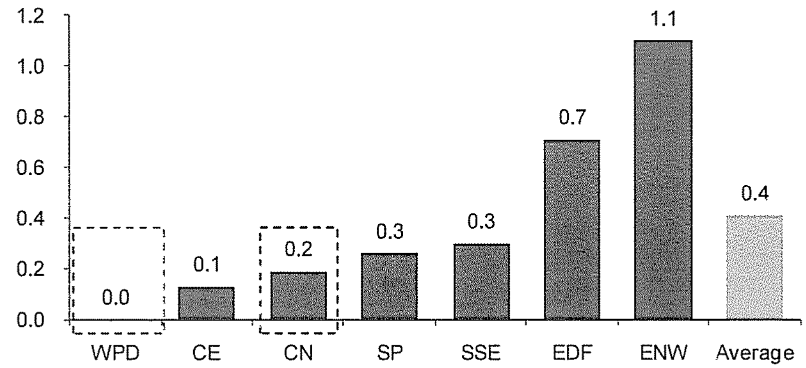
Capex Efficiency in DPCR5 (1)

Performance Against Peers

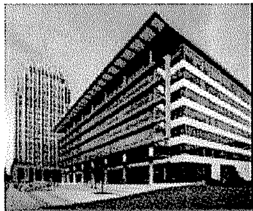


Customer Complaints (2)

Complaints to Ombudsman per 100,000 customers



(1) *Ofgem data extrapolated to WPD spend volume.*
(2) *Ombudsman management information.*



Management's Record of Delivery

- The same management team brought about the successful merger of South Wales and South West within the same timeframes
- Synergies are a direct parallel to the South Wales transaction
- Assessment of efficiencies lie within known boundaries

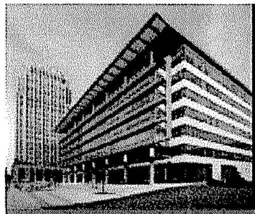
Robert Symons
Chief Executive Officer
Years in Industry – 40

Dave Harris
Director, Resources & External Affairs
Years in Industry – 37

Charl Oosthuizen
Director, Finance
Years in Industry – 19

Phil Swift
Network Manager, South West
Years in Industry – 20

Phil Davies
Network Manager, South Wales
Years in Industry – 46

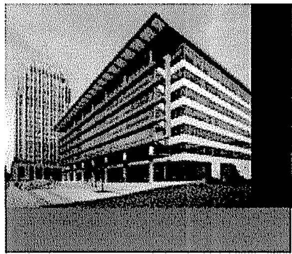


WPD is the Best-In-Class Operator

U.K. Electric Distribution Network Operator Rankings

				Customer Service		
	Base RORE [1]	Operational Costs	Allowed Totex	Customer Interruptions	Customer Minutes Lost	Overall Average Rank [2]
WPD	1	2	2	3	1	**1**
SSE	2	1	1	5	4	**2**
ENW	5	4	4	1	2	**3**
MidAmerican	3	3	3	6	6	**4**
Scottish Power	6	6	6	2	3	**5**
Central Networks	4	7	5	7	5	**6**
CKI	7	5	7	4	7	**7**

Source: Ofgem.
(1) Return on Regulated Equity.
(2) Based on average across all categories.

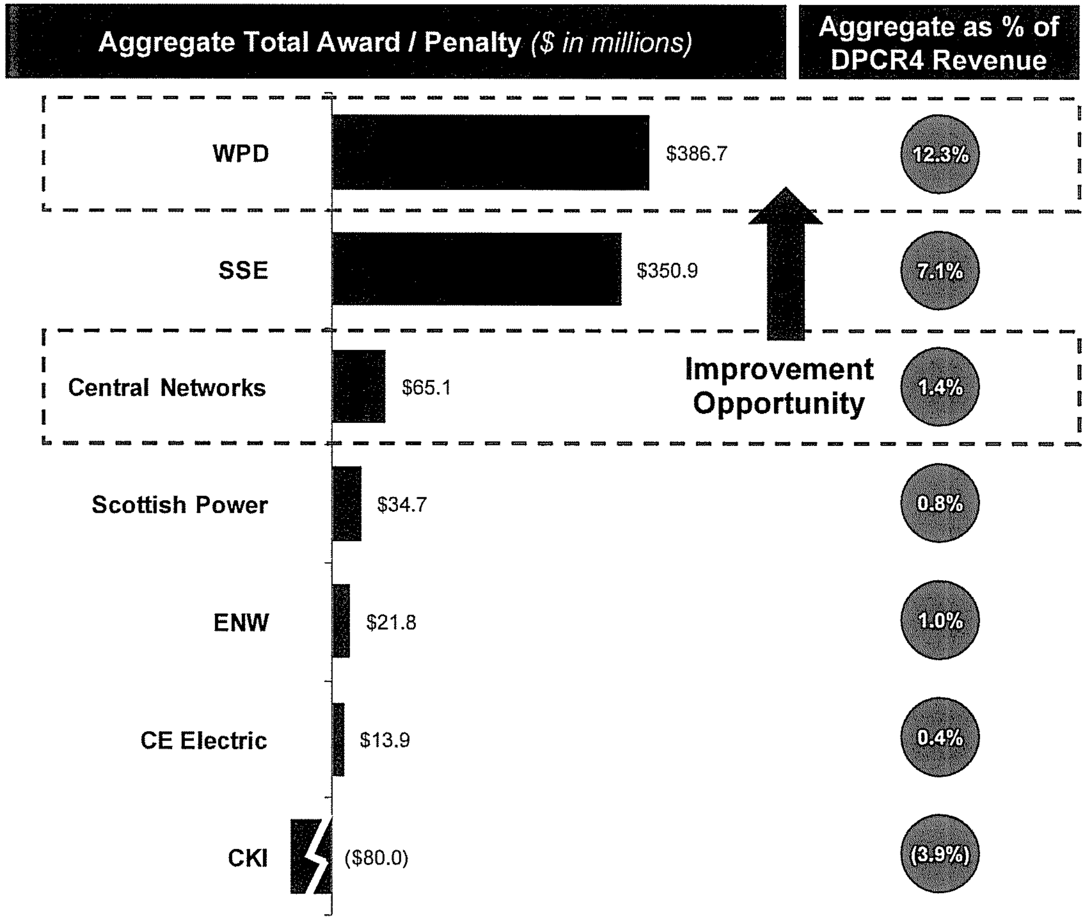


WPD Performance Rewards Top in Industry

WPD Rewards

$18.7	*Customer Minutes Lost ("CML") Targets tougher than benchmark*
29.0	*Supply restoration best practice*
3.0	*Telephone & Discretionary*
26.7	*Customers Interrupted*
51.2	*Annual CML Incentives*
3.9	*Associated Interest*
$132.5	**Total DPCR4**
$80.6	*CML Targets tougher than benchmark*
51.0	*Forecasting Accuracy (Information Quality Incentive ("IQI"))*
110.4	*Capital Cost Efficiency (pre-IQI)*
12.2	*Operating Cost Efficiency*
$254.2	**Total DPCR5**
$386.7	**Total DPCR4 & DPCR5**

Rewards during DPCR4
Rewards secured for DPCR5



Source: Ofgem data.
Note: Figures based on assumed exchange rate of $1.60 / GBP.

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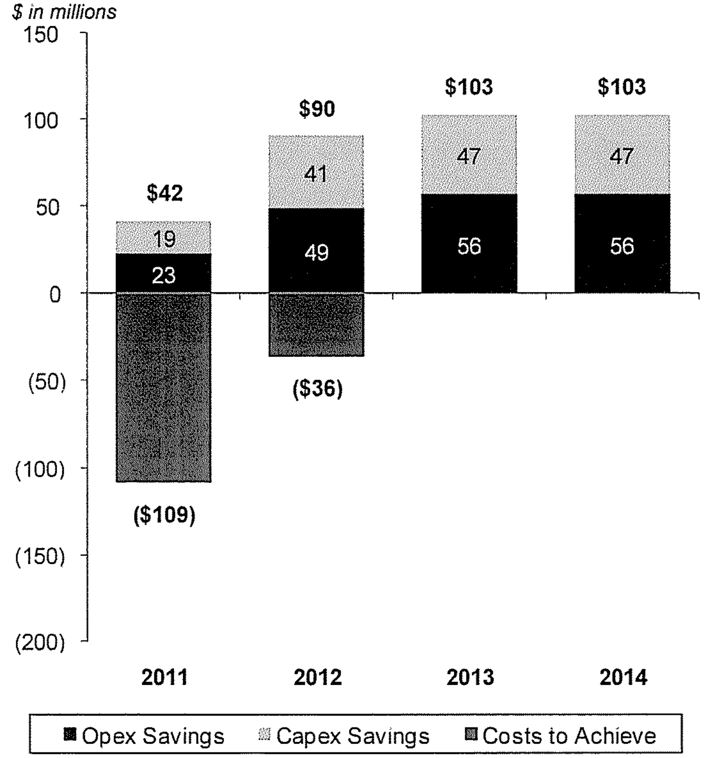
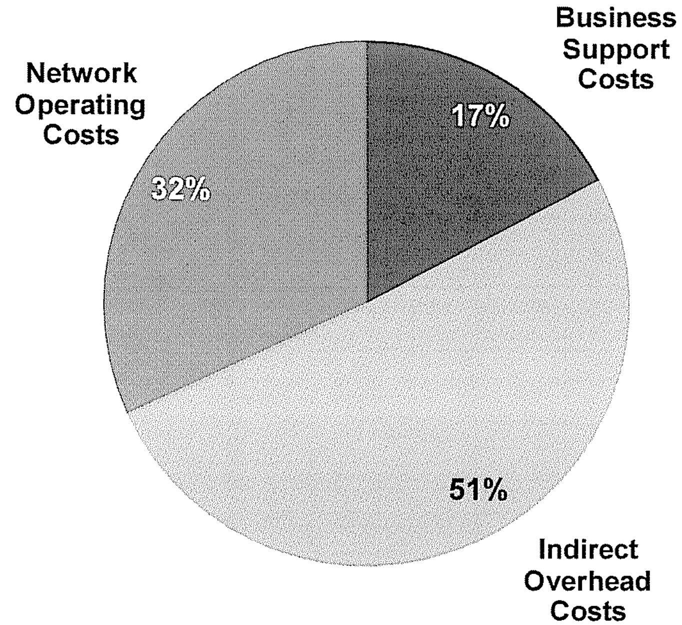
Significant Synergy Opportunity

100% Synergies retained through end of current rate period [1]; 47% in following rate period [2]

Estimated Annual Pre-Tax Synergies



Opex Synergies by Category



Note: Figures based on assumed exchange rate of $1.60 / GBP.
(1) Ends in March 2015.
(2) Expected to end in March 2023.

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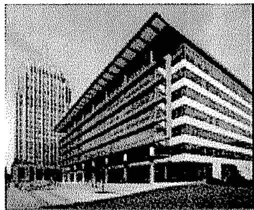
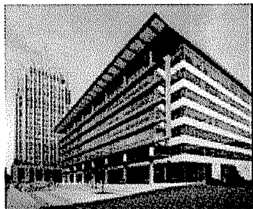


Transaction Overview and Timing



Transaction Financing / Structure

Timing

- Expected to close early April 2011

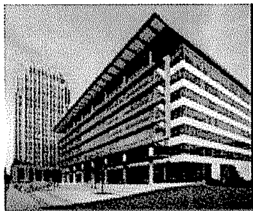
Committed Acquisition Facility

- Committed acquisition facility from Bank of America Merrill Lynch and Credit Suisse
  - Expected to be drawn in full at closing to fund acquisition
  - Plan to complete equity capital offering in the second quarter of 2011 after finalizing U.S. GAAP financials

Permanent Financing

- \$1.70 – \$1.90 billion of PPL common stock
- \$750 – \$950 million of convertible equity units
- \$2.25 – \$2.45 billion (£1.41 – £1.53 billion) of unsecured debt at Central Networks operating entities
- \$700 – \$800 million (£438 – £500 million) of senior unsecured debt at a U.K. holding company above Central Networks

Note: Based on assumed exchange rate of \$1.60 / GBP.



Financial Impact

Earnings

- Immediately and significantly accretive (1)
  - 2011 – $0.10 - $0.15 per share
  - 2012 – $0.23 - $0.27 per share
  - 2013 – $0.32 - $0.38 per share
- Significantly greater earnings accretion expected as efficiencies and financial benefits of the transaction are fully realized
- Able to retain synergies in full through March 2015 and 47% through March 2023

Credit

- Low business risk and design of financing plan maintain investment grade credit profile
- Expecting Baa1 / BBB ratings at Central Networks operating entities
- Financing plan has been discussed with rating agencies

(1) Accretion includes effects of equity to fund the acquisition; assumes transaction close in early April 2011 (performance and shares on partial year basis for 2011).

Favorable U.K. Regulatory Framework

	U.K. Electric Distribution Network	FERC-Regulated Independent Transmission
Regulatory construct		
Form of regulation	Rate of return and incentive / performance based	Rate of return based with RoE incentives
Rate setting mechanism	Forward looking	Forward looking
Frequency of rate setting	Every 5 years	Annual formula-rate filing
Recovery lag	None	Minimal
Volumetric risk	None	Minimal
Rates of return		
Nominal RoE at Utility Level	10% - 14% subject to performance Adjusted for inflation on a rolling basis	11% - 14% including RoE incentives
RoE adders / incentives	Ability to achieve sustained higher returns through: - Cost outperformance - Performance incentives	RTO membership Independent status Project complexity No performance incentives
Holding company leverage	Low 20% holding company effective RoE	Low 20% holding company effective RoE

U.K. regulation compares favorably to FERC-regulated independent transmission

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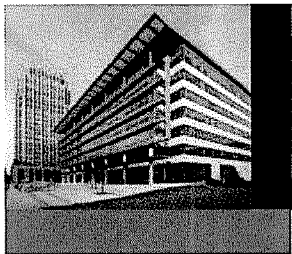
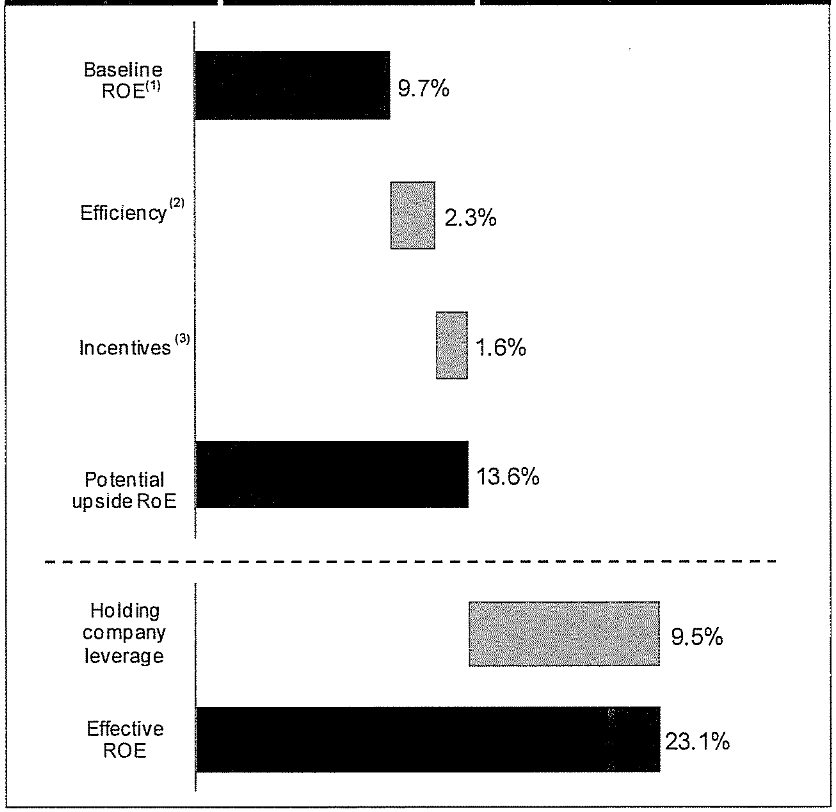
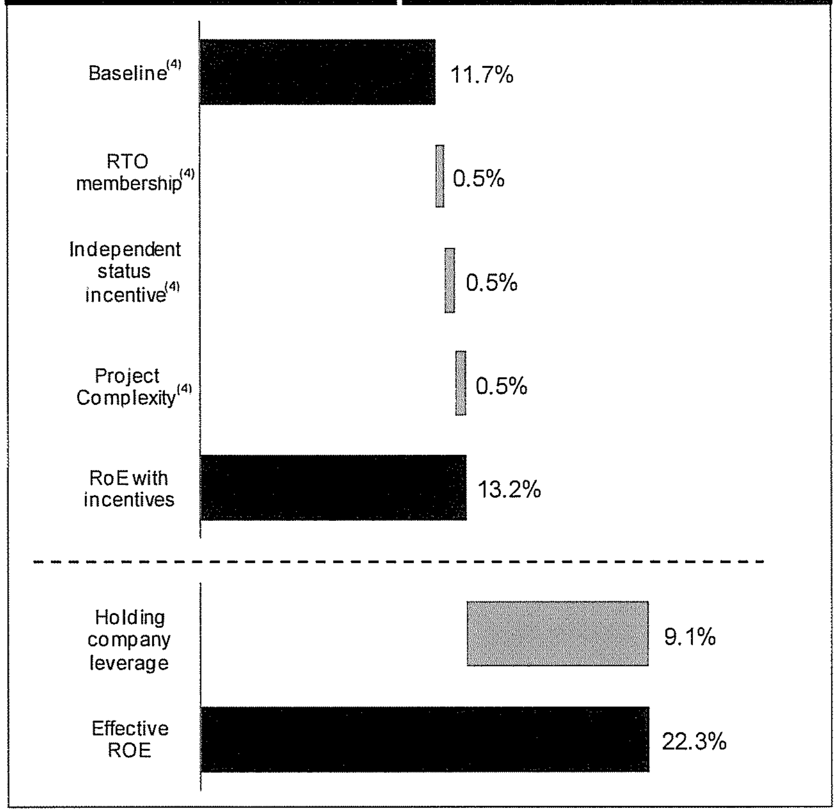


Estimated Equity Returns for an Efficient U.K. Operator vs. FERC

U.K. Electric Distribution Network Operator Example



FERC-Regulated Independent Transmission Example



(1) *Assumes 3% of inflation per annum: inflation adjustment figured off of HM Treasury publication on a rolling basis*
(2) *Based on efficiency levels achieved by SSE and WPD. § 4.10 of DPCR5 Final Proposals decision document dated 12/7/2009.*
(3) *Mid-point of Ofgem's estimate of incentives upside. § 4.11 of DPCR5 Final Proposals decision document dated 12/7/2009.*
(4) *Source: FERC.*

Significant Growth in International Regulated Earnings

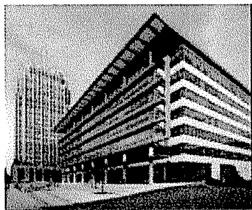
($ in millions)	2011E	2012E	2013E
International Regulated Segment (Pre-Transaction) [1]			
Revenue	$800 - $890	$840 - $930	$910 - $1,010
Net Income	$210 - $230	$190 - $210	$220 - $250
Addition of Central Networks [2]	**4/1 - 12/31/2011**		
Revenue	$800 - $890	$1,250 - $1,380	$1,320 - $1,450
Net Income [3]	$220 - $250	$305 - $335	$380 - $420
Post-Transaction Revenue	**$1,600 - $1,780**	**$2,090 - $2,310**	**$2,230 - $2,460**
Post-Transaction Net Income [3]	**$430 - $480**	**$495 - $545**	**$600 - $670**

Note: *Figures based on assumed exchange rate of $1.60 / GBP.*

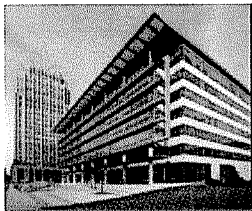
(1) PPL business plan allocates certain corporate expenses to International Regulated Segment; future allocation of expenses may increase but will have no impact on consolidated earnings.

(2) PPL business plan assumes transaction close in early April 2011 (performance and shares on partial year basis for 2011).

(3) Excludes special transaction-related expenses in the years ending December 2011 and 2012.



Concluding Remarks

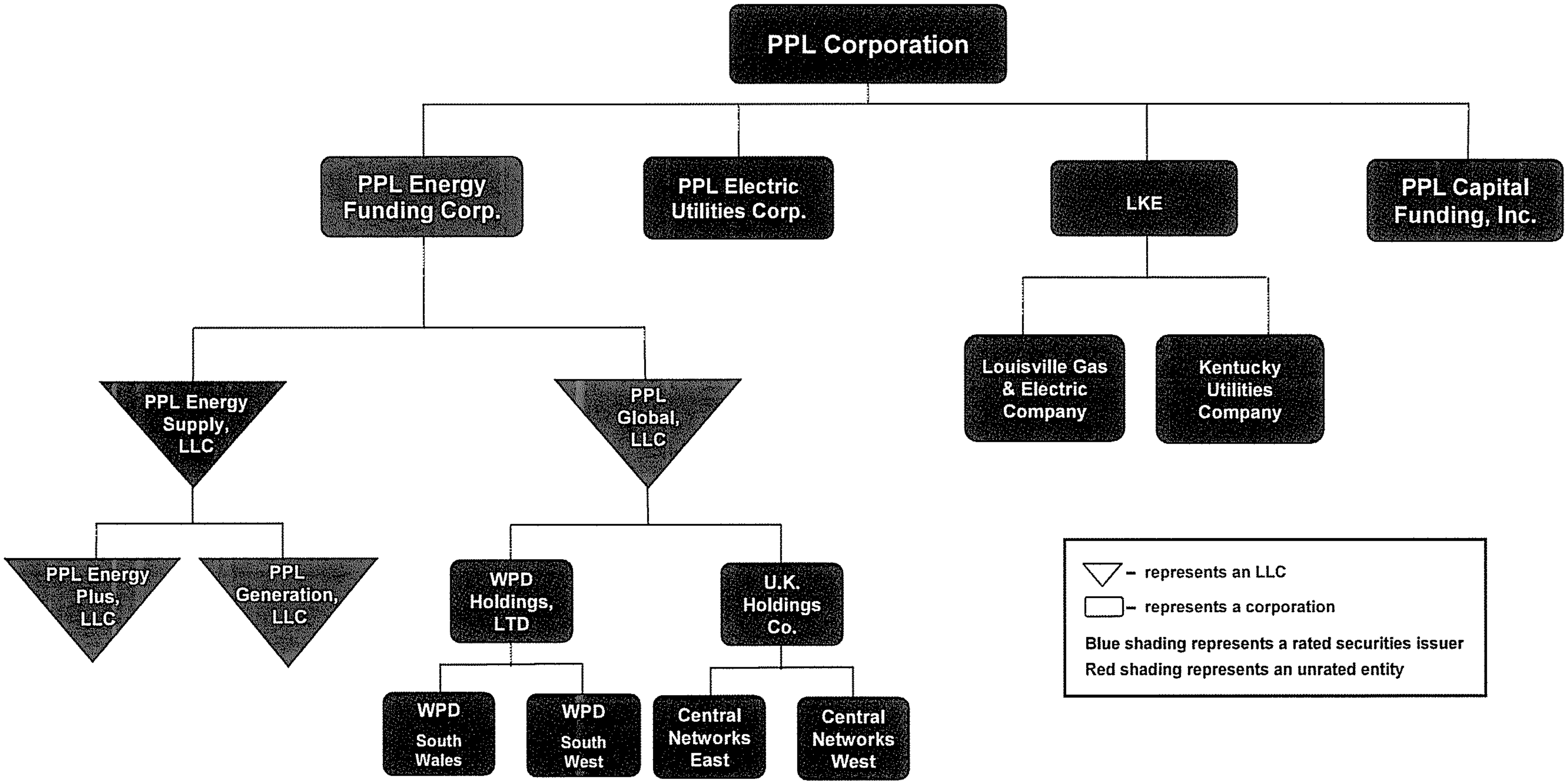


Concluding Remarks

- Immediately accretive to earnings and valuation
  - Significant achievable synergies
- Complementary business in highly favorable regulatory framework
  - U.K. regulation compares favorably to FERC-regulated independent transmission
- Leverages PPL's best-in-class U.K. management team
  - Highly confident in ability to successfully integrate and achieve synergy targets
- Achieves highly regulated business mix
  - Project 75% of EBITDA from regulated businesses by 2013
- Further strengthens business risk profile
- Enhances quality of future earnings

Appendix

Pro Forma Corporate Structure



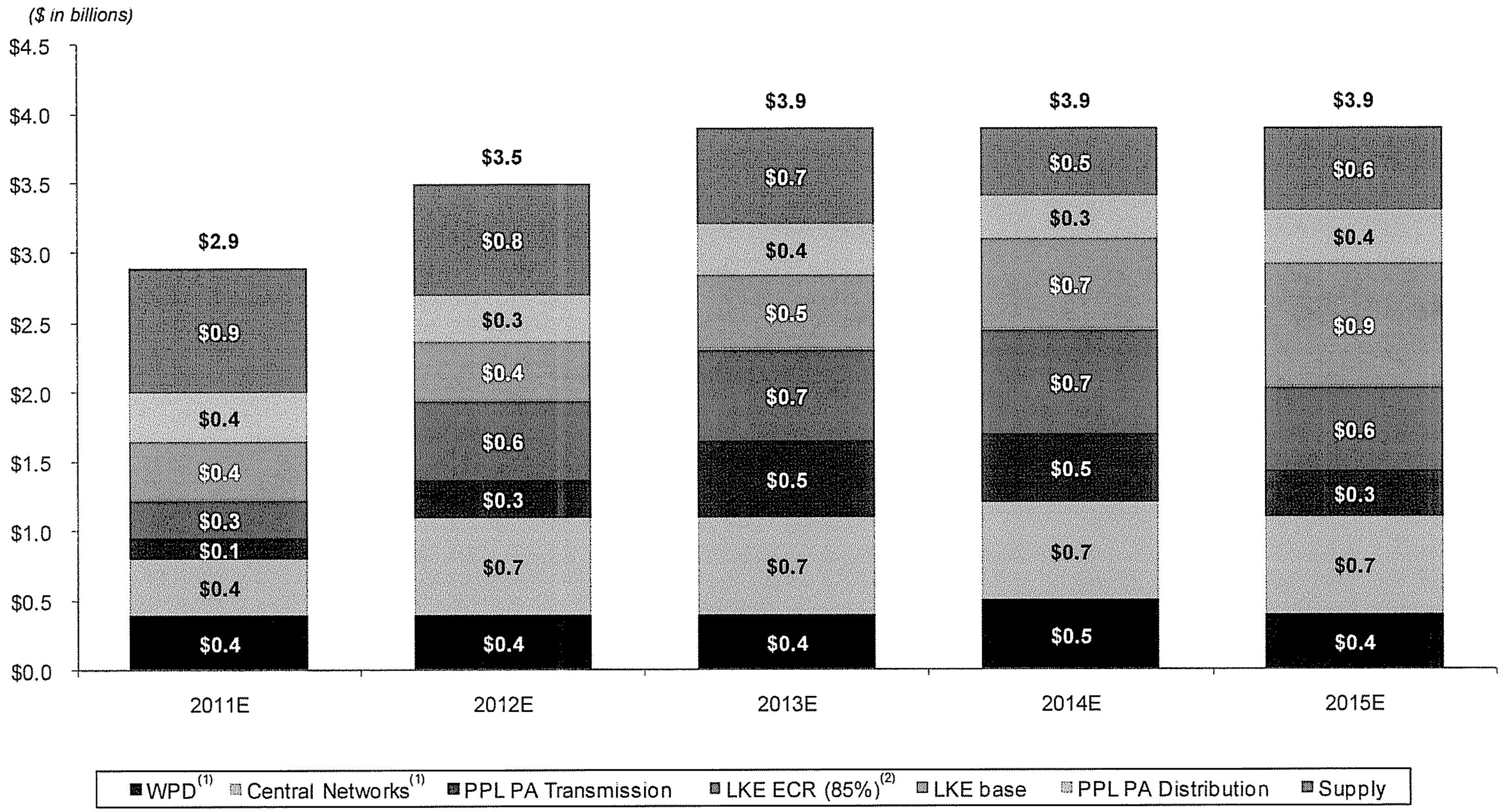
▽ – represents an LLC

▭ – represents a corporation

Blue shading represents a rated securities issuer

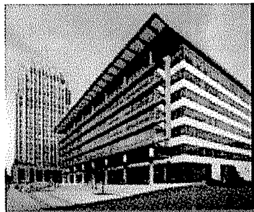
Red shading represents an unrated entity

Capital Expenditures by Segment



(1) Figures based on assumed exchange rate of $1.60 / GBP.

(2) Assumes approximately 85% of Environmental Capex of LKE runs through the ECR mechanism.



Forward-Looking Information Statement

Statements contained in this presentation, including statements with respect to future events and their timing, including the acquisition ("Acquisition") by PPL Corporation of Central Networks East plc and Central Networks West plc (Collectively, "Central Networks"), the expected results of operations of Central Networks or PPL Corporation both before or following PPL Corporation's acquisition of Central Networks, as well as statements as to future earnings, the timing or extent of realizing synergistic and other benefits from the Acquisition, energy prices, margins and sales, growth, revenues, expenses, cash flow, credit profile, ratings, financing, asset disposition, marketing performance, hedging, regulation, corporate strategy and generating capacity and performance, are "forward-looking statements" within the meaning of the federal securities laws. Although PPL Corporation believes that the expectations and assumptions reflected in these forward-looking statements are reasonable, these expectations, assumptions and statements are subject to a number of risks and uncertainties, and actual results may differ materially from the results discussed in the statements. The following are among the important factors that could cause actual results to differ materially from the forward-looking statements: capital market conditions, including their effect on permanent financing of the Acquisition, and decisions regarding capital structure; the market prices of equity securities and the impact on pension income and resultant cash funding requirements for defined benefit pension plans; the securities and credit ratings of PPL Corporation and its subsidiaries; stock price performance; receipt of necessary government permits, approvals, rate relief and regulatory cost recovery; market demand and prices for energy, capacity and fuel; weather conditions affecting customer energy usage and operating costs; competition in power markets; the effect of any business or industry restructuring; the profitability and liquidity of PPL Corporation, Central Networks and of their subsidiaries; new accounting requirements or new interpretations or applications of existing requirements; operating performance of plants and other facilities; environmental conditions and requirements and the related costs of compliance, including environmental capital expenditures and emission allowance and other expenses; system conditions and operating costs; development of new projects, markets and technologies; performance of new ventures; asset acquisitions and dispositions; any impact of hurricanes or other severe weather on our business, including any impact on fuel prices; the impact of state, federal or foreign investigations applicable to PPL Corporation, Central Networks and their subsidiaries; the outcome of litigation against PPL Corporation, Central Networks and their subsidiaries; political, regulatory or economic conditions in states, regions or countries where PPL Corporation, Central Networks and their subsidiaries conduct business, including any potential effects of threatened or actual terrorism or war or other hostilities; foreign exchange rates; new state, federal or foreign legislation, including new tax or environmental legislation or regulation; and the commitments and liabilities of PPL Corporation, Central Networks and of their subsidiaries. Any such forward-looking statements should be considered in light of such important factors and in conjunction with PPL Corporation's Form 10-K and other reports on file with the Securities and Exchange Commission.

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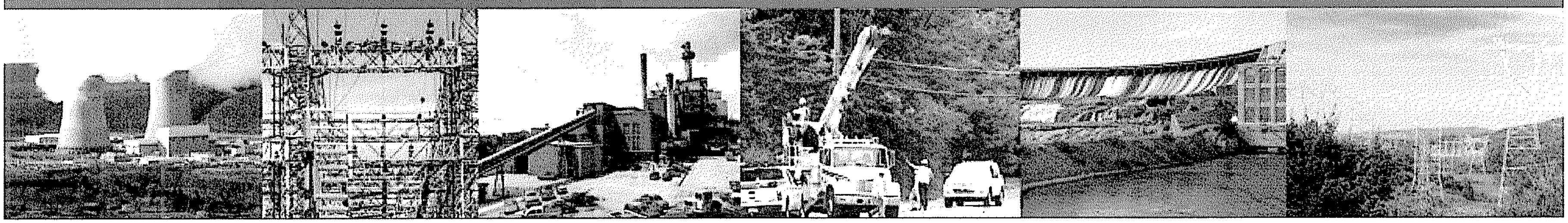
Attachment to Question No. 4

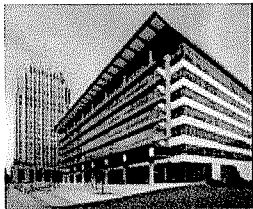
4 of 8

Arbough

Morgan Stanley Conference

PPL Corporation
March 10, 2011





Cautionary Statements and Factors That May Affect Future Results

Any statements made in this presentation about future operating results or other future events are forward-looking statements under the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from such forward-looking statements. A discussion of factors that could cause actual results or events to vary is contained in the Appendix to this presentation and in the Company's SEC filings.

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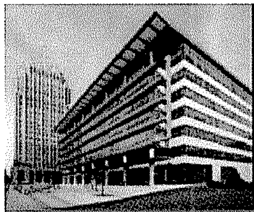
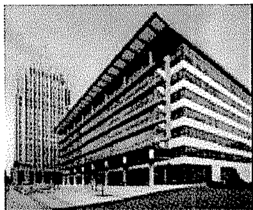


Agenda

Introduction	Jim Miller *Chairman, President & CEO, PPL*
Business Overview	Robert Symons *CEO, WPD*
Transaction Overview	Paul Farr *Executive Vice President & CFO, PPL*
Concluding Remarks	Jim Miller *Chairman, President & CEO, PPL*



Transaction Overview

Transaction

- Purchase price of £4.0 billion ($6.4 billion); £3.5 billion ($5.6 billion) cash and £500 million ($800 million) assumed debt
  - $1.70 – $1.90 billion of PPL common stock
  - $750 – $950 million of convertible equity units
  - $2.95 – $3.25 billion (£1.85 – £2.03 billion) of unsecured debt
- Acquisition of Central Networks East plc and Central Networks West plc (together Central Networks)
- Central Networks is the second largest Distribution Network Operator ("DNO") in the U.K., serving 5 million customers
- Contiguous with PPL's WPD operations

Regulatory Approvals

- No regulatory approvals required

Timing

- The transaction is expected to close in early April 2011

Note: Based on assumed exchange rate of $1.60 / GBP.

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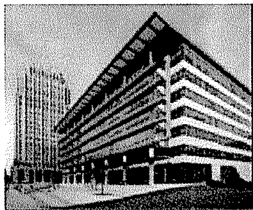


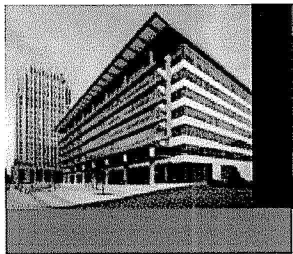
Highly Strategic Transaction

- PPL achieves a highly regulated business mix
  - Project 75% of EBITDA from regulated businesses by 2013
- U.K. electric distribution networks compare favorably to FERC-regulated independent transmission
  - Regulator-approved 5-year forward-looking revenues based on pre-approved capital expenditure plan
  - No volumetric risk
  - Additional incentives for operational efficiency and high-quality service
- Opportunity to leverage WPD's best-in-class management
  - Experience with rapid and successful integration of an acquired network
  - Highly confident in ability to achieve synergy targets
  - Creates largest U.K. electric distribution network operator by asset base

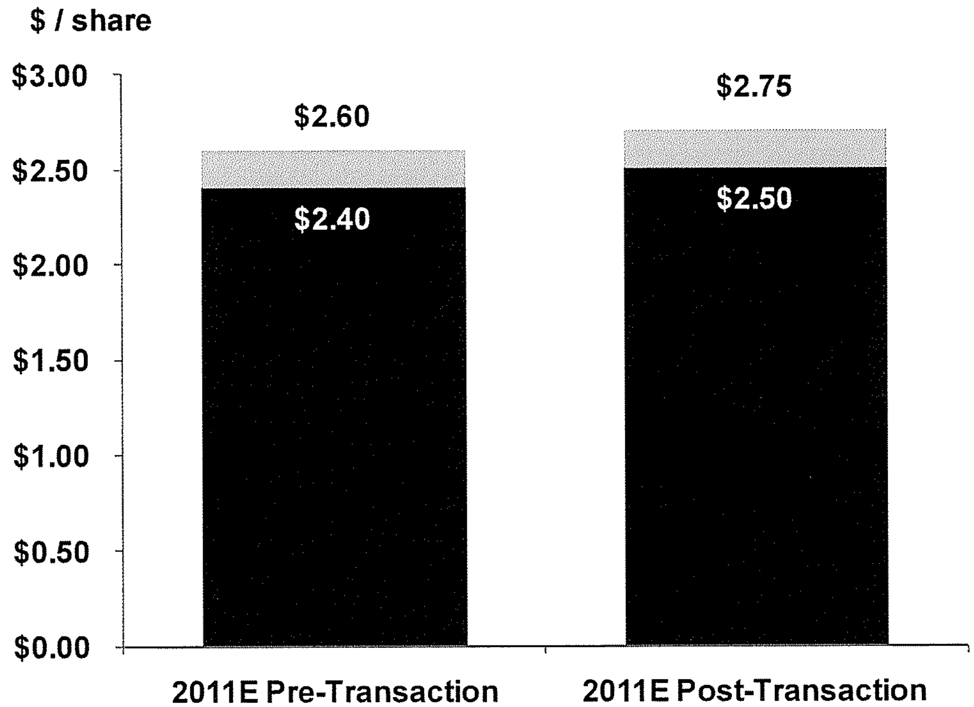
Compelling for Shareholders

- Delivers immediate and significant benefits to PPL shareholders
- Immediately and significantly accretive [(1)]
  - 2011 – $0.10 - $0.15 per share
  - 2012 – $0.23 - $0.27 per share
  - 2013 – $0.32 - $0.38 per share
- Strong value for shareholders
  - Attractive valuation
  - Unique ability to create and retain synergies
  - Provides future dividend flexibility
- Enhances quality of future earnings
  - Post-transaction, approximately two-thirds of regulated capital expenditures earn returns subject to minimal or no regulatory lag
- Able to complete the acquisition on an expedited timeline

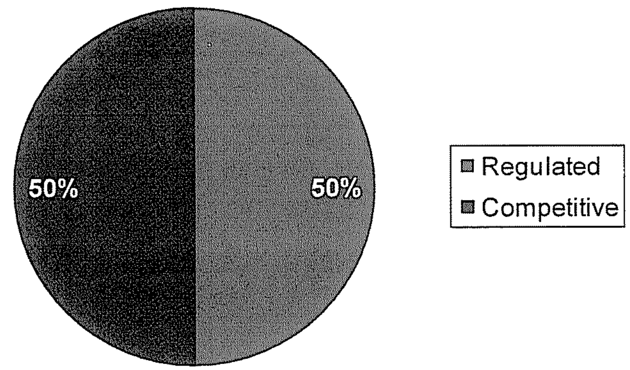
(1) Accretion includes effects of equity to fund the acquisition; assumes transaction close in early April 2011 (performance and shares on partial year basis for 2011).



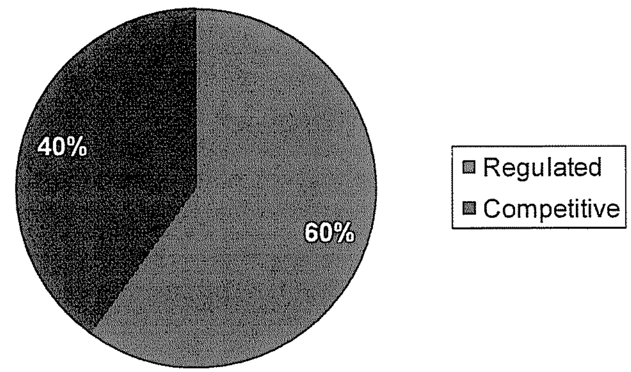
Increasing 2011 Earnings Guidance



2011E Pre-Transaction[1]



2011E Post-Transaction[1]



Note: *Excludes special items related to the transaction, does not reflect final determination of purchase accounting and assumes transaction close in early April 2011 (performance and shares on partial year basis).*

(1) *Based on midpoint of guidance range.*

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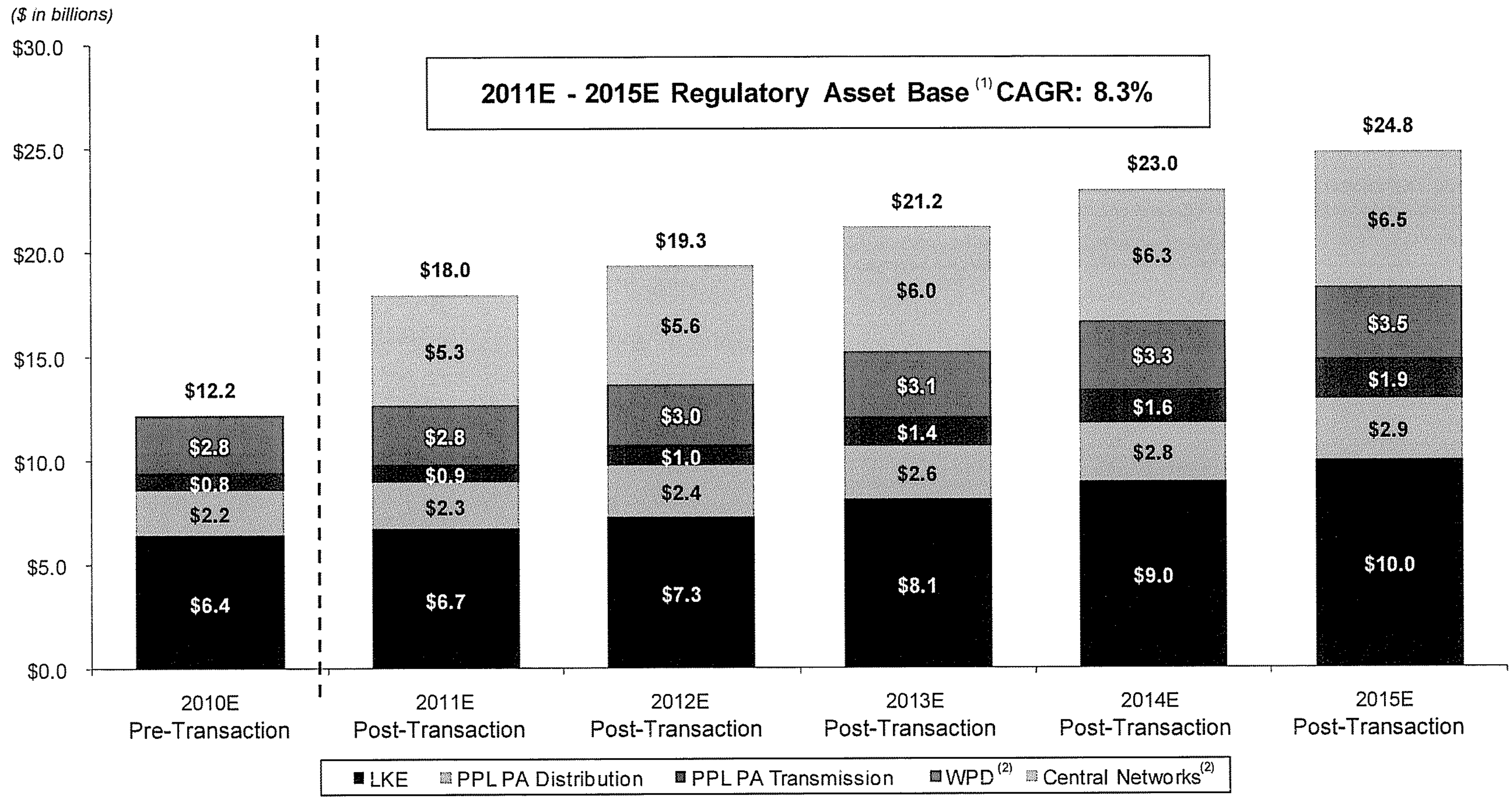
Increased Scale with Attractive Growth

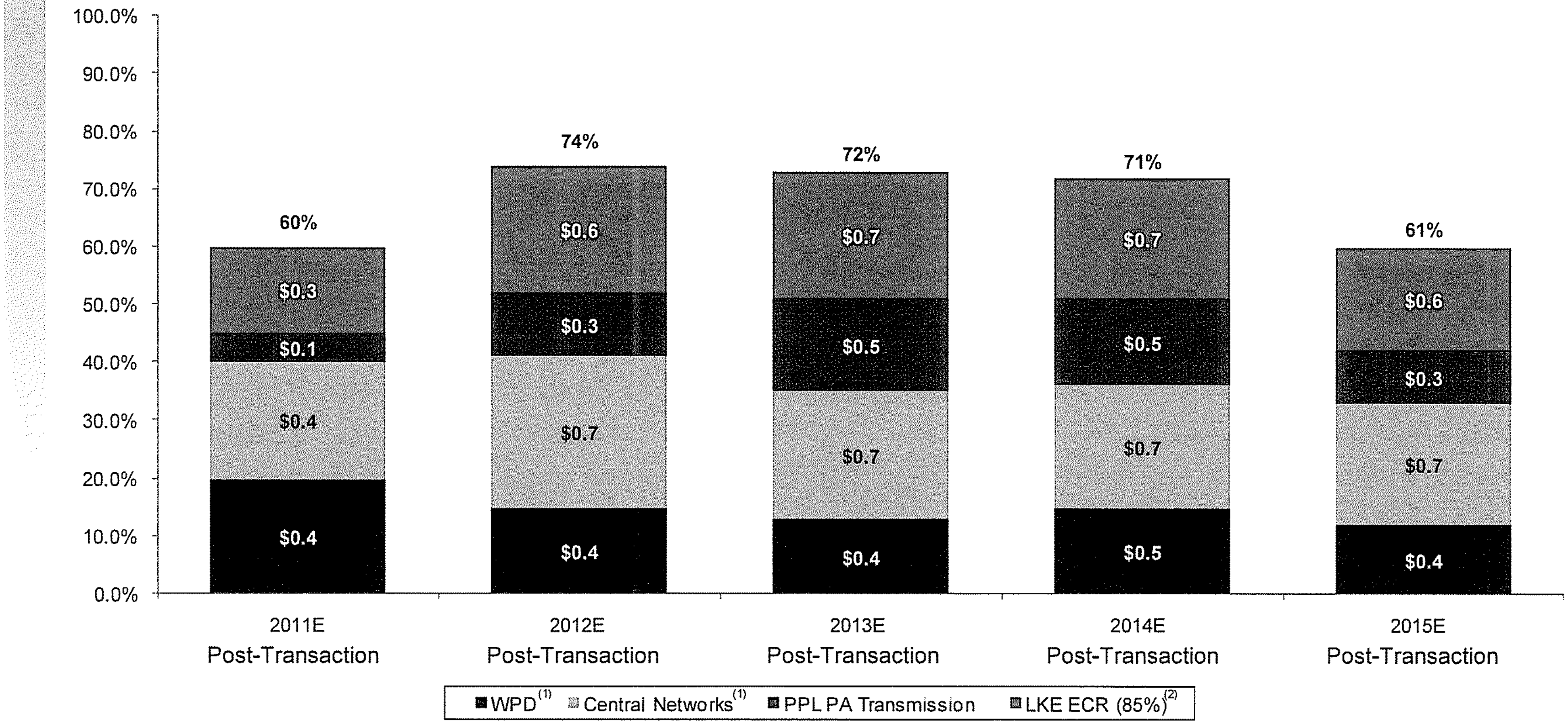


(1) Represents capitalization for LKE since LG&E and KU rate constructs are based on capitalization. Represents Regulatory Asset Value (RAV) for WPD and Central Networks.

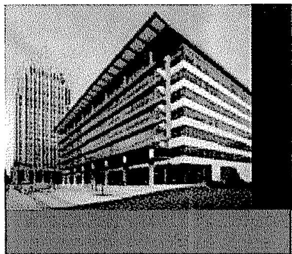
(2) Figures based on assumed exchange rate of $1.60 / GBP and are as of year-end December 31.

Real-Time Recovery of Majority of Regulated Capex Spending

Approximately two-thirds of regulated capital expenditures earn returns subject to minimal or no regulatory lag



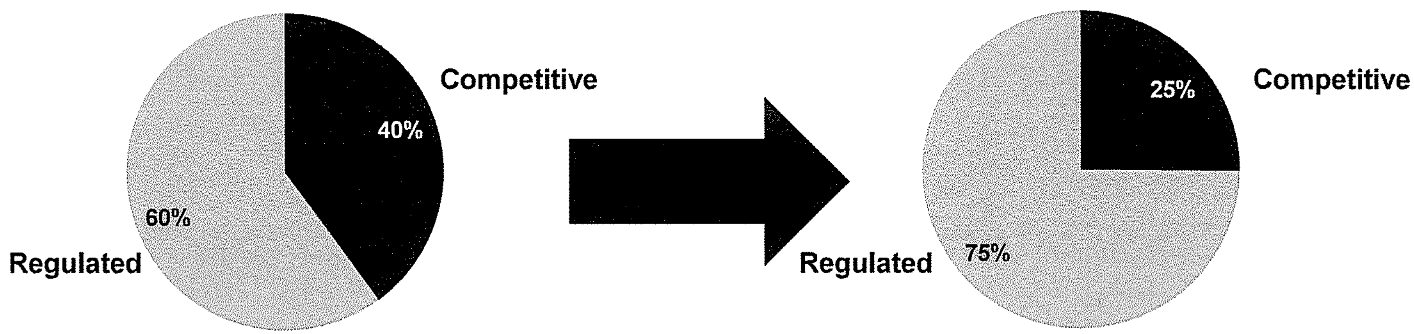
Note: $ in billions.
(1) Figures based on assumed exchange rate of $1.60 / GBP.
(2) Assumes approximately 85% of Environmental Capex of LKE runs through the ECR mechanism.



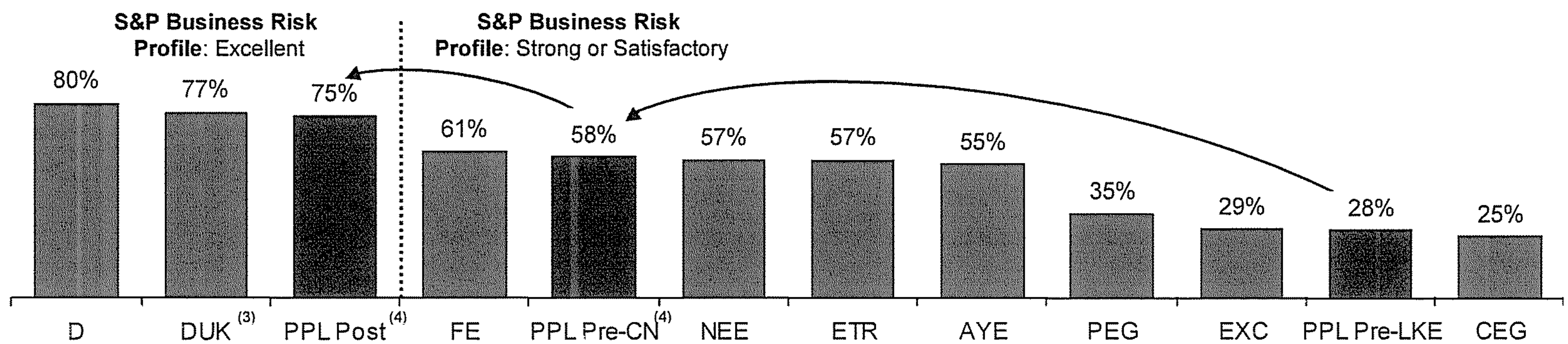
Predominantly Regulated Business Mix

EBITDA Projection [1]

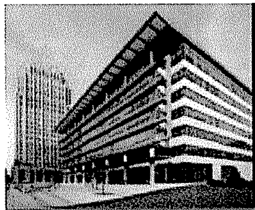
2011 Pre-Transaction **2013 Post-Transaction**



Regulated Cash Flow [2]



(1) *Approximate projections.*
(2) *"Does The Shale Gas Glut Pose A Threat To U.S. Integrated Power Merchants' Credit Quality?" Standard & Poor's, October 22, 2010.*
(3) *Based on EBIT estimate from company presentation.*
(4) *PPL estimates; CN pre-transaction figure based on 2011 FFO; post-transaction figure based on 2013 FFO for the combined entity, which includes full realization of synergies.*



International Regulated Overview

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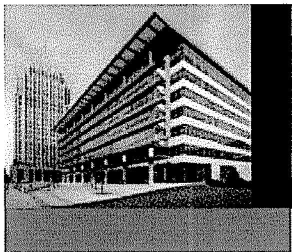


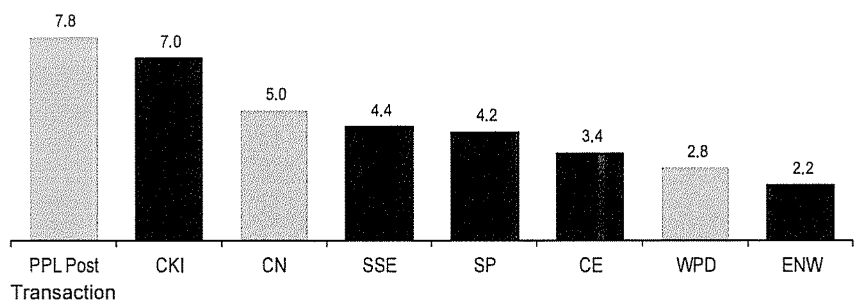
U.K. Networks Overview

($ in billions)

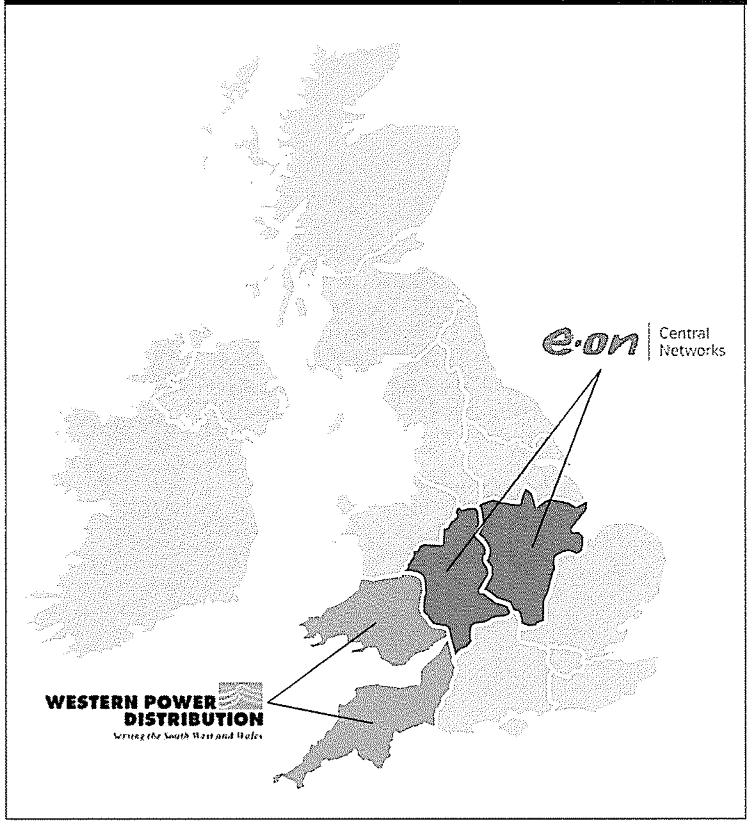
	WPD	Central Networks	Combined
RAV[1]	$2.8	$5.0	$7.8
Utility customers (m)	2.6	5.0	7.6
Network miles	~52,000	~83,000	~135,000

($ in billions)

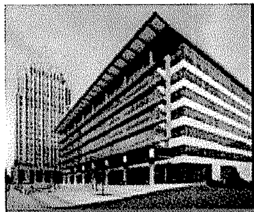
Regulated Asset Value[1]



Service Territory

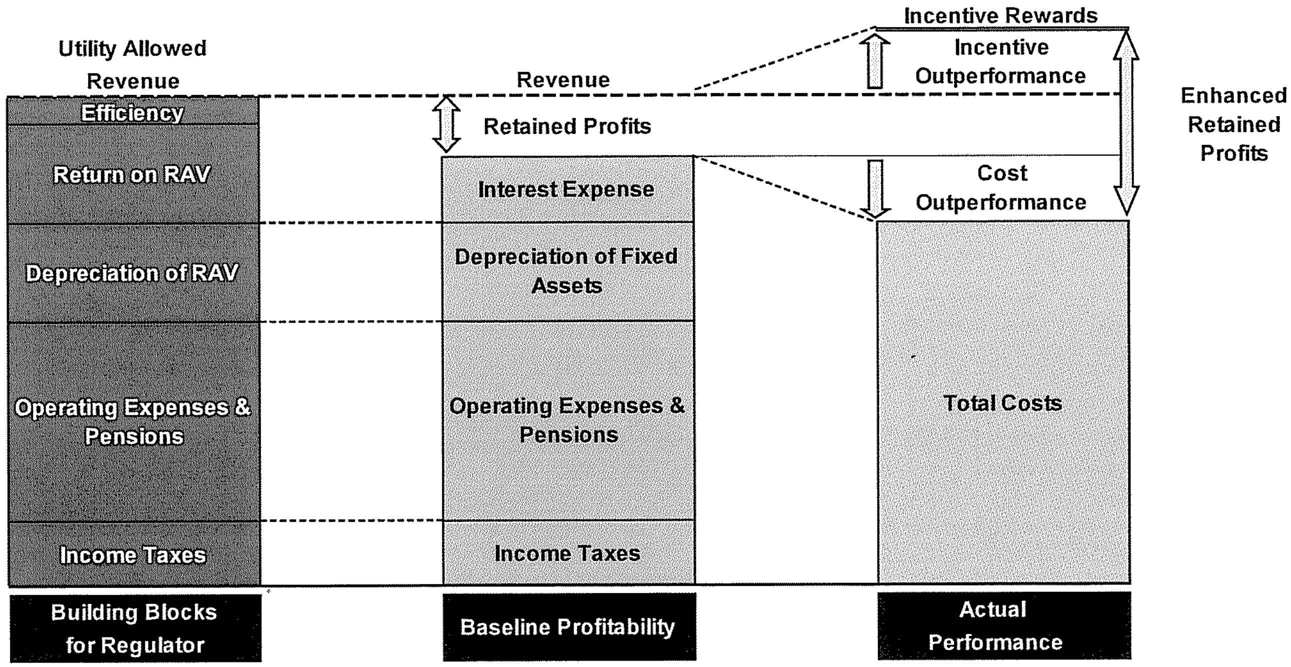


Note: Based on $1.60 / GBP exchange rate.
(1) Figures as per Office for Gas and Electric Markets ("Ofgem") final proposals, adjusted for inflation, year-end 3/31/2011.



Performance Incentive-Based U.K. Electricity Distribution Regulation

- The U.K.'s Office of Gas and Electricity Markets (Ofgem) determines rates for a 5-year period on the basis of:
  - Efficiently incurred operating costs
  - A 5-year forward assessment and funding of capital expenditures
  - A return on and a return of capital through depreciation of the regulated asset value
  - Incentive revenue geared to outperformance



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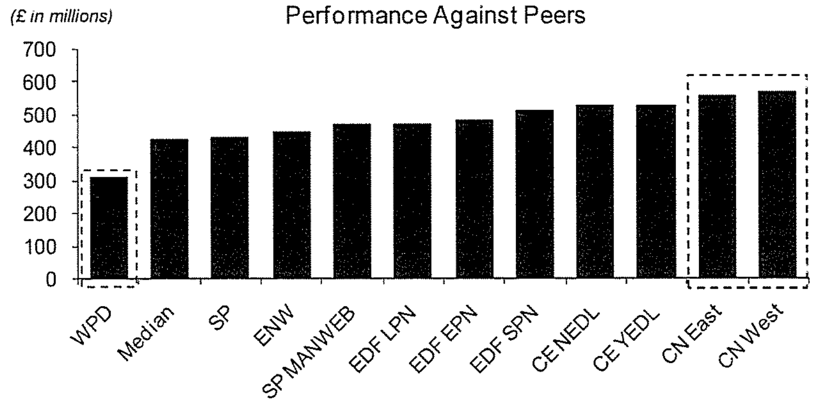
WPD: Best-in-Class U.K. Performance

- Best reliability among 14 distribution companies
- Highest incentive payments for surpassing regulatory targets
- Most capital efficient in sector
- Awarded $250m efficiency allowance in DPCR5
- 6 years with no customer complaints to regulator
- Awarded the U.K. Customer Excellence Standard (18 consecutive years of recognition)

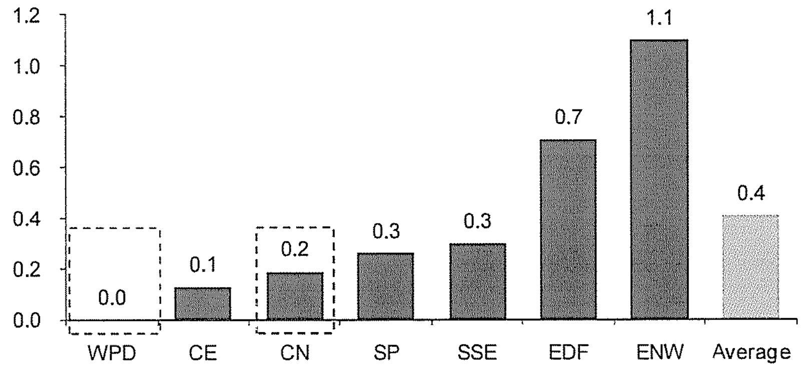
Capex Efficiency in DPCR5 [1]

Performance Against Peers

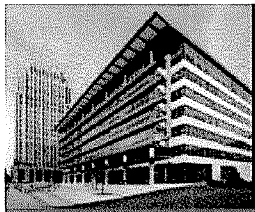


Customer Complaints [2]

Complaints to Ombudsman per 100,000 customers



(1) *Ofgem data extrapolated to WPD spend volume.*
(2) *Ombudsman management information.*



Management's Record of Delivery

- The same management team brought about the successful merger of South Wales and South West within the same timeframes
- Synergies are a direct parallel to the South Wales transaction
- Assessment of efficiencies lie within known boundaries

Robert Symons
Chief Executive Officer
Years in Industry – 40

Dave Harris	**Charl Oosthuizen**	**Phil Swift**	**Phil Davies**
Director, Resources & External Affairs	*Director, Finance*	*Network Manager, South West*	*Network Manager, South Wales*
Years in Industry – 37	*Years in Industry – 19*	*Years in Industry – 20*	*Years in Industry – 46*

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WPD is the Best-In-Class Operator

U.K. Electric Distribution Network Operator Rankings

				Customer Service		
	Base RORE [1]	Operational Costs	Allowed Totex	Customer Interruptions	Customer Minutes Lost	Overall Average Rank [2]
WPD	1	2	2	3	1	**1**
SSE	2	1	1	5	4	**2**
ENW	5	4	4	1	2	**3**
MidAmerican	3	3	3	6	6	**4**
Scottish Power	6	6	6	2	3	**5**
Central Networks	4	7	5	7	5	**6**
CKI	7	5	7	4	7	**7**

Source: *Ofgem.*
(1) *Return on Regulated Equity.*
(2) *Based on average across all categories.*

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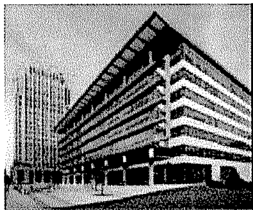
WPD Performance Rewards Top in Industry

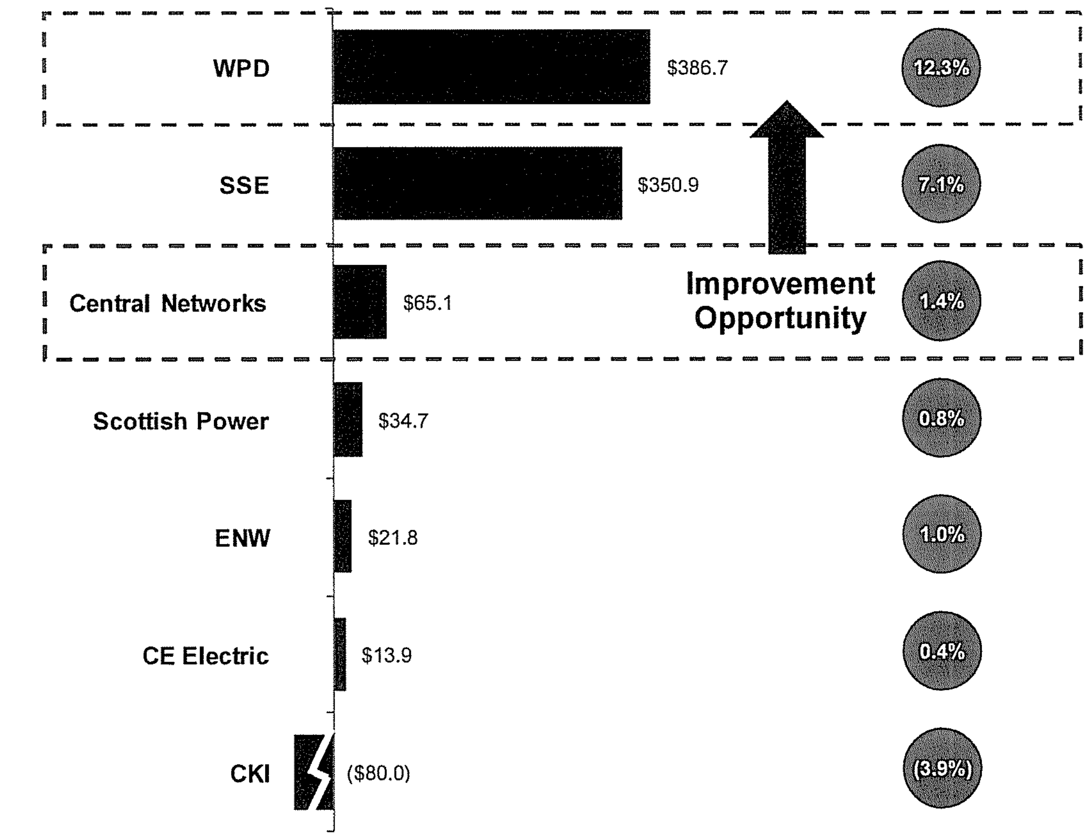


WPD Rewards

$18.7	*Customer Minutes Lost ("CML") Targets tougher than benchmark*
29.0	*Supply restoration best practice*
3.0	*Telephone & Discretionary*
26.7	*Customers Interrupted*
51.2	*Annual CML Incentives*
3.9	*Associated Interest*
$132.5	**Total DPCR4**
$80.6	*CML Targets tougher than benchmark*
51.0	*Forecasting Accuracy (Information Quality Incentive ("IQI"))*
110.4	*Capital Cost Efficiency (pre-IQI)*
12.2	*Operating Cost Efficiency*
$254.2	**Total DPCR5**
$386.7	**Total DPCR4 & DPCR5**

Rewards during DPCR4
Rewards secured for DPCR5

Aggregate Total Award / Penalty *($ in millions)* | **Aggregate as % of DPCR4 Revenue**

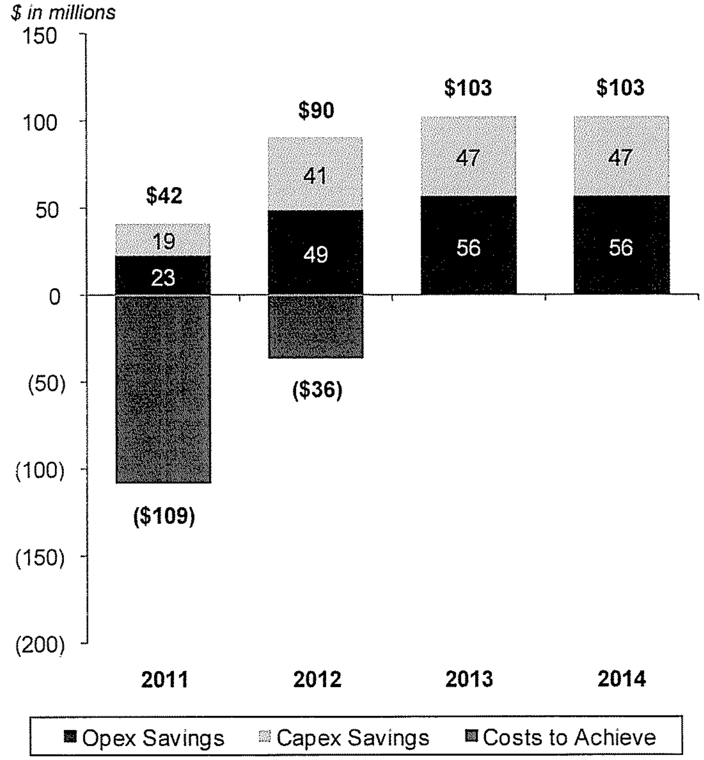


Source: Ofgem data.
Note: Figures based on assumed exchange rate of $1.60 / GBP.

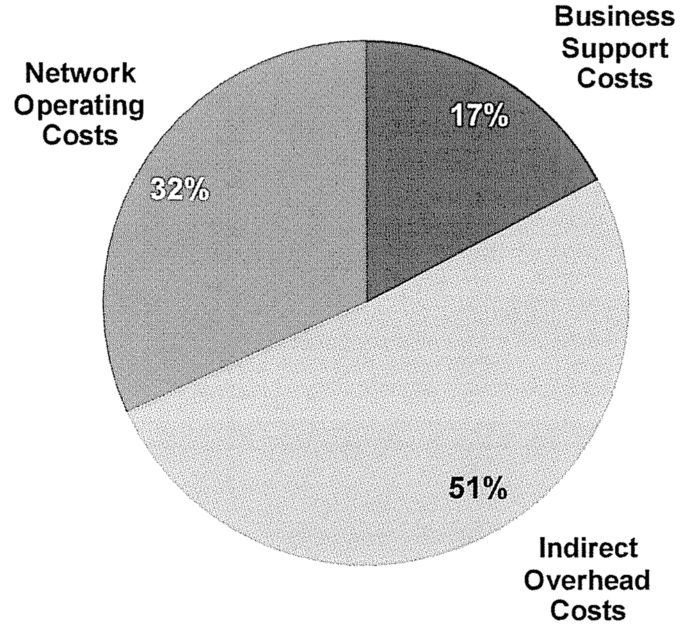
Significant Synergy Opportunity

100% Synergies retained through end of current rate period (1); 47% in following rate period (2)

Estimated Annual Pre-Tax Synergies



Opex Synergies by Category



Note: *Figures based on assumed exchange rate of $1.60 / GBP.*
(1) *Ends in March 2015.*
(2) *Expected to end in March 2023.*

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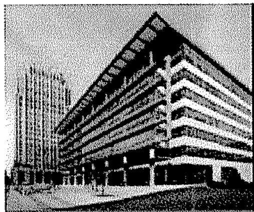
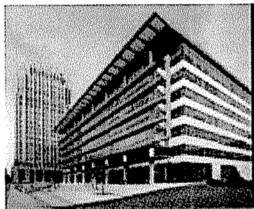


Transaction Overview and Timing



Transaction Financing / Structure

Timing

- Expected to close early April 2011

Committed Acquisition Facility

- Committed acquisition facility from Bank of America Merrill Lynch and Credit Suisse
  - Expected to be drawn in full at closing to fund acquisition
  - Plan to complete equity capital offering in the second quarter of 2011 after finalizing U.S. GAAP financials

Permanent Financing

- \$1.70 – \$1.90 billion of PPL common stock
- \$750 – \$950 million of convertible equity units
- \$2.25 – \$2.45 billion (£1.41 – £1.53 billion) of unsecured debt at Central Networks operating entities
- \$700 – \$800 million (£438 – £500 million) of senior unsecured debt at a U.K. holding company above Central Networks

Note: Based on assumed exchange rate of \$1.60 / GBP.

Financial Impact

Earnings

- Immediately and significantly accretive (1)
  - 2011 – $0.10 - $0.15 per share
  - 2012 – $0.23 - $0.27 per share
  - 2013 – $0.32 - $0.38 per share
- Significantly greater earnings accretion expected as efficiencies and financial benefits of the transaction are fully realized
- Able to retain synergies in full through March 2015 and 47% through March 2023

Credit

- Low business risk and design of financing plan maintain investment grade credit profile
- Expecting Baa1 / BBB ratings at Central Networks operating entities
- Financing plan has been discussed with rating agencies

(1) *Accretion includes effects of equity to fund the acquisition: assumes transaction close in early April 2011 (performance and shares on partial year basis for 2011).*

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Favorable U.K. Regulatory Framework

	U.K. Electric Distribution Network	FERC-Regulated Independent Transmission
Regulatory construct		
Form of regulation	Rate of return and incentive / performance based	Rate of return based with RoE incentives
Rate setting mechanism	Forward looking	Forward looking
Frequency of rate setting	Every 5 years	Annual formula-rate filing
Recovery lag	None	Minimal
Volumetric risk	None	Minimal
Rates of return		
Nominal RoE at Utility Level	10% - 14% subject to performance Adjusted for inflation on a rolling basis	11% - 14% including RoE incentives
RoE adders / incentives	Ability to achieve sustained higher returns through: - Cost outperformance - Performance incentives	RTO membership Independent status Project complexity No performance incentives
Holding company leverage	Low 20% holding company effective RoE	Low 20% holding company effective RoE

U.K. regulation compares favorably to FERC-regulated independent transmission

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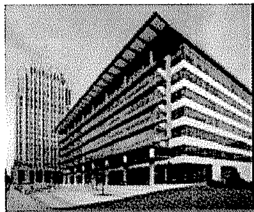
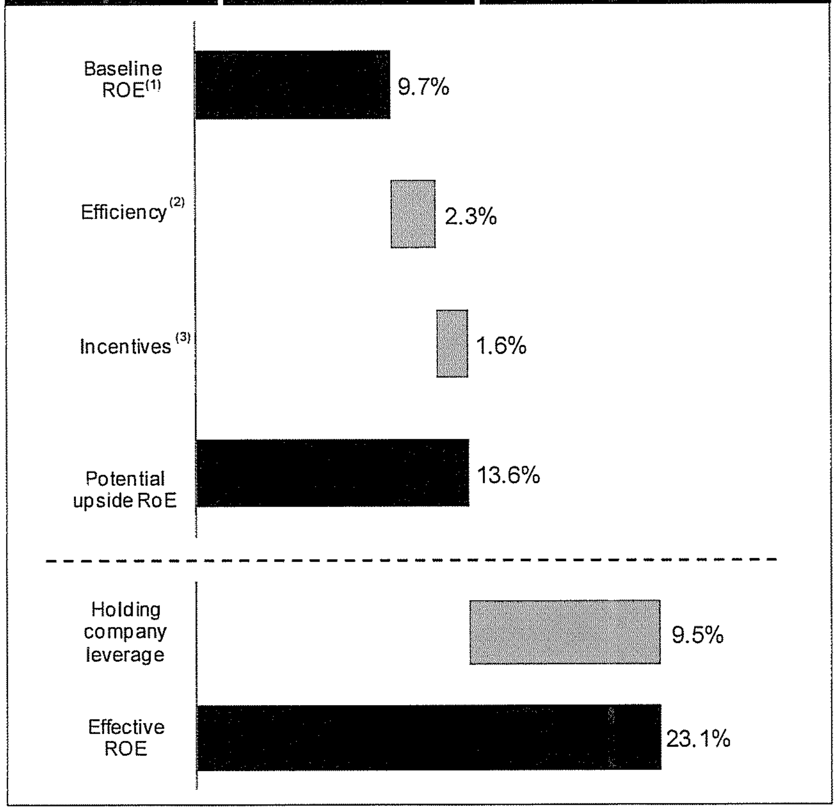
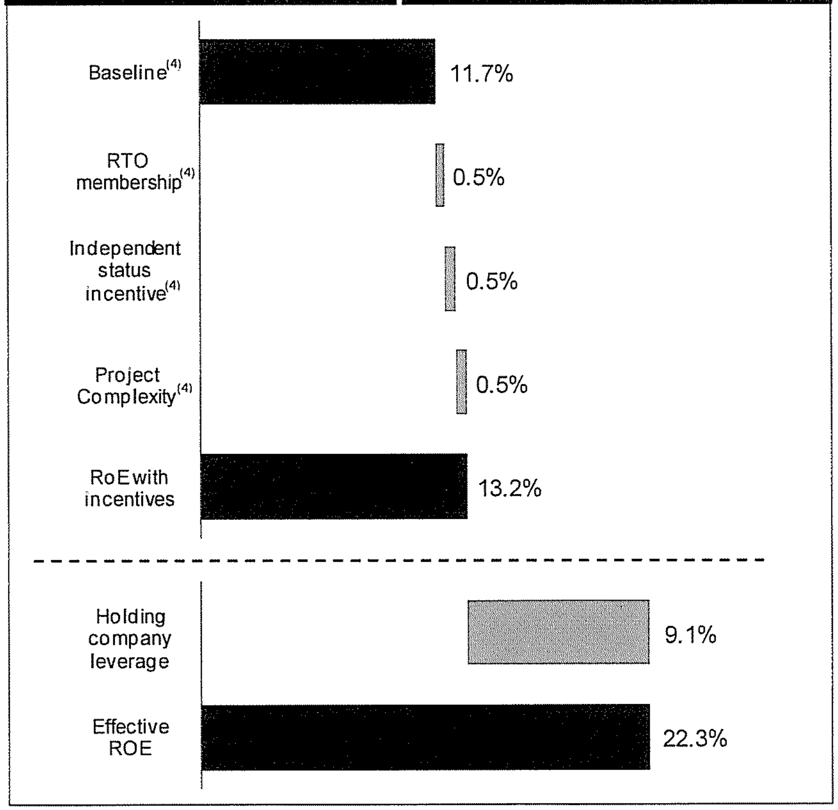


Estimated Equity Returns for an Efficient U.K. Operator vs. FERC

U.K. Electric Distribution Network Operator Example



FERC-Regulated Independent Transmission Example



(1) Assumes 3% of inflation per annum; inflation adjustment figured off of HM Treasury publication on a rolling basis
(2) Based on efficiency levels achieved by SSE and WPD. § 4.10 of DPCR5 Final Proposals decision document dated 12/7/2009.
(3) Mid-point of Ofgem's estimate of incentives upside. § 4.11 of DPCR5 Final Proposals decision document dated 12/7/2009.
(4) Source: FERC.

Significant Growth in International Regulated Earnings

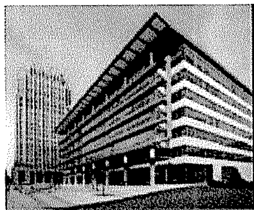
($ in millions)	2011E	2012E	2013E
International Regulated Segment (Pre-Transaction) [1]			
Revenue	$800 - $890	$840 - $930	$910 - $1,010
Net Income	$210 - $230	$190 - $210	$220 - $250
Addition of Central Networks [2]	**4/1 - 12/31/2011**		
Revenue	$800 - $890	$1,250 - $1,380	$1,320 - $1,450
Net Income [3]	$220 - $250	$305 - $335	$380 - $420
Post-Transaction Revenue	**$1,600 - $1,780**	**$2,090 - $2,310**	**$2,230 - $2,460**
Post-Transaction Net Income [3]	**$430 - $480**	**$495 - $545**	**$600 - $670**

Note: *Figures based on assumed exchange rate of $1.60 / GBP.*

(1) PPL business plan allocates certain corporate expenses to International Regulated Segment; future allocation of expenses may increase but will have no impact on consolidated earnings.

(2) PPL business plan assumes transaction close in early April 2011 (performance and shares on partial year basis for 2011).

(3) Excludes special transaction-related expenses in the years ending December 2011 and 2012.



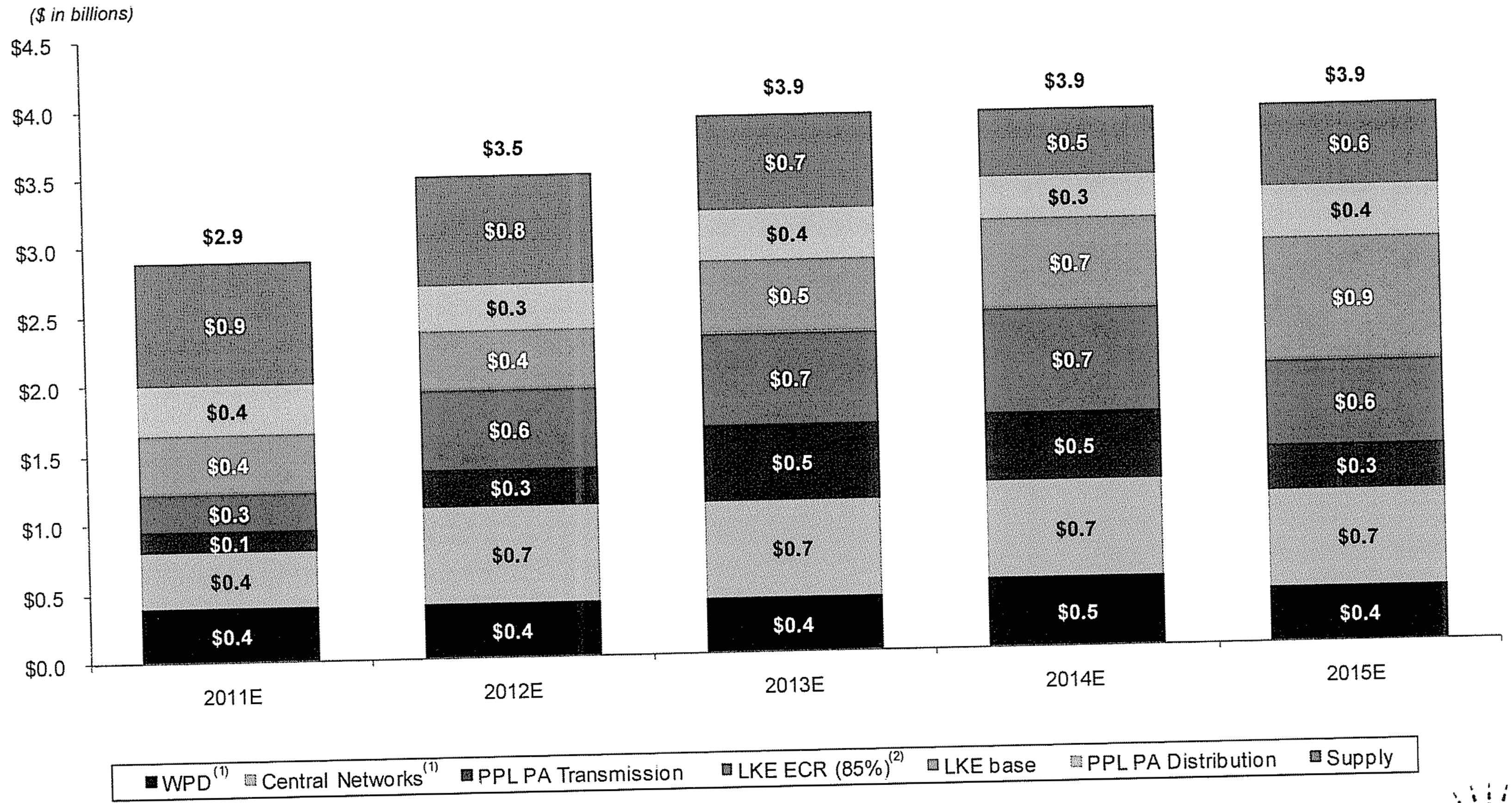
Concluding Remarks

Concluding Remarks

- Immediately accretive to earnings and valuation
  - Significant achievable synergies
- Complementary business in highly favorable regulatory framework
  - U.K. regulation compares favorably to FERC-regulated independent transmission
- Leverages PPL's best-in-class U.K. management team
  - Highly confident in ability to successfully integrate and achieve synergy targets
- Achieves highly regulated business mix
  - Project 75% of EBITDA from regulated businesses by 2013
- Further strengthens business risk profile
- Enhances quality of future earnings

Appendix

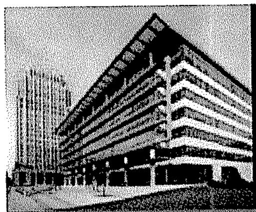
Capital Expenditures by Segment



(1) Figures based on assumed exchange rate of $1.60 / GBP.
(2) Assumes approximately 85% of Environmental Capex of LKE runs through the ECR mechanism.

Forward-Looking Information Statement

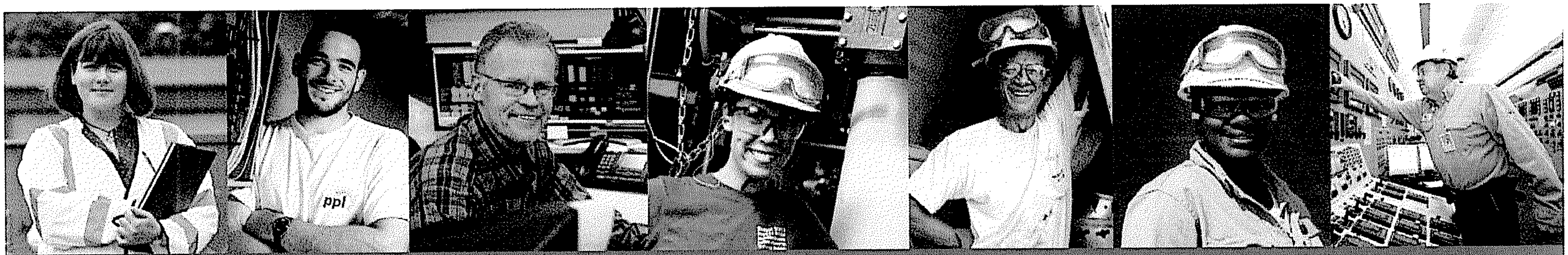
Statements contained in this presentation, including statements with respect to future events and their timing, including the acquisition ("Acquisition") by PPL Corporation of Central Networks East plc and Central Networks West plc (Collectively, "Central Networks"), the expected results of operations of Central Networks or PPL Corporation both before or following PPL Corporation's acquisition of Central Networks, as well as statements as to future earnings, the timing or extent of realizing synergistic and other benefits from the Acquisition, energy prices, margins and sales, growth, revenues, expenses, cash flow, credit profile, ratings, financing, asset disposition, marketing performance, hedging, regulation, corporate strategy and generating capacity and performance, are "forward-looking statements" within the meaning of the federal securities laws. Although PPL Corporation believes that the expectations and assumptions reflected in these forward-looking statements are reasonable, these expectations, assumptions and statements are subject to a number of risks and uncertainties, and actual results may differ materially from the results discussed in the statements. The following are among the important factors that could cause actual results to differ materially from the forward-looking statements: capital market conditions, including their effect on permanent financing of the Acquisition, and decisions regarding capital structure; the market prices of equity securities and the impact on pension income and resultant cash funding requirements for defined benefit pension plans; the securities and credit ratings of PPL Corporation and its subsidiaries; stock price performance; receipt of necessary government permits, approvals, rate relief and regulatory cost recovery; market demand and prices for energy, capacity and fuel; weather conditions affecting customer energy usage and operating costs; competition in power markets; the effect of any business or industry restructuring; the profitability and liquidity of PPL Corporation, Central Networks and of their subsidiaries; new accounting requirements or new interpretations or applications of existing requirements; operating performance of plants and other facilities; environmental conditions and requirements and the related costs of compliance, including environmental capital expenditures and emission allowance and other expenses; system conditions and operating costs; development of new projects, markets and technologies; performance of new ventures; asset acquisitions and dispositions; any impact of hurricanes or other severe weather on our business, including any impact on fuel prices; the impact of state, federal or foreign investigations applicable to PPL Corporation, Central Networks and their subsidiaries; the outcome of litigation against PPL Corporation, Central Networks and their subsidiaries; political, regulatory or economic conditions in states, regions or countries where PPL Corporation, Central Networks and their subsidiaries conduct business, including any potential effects of threatened or actual terrorism or war or other hostilities; foreign exchange rates; new state, federal or foreign legislation, including new tax or environmental legislation or regulation; and the commitments and liabilities of PPL Corporation, Central Networks and of their subsidiaries. Any such forward-looking statements should be considered in light of such important factors and in conjunction with PPL Corporation's Form 10-K and other reports on file with the Securities and Exchange Commission.



Attachment to Question No. 4

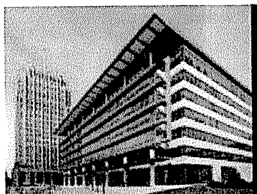
5 of 8

Arbough



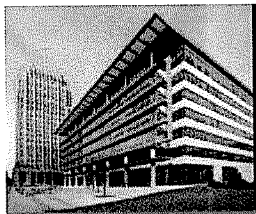
1st Quarter Earnings Call
May 5, 2011

PPL Corporation



Cautionary Statements and Factors That May Affect Future Results

Any statements made in this presentation about future operating results or other future events are forward-looking statements under the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from such forward-looking statements. A discussion of factors that could cause actual results or events to vary is contained in the Appendix to this presentation and in the Company's SEC filings.

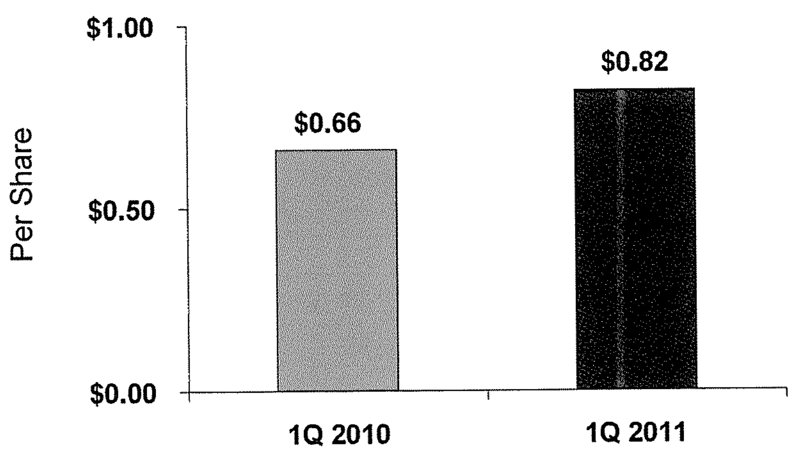


Agenda

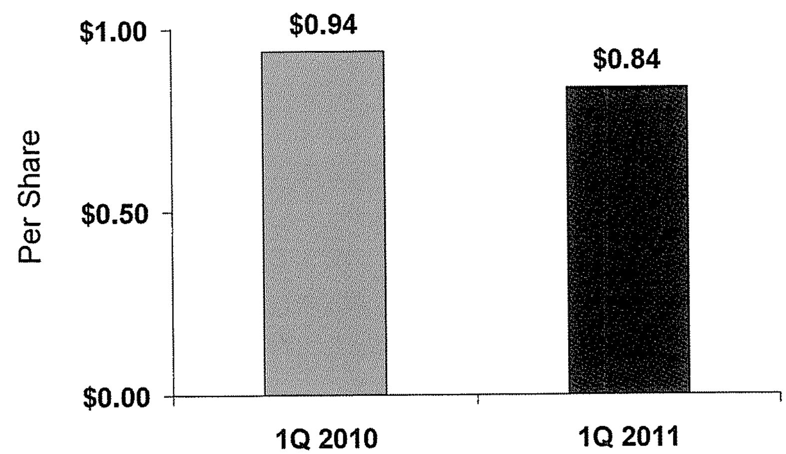
First Quarter 2011 Earnings and Outlook	J. H. Miller
Segment Results and Financial Overview	P. A. Farr
Operational Review	W. H. Spence
Q&A	

Strong Earnings Results

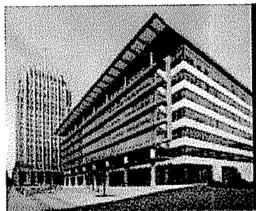
First Quarter
Reported Earnings



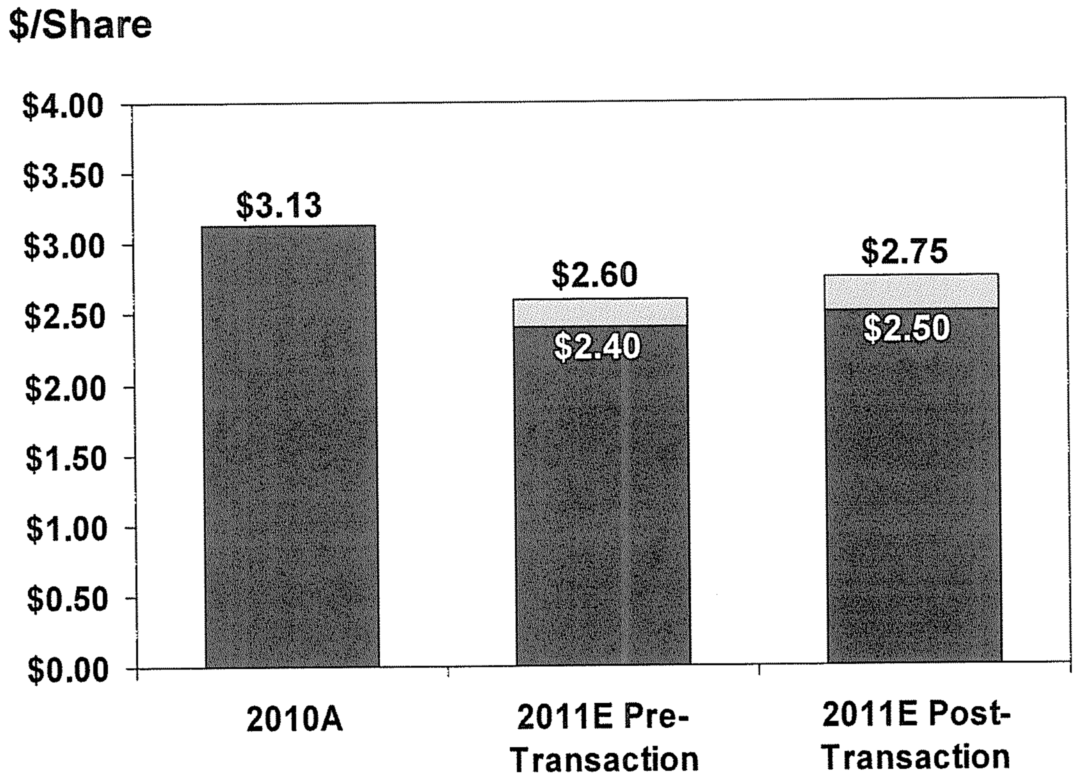
First Quarter
Earnings from Ongoing Operations

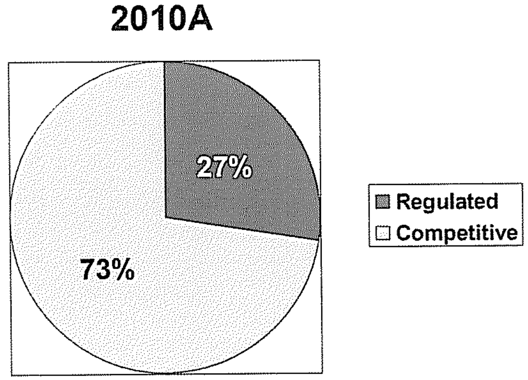


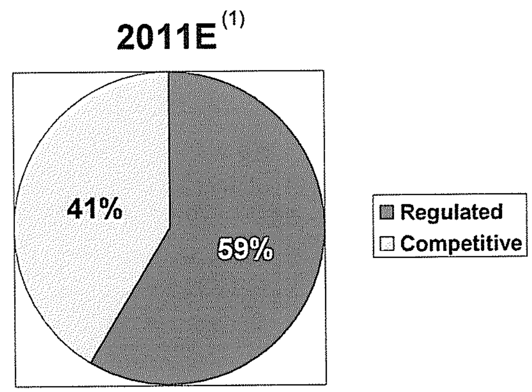
Note: See Appendix for the reconciliation of earnings from ongoing operations to reported earnings.



2011 Earnings from Ongoing Operations Forecast







(1) Based on mid-point of forecasted earnings range.

Note: See appendix for reconciliation of earnings from ongoing operations to reported earnings.

Ongoing Earnings Overview

	Q1 2011	Q1 2010	Change
Kentucky Regulated	$0.15	$ -	$0.15
International Regulated	0.16	0.20	(0.04)
Pennsylvania Regulated	0.11	0.10	0.01
Supply	0.42	0.64	(0.22)
Total	$0.84	$0.94	($0.10)

Note: See Appendix for the reconciliation of earnings from ongoing operations to reported earnings.

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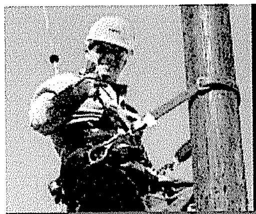
International Regulated Segment Earnings Drivers

		1st Quarter
2010 EPS – Ongoing Earnings		$0.20
Delivery Revenue	0.03	
Financing	(0.02)	
Income Taxes & Other	(0.01)	
Dilution	(0.04)	
Total		(0.04)
2011 EPS – Ongoing Earnings		$0.16

Note: See Appendix for the reconciliation of earnings from ongoing operations to reported earnings.



Pennsylvania Regulated Segment Earnings Drivers

	1st Quarter	
2010 EPS – Ongoing Earnings		$0.10
Electric Delivery Margins	0.04	
O&M	(0.02)	
Income Taxes & Other	0.02	
Dilution	(0.03)	
Total		0.01
2011 EPS – Ongoing Earnings		$0.11

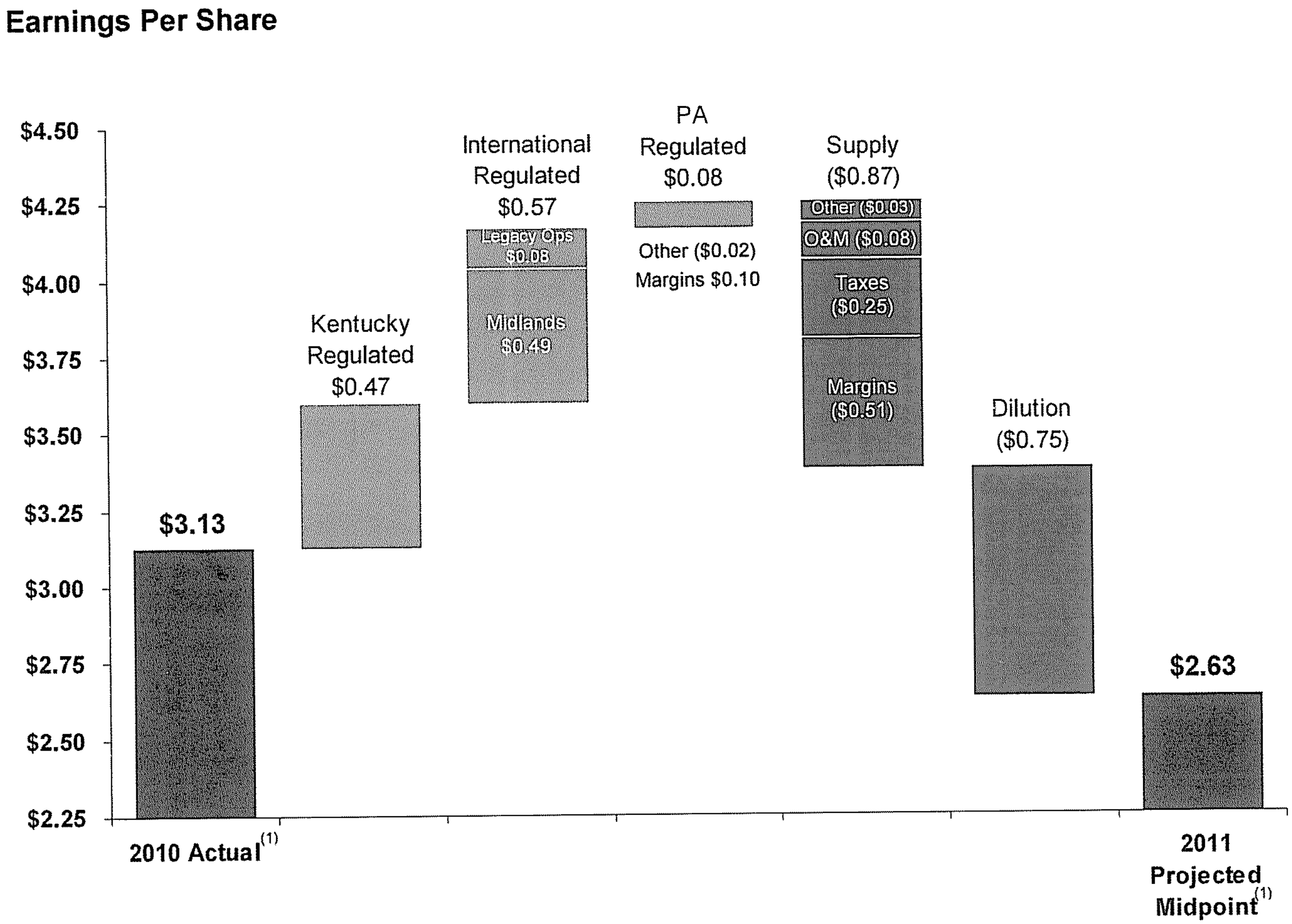
Note: See Appendix for the reconciliation of earnings from ongoing operations to reported earnings.

Supply Segment Earnings Drivers

		1st Quarter
2010 EPS – Ongoing Earnings		$0.64
Margins – East	(0.11)	
O&M	-	
Income Taxes & Other	0.01	
Dilution	(0.12)	
Total		(0.22)
2011 EPS – Ongoing Earnings		$0.42

Note: See Appendix for the reconciliation of earnings from ongoing operations to reported earnings.

2010 to 2011 Earnings Walk

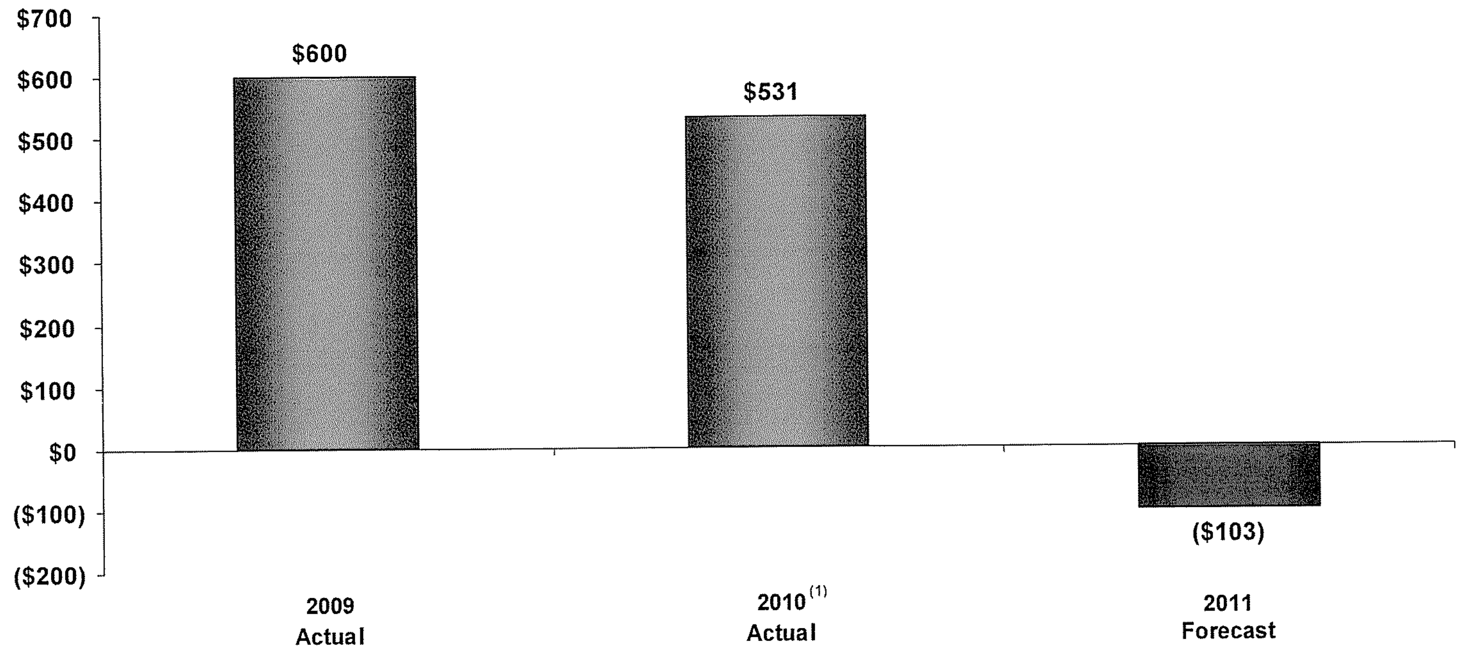


(1) Earnings from ongoing operations.

Note: See Appendix for the reconciliation of earnings from ongoing operations to reported earnings.

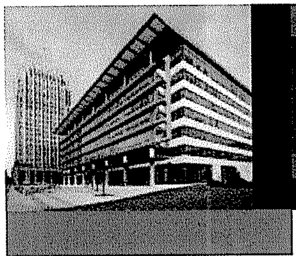
Free Cash Flow before Dividends

Millions of Dollars



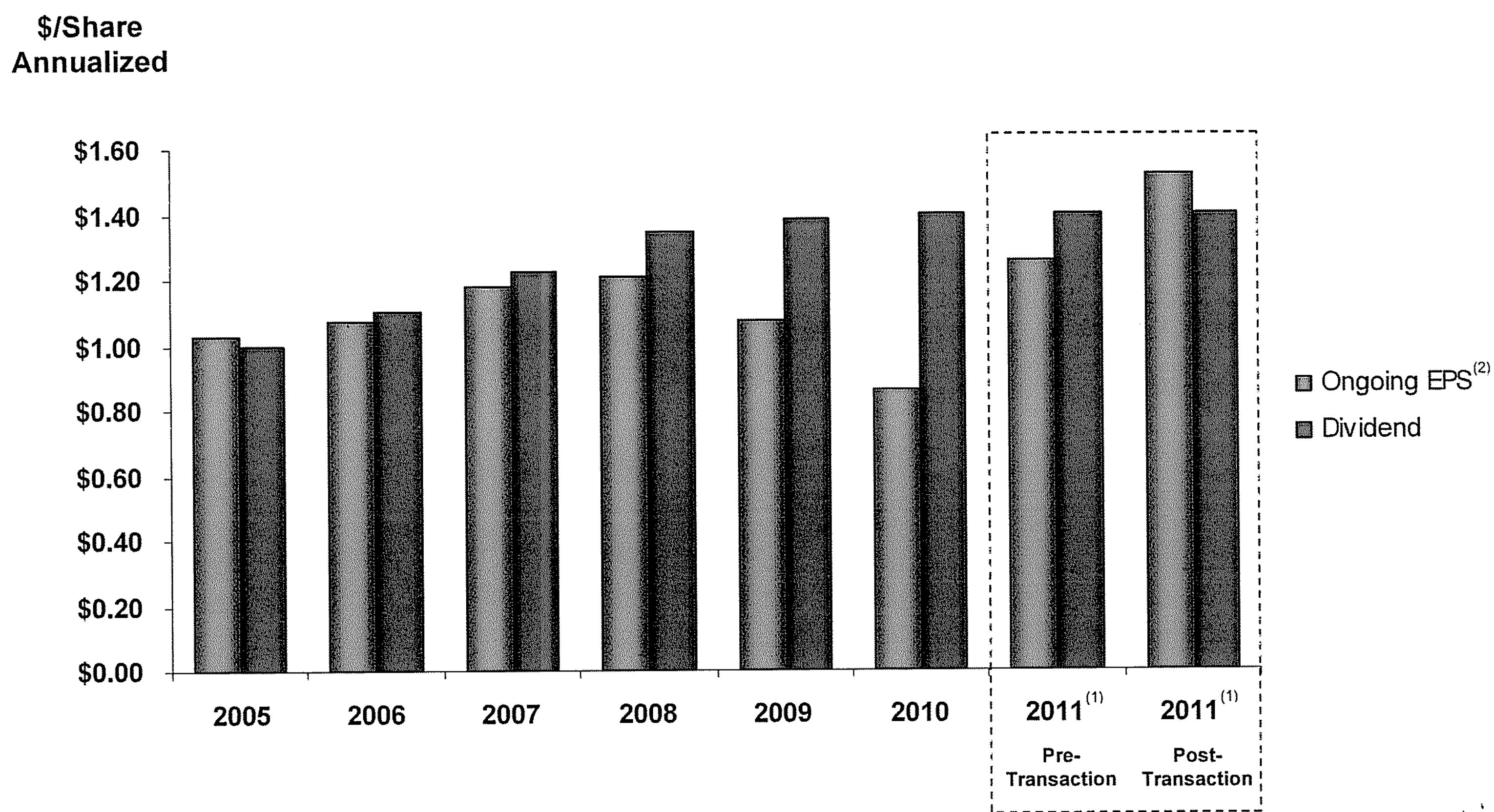
(1) 2010 Free Cash Flow includes two months of the results of the Kentucky Regulated segment.

Note: See Appendix for reconciliation of free cash flow before dividends to cash from operations.



Dividend Profile

A significantly more rate-regulated business mix provides strong support for current dividend and a platform for future growth



(1) *Ongoing EPS based on mid-point of forecast. Annualized dividend based on 1st quarter declaration. Actual dividends to be determined by Board of Directors.*

(2) *From only regulated segments.*

Operational Review

Kentucky Regulated

- Filed Integrated Resource Plan (IRP) with Kentucky PSC on 4/21
- Filed rate case in Virginia on 4/1

Pennsylvania Regulated

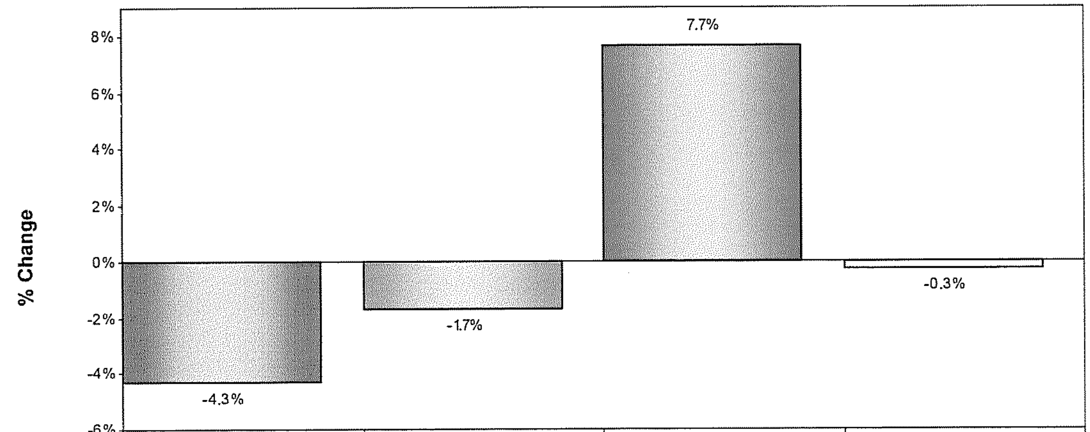
- Earned 9th J.D. Power and Associates Award for customer satisfaction by business customers

International Regulated Segment

- Completed acquisition of WPD Midlands (formerly Central Networks)
- Integration proceeding as planned

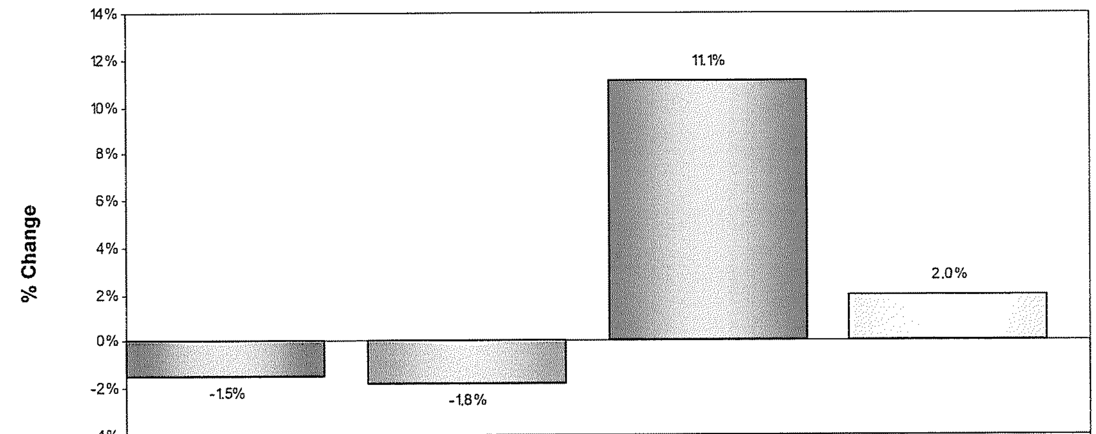
Kentucky Regulated Volume Variances

3-months Ended 3/31 2011 vs 2010



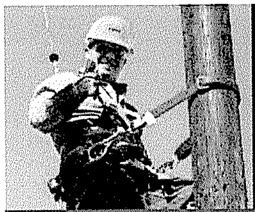
	Residential	Commercial	Industrial	Total
Weather-Normalized (charted)	-4.3%	-1.7%	7.7%	-0.3%
Actual	-10.2%	-3.8%	7.5%	-3.4%

12-months Ended 3/31 2011 vs 2010



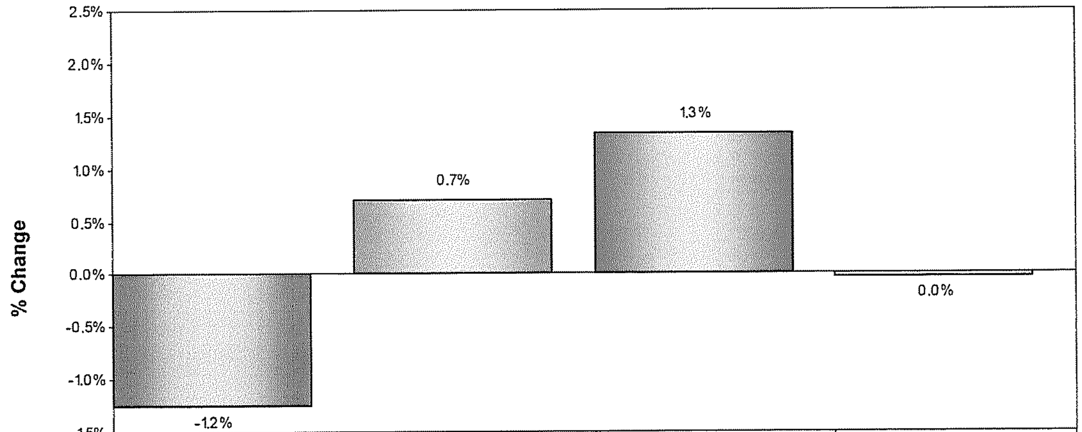
	Residential	Commercial	Industrial	Total
Weather-Normalized (charted)	-1.5%	-1.8%	11.1%	2.0%
Actual	4.2%	1.2%	11.5%	4.9%

Note: Total includes Residential, Commercial and Industrial customer classes as well as "Other", which is not depicted on the charts above.



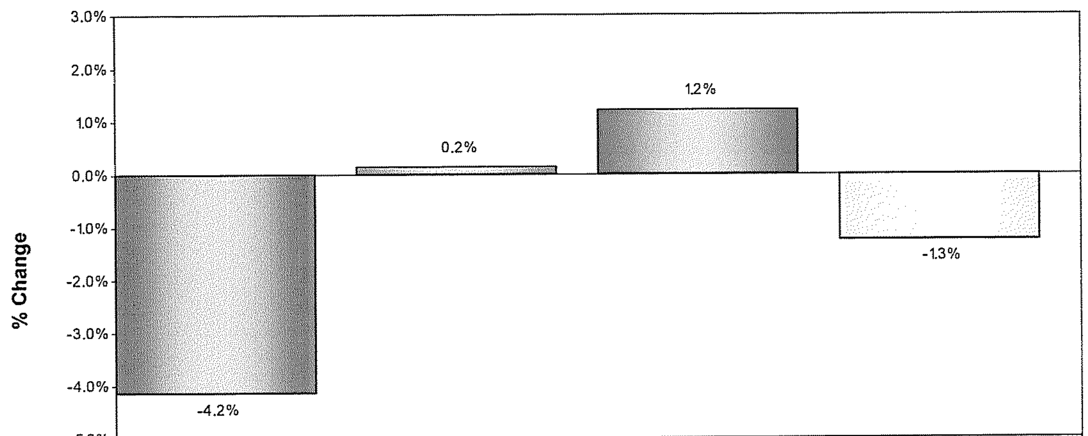
PA Regulated Volume Variances

3-months Ended 3/31 2011 vs 2010



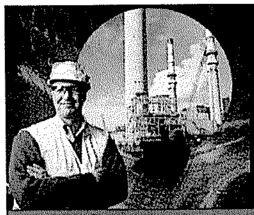
	Residential	Commercial	Industrial	Total
Weather-Normalized (charted)	-1.2%	0.7%	1.3%	0.0%
Actual	1.9%	2.0%	1.3%	1.8%

12-months Ended 3/31 2011 vs 2010



	Residential	Commercial	Industrial	Total
Weather-Normalized (charted)	-4.2%	0.2%	1.2%	-1.3%
Actual	1.9%	2.6%	1.2%	2.0%

Note: Total includes Residential, Commercial and Industrial customer classes as well as "Other", which is not depicted on the charts above.



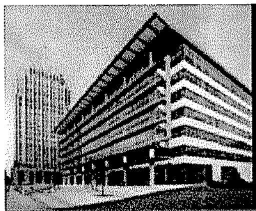
Enhancing Value Through Active Hedging

	2011(4)	2012
Baseload		
Expected Generation(1) (Million MWhs)	**50.7**	**54.7**
East	42.5	46.2
West	8.2	8.5
Current Hedges (%)	**99%**	**86%**
East	100%	84%
West	97%	94%
Average Hedged Price (Energy Only) ($/MWh)(2) (3)		
East	$57	$55-56
West	$54	$53-54
Current Coal Hedges (%)	**99%**	**96%**
East	99%	94%
West	100%	100%
Average Hedged Consumed Coal Price (Delivered $/Ton)		
East	$73-74	$76-80
West	$23-28	$23-29
Intermediate/Peaking		
Expected Generation(1) (Million MWhs)	7.1	6.2
Current Hedges (%)	58%	26%

Capacity revenues are expected to be $430 million, $385 million and $590 million for 2011, 2012 and 2013, respectively.

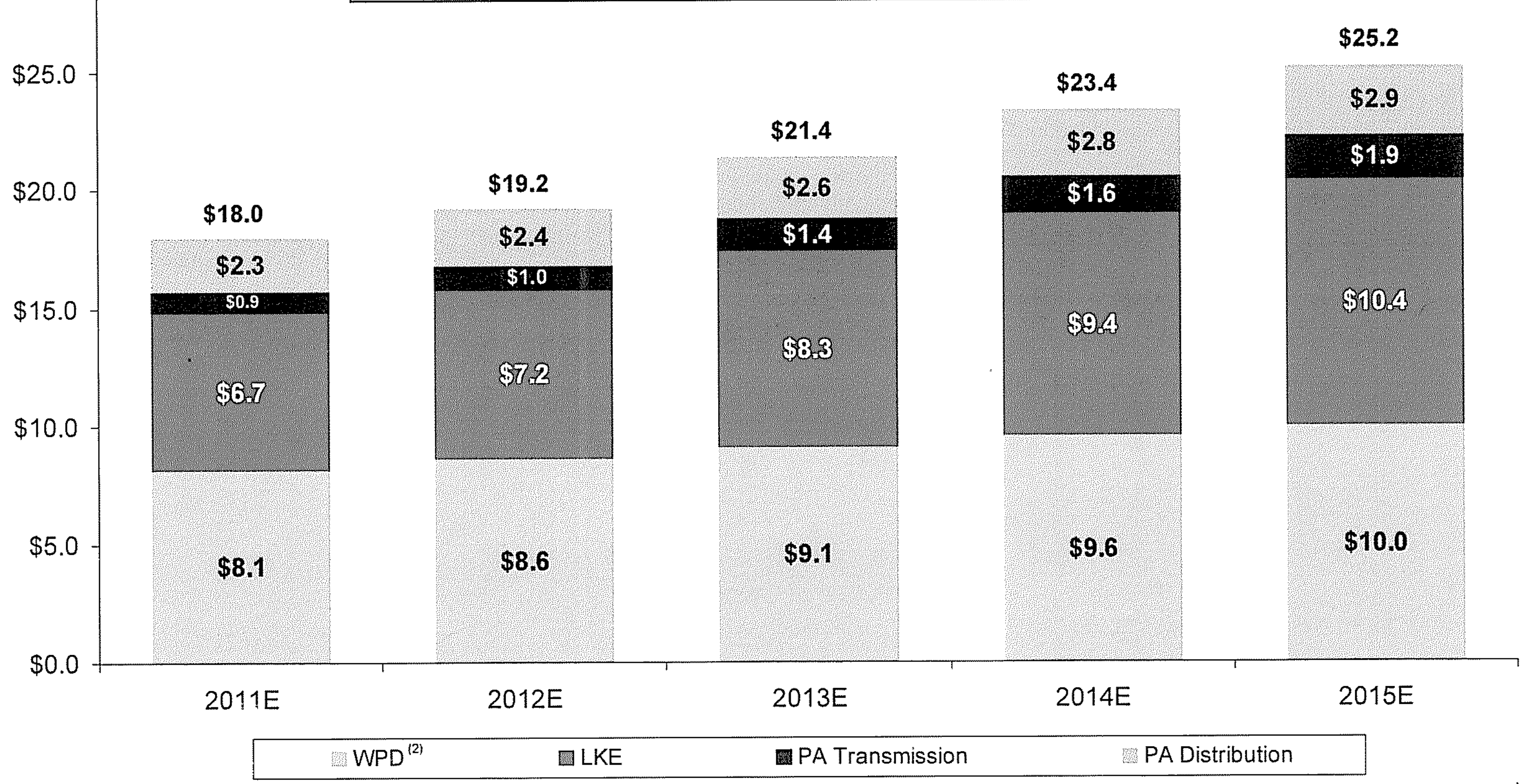
As of March 31, 2011
(1) Represents expected sales based on current business plan assumptions. Amounts do not reflect the impact of the Susquehanna turbine blade inspection/replacement outages.
(2) The 2011 average hedge energy prices are based on the fixed price swaps as of March 31, 2011; the prior collars have all been converted to fixed swaps.
(3) The 2012 ranges of average energy prices for existing hedges were estimated by determining the impact on the existing collars resulting from 2012 power prices at the 5th and 95th percentile confidence levels.
(4) Includes three months of actual results.

Appendix



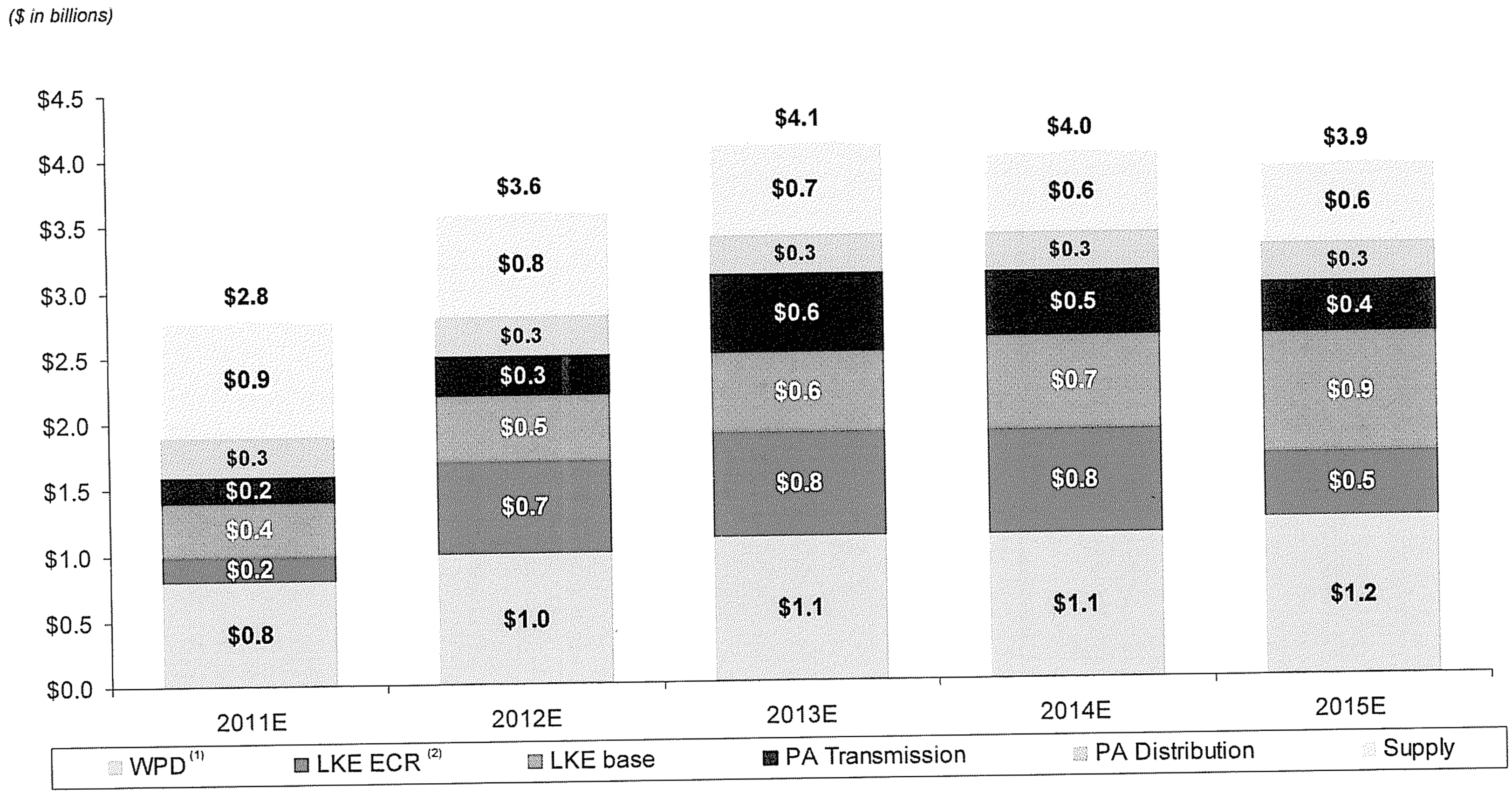
Regulated Rate Base Growth

2011E – 2015E Regulatory Asset Base[1] CAGR: 8.8%

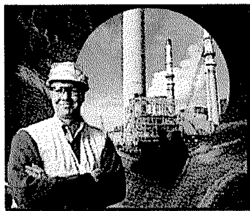


(1) Represents capitalization for LKE, as LG&E and KU rate constructs are based on capitalization. Represents Regulatory Asset Value (RAV) for WPD.
(2) Includes RAV for WPD Midlands. Figures based on assumed exchange rate of $1.60 / GBP and are as of year-end December 31.

Capital Expenditures



(1) *Includes capex for WPD Midlands. Figures based on assumed exchange rate of $1.60 / GBP.*
(2) *Expect approximately 85% to receive timely returns via ECR mechanism based on historical experience.*



Market Prices

	2011	2012
ELECTRIC		
PJM		
On-Peak	$52	$54
Off-Peak	$37	$40
ATC(1)	$44	$46
Mid-Columbia		
On-Peak	$30	$39
Off-Peak	$21	$29
ATC(1)	$26	$35
GAS(2)		
NYMEX	$4.57	$5.06
TZ6NNY	$5.07	$5.83
PJM MARKET		
HEAT RATE(3)	10.2	10.6
CAPACITY PRICES *(Per MWD)*	$136.79	$123.63
EQA	88.3%	89.8%

(1) 24-hour average.

(2) NYMEX and TZ6NNY forward gas prices on 3/31/2011.

(3) Market Heat Rate = PJM on-peak power price divided by TZ6NNY gas price.

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Debt Maturities

(Millions)

	2011	2012	2013	2014	2015
PPL Capital Funding	$0	$0	$0 [1]	$0	$0
LG&E and KU Energy (Holding Co LKE)	2	0	0	0	400
Louisville Gas & Electric	0	0	0	0	250
Kentucky Utilities	0	0	0	0	250
PPL Electric Utilities	0	0	400	10 [2]	100
PPL Energy Supply	500	0	737	300	300 [3]
WPD	0	0	0	0	0
Total	$502	$0	$1,137	$310	$1,300

Note: As of March 31, 2011

(1) Excludes $1.15 billion of junior subordinated notes due 2018 that are a component of PPL's 2010 Equity Units and may be put back to PPL Capital Funding if the remarketing in 2013 is not successful.

(2) Bonds defeased in substance in 2008 by depositing sufficient funds with the trustee.

(3) Represents REset Put Securities due 2035 that are required to be put by the holders in October 2015 either for (a) purchase and remarketing by a remarketing dealer or (b) repurchase by PPL Energy Supply.

Liquidity Profile

Institution	Facility	Expiration Date	Total Facility (Millions)	Letters of Credit Outstanding (Millions)	Drawn (Millions)	Availability (Millions)
PPL Energy Supply	Syndicated Credit Facility	Dec-2014	$3,000	$145	$700	$2,155
	3-Year Bilateral Credit Facility	Mar-2013	200	102	0	98
			$3,200	$247	$700	$2,253
PPL Electric Utilities	Syndicated Credit Facility	Dec-2014	$200	$13	$0	$187
	Asset-backed Credit Facility	Jul-2011	150	0	0	150
			$350	$13	$0	$337
Louisville Gas & Electric	Syndicated Credit Facility	Dec-2014	$400	$0	$0	$400
Kentucky Utilities	Syndicated Credit Facility	Dec-2014	$400	$198	$0	$202
WPD	5-year Syndicated Credit Facility	Jan-2013	£150	£0	£113	£37
	3-year Syndicated Credit Facility	Jul-2012	210	0	0	210
	Uncommitted Credit Facilities		63	3	0	60
			£423	£3	£113	£307

Note: As of March 31, 2011

- PPL Domestic facilities consist of a diverse bank group, with no bank and its affiliates providing an aggregate commitment of more than 10% of the total committed capacity.
- The above does not reflect a Senior Bridge Term Loan Credit Agreement entered into in March 2011, under which PPL Capital Funding and PPL WEM Holdings plc borrowed an aggregate of £3.6 billion in April 2011 to fund the acquisition of Central Networks. To date, £2.4 billion was repaid.
- In April 2011, WPD (East Midlands) and WPD (West Midlands) each entered into a £300 million 5-year Syndicated Credit Facility.
- In April 2011, Kentucky Utilities entered into a new $198 million letter of credit facility that will be used to issue letters of credit to support outstanding tax exempt bonds. In May 2011, letters of credit totaling $198 million were issued under the new facility, replacing letters of credit issued under KU's Syndicated Credit Facility at March 31, 2011.

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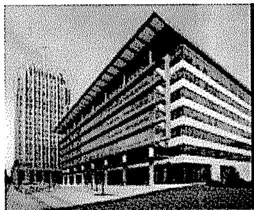


Shares Outstanding

Average Common Shares Outstanding [1]

(in millions)

As of:

March 31, 2011	485 (A)
December 31, 2011	557 (E)
December 31, 2012	582 (E)

(1) Projected average common shares outstanding include common stock issued for the acquisition of WPD Midlands, projected shares issued to satisfy DRIP and compensation-related stock requirements, and the issuance of common stock to satisfy the conversion of the PPL Capital Funding equity units in 2013. These projections do not include common stock issued to fund future growth.

(A) Actual for quarter ended March 31, 2011.

(E) Estimate for average shares outstanding for the year indicated.

Reconciliation of First Quarter Earnings from Ongoing Operations to Reported Earnings

(Millions)

Quarter Ending March 31, 2011	Kentucky Regulated	International Regulated	Pennsylvania Regulated	Supply	Total
Earnings from Ongoing Operations	$ 75	$ 75	$ 52	$ 205	$ 407
Special Items:					
Energy-related economic activity				17	17
Foreign currency-related economic hedges		(1)			(1)
Sales of assets				(1)	(1)
Impairments				(2)	(2)
Central Networks acquisition-related costs:					
Bridge Facility costs		(5)			(5)
Other acquisition-related costs		(10)			(10)
Foreign currency-related economic hedges		(4)			(4)
Total Special Items		(20)		14	(6)
Reported Earnings*	$ 75	$ 55	$ 52	$ 219	$ 401

Quarter Ending March 31, 2010	International Regulated	Pennsylvania Regulated	Supply	Total
Earnings from Ongoing Operations	$ 76	$ 37	$ 244	$ 357
Special Items:				
Energy-related economic activity			(65)	(65)
Impairments			(2)	(2)
Other:				
Montana hydroelectric litigation			(32)	(32)
Health Care Reform - tax impact			(8)	(8)
Total Special Items			(107)	(107)
Reported Earnings*	$ 76	$ 37	$ 137	$ 250

* Represents net income attributable to PPL Corporation

Reconciliation of First Quarter Earnings from Ongoing Operations to Reported Earnings

(Per Share)

Quarter Ending March 31, 2011	Kentucky Regulated	International Regulated	Pennsylvania Regulated	Supply	Total
Earnings from Ongoing Operations	$ 0.15	$ 0.16	$ 0.11	$ 0.42	$ 0.84
Special Items:					
Energy-related economic activity				0.03	0.03
Central Networks acquisition-related costs:					
Bridge Facility costs		(0.02)			(0.02)
Other acquisition-related costs		(0.02)			(0.02)
Foreign currency-related economic hedges		(0.01)			(0.01)
Total Special Items		(0.05)		0.03	(0.02)
Reported Earnings	$ 0.15	$ 0.11	$ 0.11	$ 0.45	$ 0.82

Quarter Ending March 31, 2010	International Regulated	Pennsylvania Regulated	Supply	Total
Earnings from Ongoing Operations	$ 0.20	$ 0.10	$ 0.64	$ 0.94
Special Items:				
Energy-related economic activity			(0.16)	(0.16)
Impairments			(0.01)	(0.01)
Other:				
Montana hydroelectric litigation			(0.09)	(0.09)
Health Care Reform - tax impact			(0.02)	(0.02)
Total Special Items			(0.28)	(0.28)
Reported Earnings	$ 0.20	$ 0.10	$ 0.36	$ 0.66

Note: Per share amounts are based on diluted shares outstanding.

Reconciliation of PPL's Earnings from Ongoing Operations to Reported Earnings

(Per Share)

	Forecast High 2011	Forecast Low 2011	Actual 2010	Actual 2009
Earnings from Ongoing Operations per share of common stock	$ 2.75	$ 2.50	$ 3.13	$ 1.95
Special Items:				
Energy-related economic activity	0.03	0.03	(0.27)	(0.59)
Sales of assets:				
Maine hydroelectric generation business			0.03	0.06
Long Island generation business				(0.09)
Latin American businesses				(0.07)
Interest in Wyman Unit 4				(0.01)
Impairments:				
Impacts from emission allowances			(0.02)	(0.05)
Other asset impairments				(0.01)
Central Networks acquisition-related costs:				
Bridge Facility costs	(0.02)	(0.02)		
Other acquisition-related costs	(0.02)	(0.02)		
Foreign currency-related economic hedges	(0.01)	(0.01)		
LKE acquisition-related costs:				
Monetization of certain full-requirement sales contracts			(0.29)	
Anticipated sale of certain non-core generation facilities			(0.14)	
Bridge Facility costs			(0.12)	
Discontinued cash flow hedges & ineffectiveness			(0.06)	
Reduction of credit facility			(0.01)	
Other acquisition-related costs			(0.05)	
Workforce reductions				(0.03)
Other:				
Montana hydroelectric litigation			(0.08)	(0.01)
Health Care Reform - tax impact			(0.02)	
Change in U.K. tax rate			0.04	
U.S. Tax Court ruling (U.K. Windfall Profits Tax)			0.03	
Change in tax accounting method related to repairs				(0.07)
Total Special Items	(0.02)	(0.02)	(0.96)	(0.87)
Reported Earnings per share of common stock	$ 2.73	$ 2.48	$ 2.17	$ 1.08

Note: Per share amounts are based on diluted shares outstanding.

Reconciliation of First Quarter Operating Income to Pennsylvania Gross Delivery Margins

(Millions)

	Three Months Ended March 31,			
	2011	**2010**	**Change**	**Per Share Diluted (after-tax) (a)**
Pennsylvania gross delivery margins, pre-tax	$ 250	$ 221	$ 29	0.04 ¢

	Three Months Ended March 31,	
	2011	**2010**
Operating Income	$ 805	$ 476
Adjustments:		
Unregulated retail electric and gas	(147)	(104)
Wholesale energy marketing	(1,095)	(1,783)
Net energy trading margins	(11)	(11)
Energy-related businesses, net	(8)	(6)
Fuel	475	230
Other operation and maintenance	583	444
Depreciation	208	124
Taxes, other than income	73	72
Revenue adjustments (b)	(988)	(318)
Expense adjustments (b)	355	1,097
Pennsylvania gross delivery margins	$ 250	$ 221

(a) Per share amount based on the weighted average shares outstanding for the three months ended March 31, 2010.
(b) The components of these adjustments are detailed on the next slide.

Reconciliation of First Quarter Operating Income to Pennsylvania Gross Delivery Margins

(Millions)

	Three Months Ended March 31, 2011		Three Months Ended March 31, 2010	
Revenue adjustments				
Exclude utilities revenue, included in LKE Gross Electric and Gas Margins	$	(766)		
Exclude WPD utility revenue		(216)	$	(203)
Exclude PLR revenue from energy supplied to PPL Electric by PPL EnergyPlus		(6)		(115)
Total revenue adjustments	$	(988)	$	(318)
Expense adjustments				
Exclude energy purchases, included in Unregulated Gross Energy Margins	$	(296)	$	(1,163)
Exclude energy purchases, included in LKE Gross Electric and Gas Margins		(107)		
Include gross receipts tax		33		45
Include Act 129		15		18
Other				3
Total expense adjustments	$	(355)	$	(1,097)

Reconciliation of First Quarter Operating Income to Unregulated Gross Energy Margins

(Millions)

	Three Months Ended March 31,			
	2011	2010	Change	Per Share Diluted (after-tax) (a)
Non-trading:				
Eastern U.S.	$ 578	$ 649	$ (71)	(0.11) ¢
Western U.S.	82	83	(1)	
Net energy trading	11	11		
Unregulated gross energy margins, pre-tax	$ 671	$ 743	$ (72)	(0.11) ¢

	Three Months Ended March 31,	
	2011	2010
Operating Income	$ 805	$ 476
Adjustments:		
Utility	(1,536)	(1,014)
Energy-related businesses, net	(8)	(6)
Other operation and maintenance	583	444
Depreciation	208	124
Taxes, other than income	73	72
Revenue adjustments (b)	(52)	(300)
Expense adjustments (b)	598	947
Unregulated gross energy margins	$ 671	$ 743

(a) Per share amount based on the weighted average shares outstanding for the three months ended March 31, 2010.
(b) The components of these adjustments are detailed on the next slide.

Reconciliation of First Quarter Operating Income to Unregulated Gross Energy Margins

(Millions)

	Three Months Ended March 31, 2011		Three Months Ended March 31, 2010	
Revenue adjustments				
Exclude the impact from energy-related economic activity	$	(77)	$	(447)
Include PLR revenue from energy supplied to PPL Electric by PPL EnergyPlus		6		115
Include gains from sale of emission allowances\RECs				1
Include revenue from certain discontinued operations		19		31
Total revenue adjustments	$	(52)	$	(300)
Expense adjustments				
Exclude fuel and energy purchases, included in Kentucky Gross Electric and Gas Margins	$	(322)		
Exclude the impact from energy-related economic activity		(48)	$	(557)
Exclude external PLR energy purchases		(250)		(409)
Include expenses from certain discontinued operations		7		6
Include ancillary charges		4		7
Include gross receipts tax		7		3
Other		4		3
Total expense adjustments	$	(598)	$	(947)

PPL Corporation Reconciliation of Cash from Operations to Free Cash Flow before Dividends

(Millions of Dollars)

	2009	2010	2011
Cash from Operations	$1,852	$2,034	$2,200
Increase (Decrease) in cash due to:			
Capital Expenditures	(1,265)	(1,644)	(2,837)
Sale of Assets	84	161	382
Other Investing Activities – Net	(71)	(20)	152
Free Cash Flow before Dividends	$ 600	$ 531	$ (103)

Forward-Looking Information Statement

Statements contained in this presentation, including statements with respect to future earnings, cash flows, financing, regulation and corporate strategy are "forward-looking statements" within the meaning of the federal securities laws. Although PPL Corporation believes that the expectations and assumptions reflected in these forward-looking statements are reasonable, these statements are subject to a number of risks and uncertainties, and actual results may differ materially from the results discussed in the statements. The following are among the important factors that could cause actual results to differ materially from the forward-looking statements: market demand and prices for energy, capacity and fuel; weather conditions affecting customer energy usage and operating costs; competition in power markets; the effect of any business or industry restructuring; the profitability and liquidity of PPL Corporation and its subsidiaries; new accounting requirements or new interpretations or applications of existing requirements; operating performance of plants and other facilities; the length of scheduled and unscheduled outages at our plants, including the current outage at Unit 2 of our Susquehanna nuclear plant to inspect and repair turbine blades, and the timing and outcome of any similar outage for inspections at Unit 1 of the Susquehanna plant; environmental conditions and requirements and the related costs of compliance, including environmental capital expenditures and emission allowance and other expenses; system conditions and operating costs; development of new projects, markets and technologies; performance of new ventures; asset or business acquisitions and dispositions, and PPL Corporation's ability to realize the expected benefits from acquired businesses, including the 2010 acquisition of Louisville Gas and Electric Company and Kentucky Utilities Company and the 2011 acquisition of the Central Networks electricity distribution businesses in the U.K.; any impact of hurricanes or other severe weather on our business, including any impact on fuel prices; receipt of necessary government permits, approvals, rate relief and regulatory cost recovery; capital market conditions and decisions regarding capital structure; the impact of state, federal or foreign investigations applicable to PPL Corporation and its subsidiaries; the outcome of litigation against PPL Corporation and its subsidiaries; stock price performance; the market prices of equity securities and the impact on pension income and resultant cash funding requirements for defined benefit pension plans; the securities and credit ratings of PPL Corporation and its subsidiaries; political, regulatory or economic conditions in states, regions or countries where PPL Corporation or its subsidiaries conduct business, including any potential effects of threatened or actual terrorism or war or other hostilities; foreign exchange rates; new state, federal or foreign legislation, including new tax legislation; and the commitments and liabilities of PPL Corporation and its subsidiaries. Any such forward-looking statements should be considered in light of such important factors and in conjunction with PPL Corporation's Form 10-K and other reports on file with the Securities and Exchange Commission.

Definitions of Non-GAAP Financial Measures

"Earnings from ongoing operations" should not be considered as an alternative to reported earnings, or net income attributable to PPL, which is an indicator of operating performance determined in accordance with generally accepted accounting principles (GAAP). PPL believes that "earnings from ongoing operations," although a non-GAAP financial measure, is also useful and meaningful to investors because it provides management's view of PPL's fundamental earnings performance as another criterion in making investment decisions. PPL's management also uses "earnings from ongoing operations" in measuring certain corporate performance goals. Other companies may use different measures to present financial performance.

"Earnings from ongoing operations" is adjusted for the impact of special items. Special items include:

- *Energy-related economic activity (as discussed below).*
- *Foreign currency-related economic hedges.*
- *Gains and losses on sales of assets not in the ordinary course of business.*
- *Impairment charges (including impairments of securities in the company's nuclear decommissioning trust funds).*
- *Workforce reduction and other restructuring impacts.*
- *Acquisition-related costs and charges.*
- *Other charges or credits that are, in management's view, not reflective of the company's ongoing operations.*

Energy-related economic activity includes the changes in fair value of positions used economically to hedge a portion of the economic value of PPL's generation assets, full-requirement sales contracts and retail activities. This economic value is subject to changes in fair value due to market price volatility of the input and output commodities (e.g., fuel and power) prior to the delivery period that was hedged. Also included in energy-related economic activity is the ineffective portion of qualifying cash flow hedges, the monetization of certain full-requirement sales contracts and premium amortization associated with options. This economic activity is deferred, with the exception of the full-requirement sales contracts that were monetized, and included in earnings from ongoing operations over the delivery period of the item that was hedged or upon realization. Management believes that adjusting for such amounts provides a better matching of earnings from ongoing operations to the actual amounts settled for PPL's underlying hedged assets. Please refer to the Notes to the Consolidated Financial Statements and MD&A in PPL Corporation's periodic filings with the Securities and Exchange Commission for additional information on energy-related economic activity.

"Free cash flow before dividends" is derived by deducting capital expenditures and other investing activities-net, from cash flow from operations. Free cash flow before dividends should not be considered as an alternative to cash flow from operations, which is determined in accordance with GAAP. PPL believes that free cash flow before dividends, although a non-GAAP measure, is an important measure to both management and investors, as it is an indicator of the company's ability to sustain operations and growth without additional outside financing beyond the requirement to fund maturing debt obligations. Other companies may calculate free cash flow before dividends in a different manner.

Attachment to Question No. 4

6 of 8

Arbough

Deutsche Bank Conference

PPL Corporation
May 11, 2011

Cautionary Statements and Factors That May Affect Future Results

Any statements made in this presentation about future operating results or other future events are forward-looking statements under the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from such forward-looking statements. A discussion of factors that could cause actual results or events to vary is contained in the Appendix to this presentation and in the Company's SEC filings.

Investment Highlights

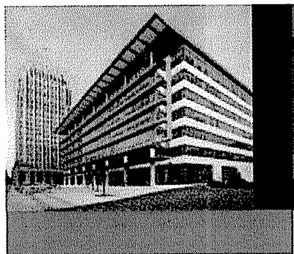
- Predominantly rate-regulated business mix with significant growth prospects
  - Operations in constructive jurisdictions
  - Approximately two-thirds of regulated capital expenditures earn real-time or near real-time returns
  - ~ 9% compound annual growth in rate base from 2011 to 2015
  - Expect 75% of 2013 EBITDA from regulated businesses
- Highly attractive generation fleet
  - Competitively positioned nuclear, hydro and efficient coal
    - Complemented by flexible dispatch gas fired units
    - No significant exposure to currently proposed environmental regulations
  - Multiple drivers of significant upside
    - Increasing natural gas prices
    - Increasing heat rates
    - Environmental regulation
- Business Risk Profile rated "Excellent" by S&P
  - Stable ratings outlooks
- Secure dividend with strong platform for future growth

PPL has a highly attractive and differentiated position in the electric industry

ppl™

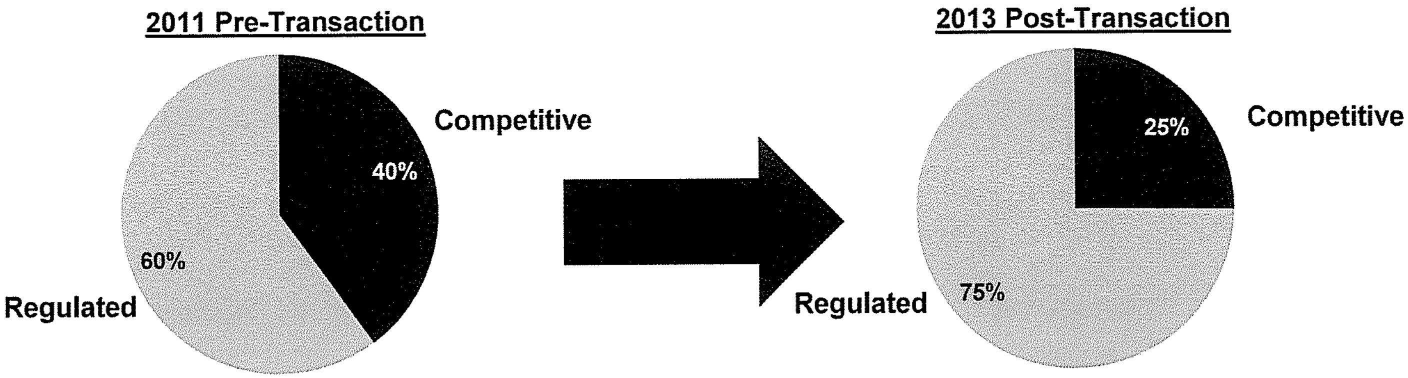
Our Strengths

- Strong regulatory relationships
- Best in class reliability, customer service
- Strong operating performance – regulated and competitive
- Strong carbon and other environmental position
- Excellent cost-management
- Knowledgeable, dedicated employees

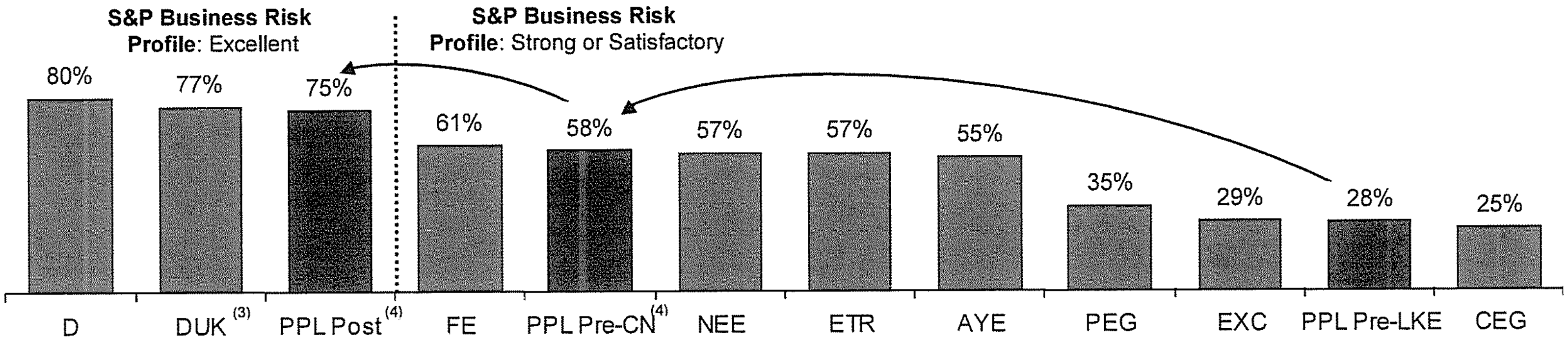


Predominantly Regulated Business Mix

EBITDA Projection (1)



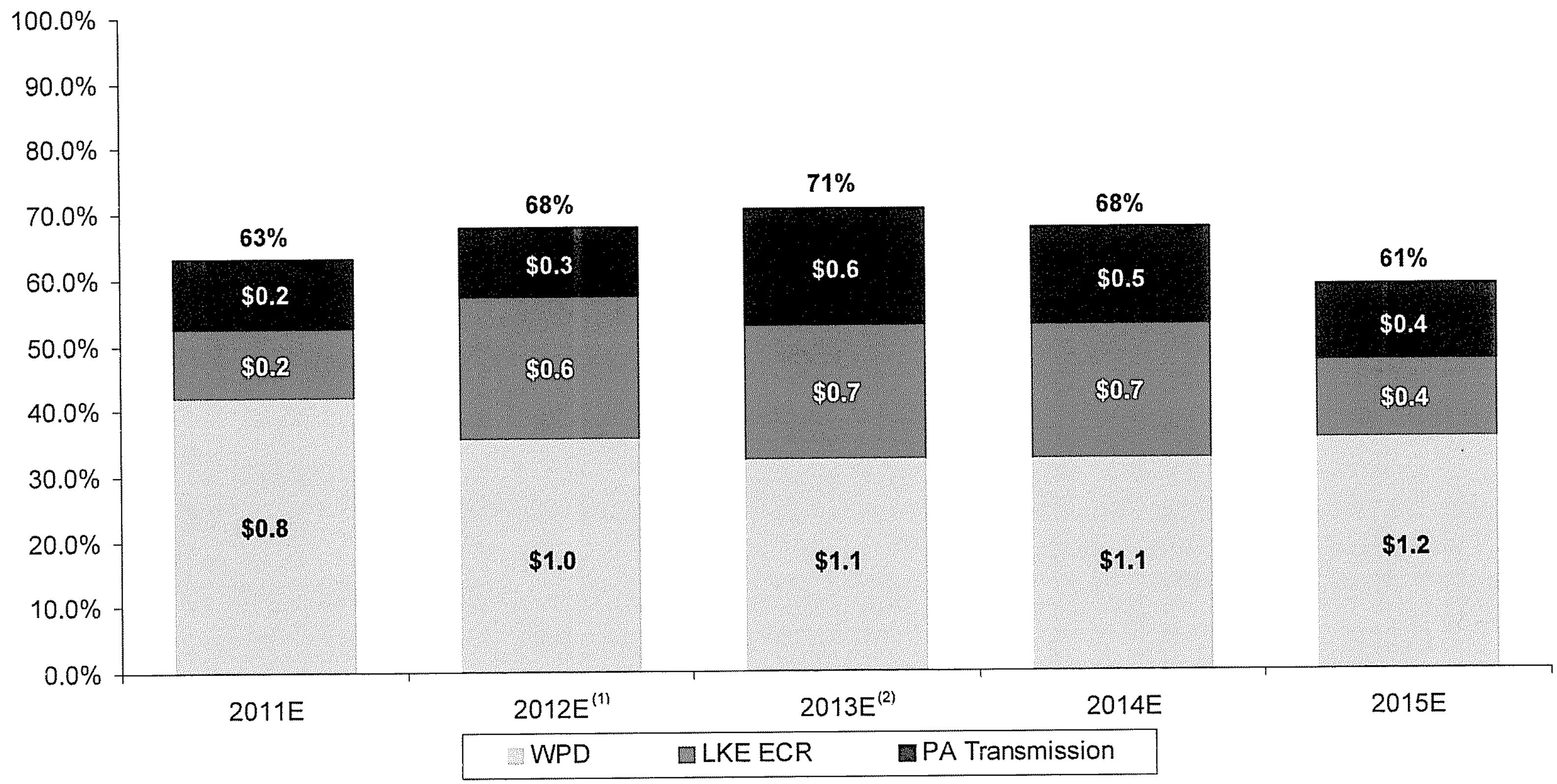
Regulated Cash Flow (2)



(1) *Approximate projections.*
(2) *"Does The Shale Gas Glut Pose A Threat To U.S. Integrated Power Merchants' Credit Quality?" Standard & Poor's, October 22, 2010.*
(3) *Based on EBIT estimate from company presentation.*
(4) *PPL estimates; CN pre-transaction figure based on 2011 FFO; post-transaction figure based on 2013 FFO for the combined entity, which includes full realization of expected synergies.*

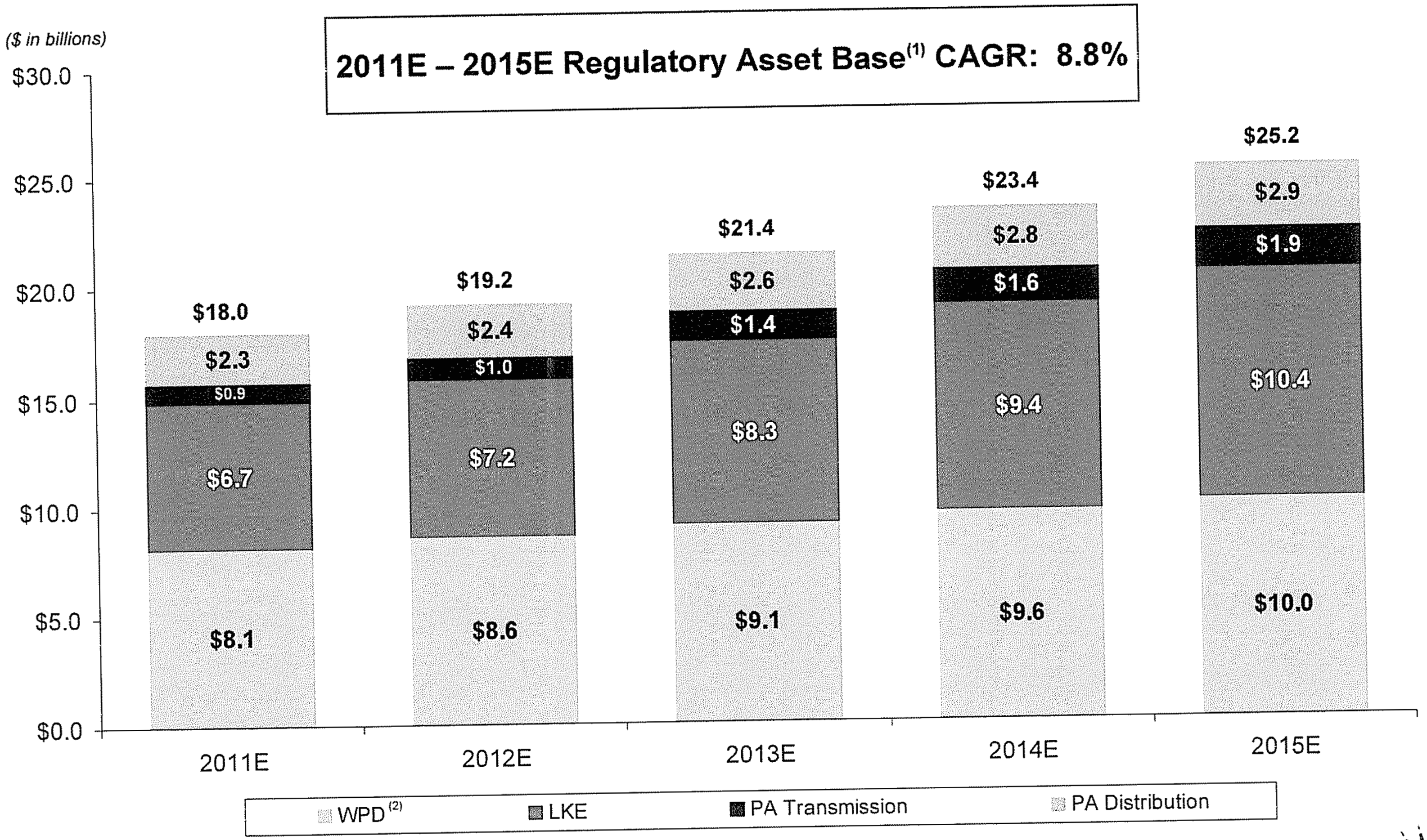
Real-Time Recovery of Majority of Regulated Capex Spending

Approximately two-thirds of regulated capital expenditures earn returns subject to minimal or no regulatory lag



Note: *$ in billions.*
(1) *Figures based on assumed exchange rate of $1.60 / GBP. Includes capex for WPD Midlands.*
(2) *Assumes approximately 85% of timely returns via ECR mechanism based on historical experience.*

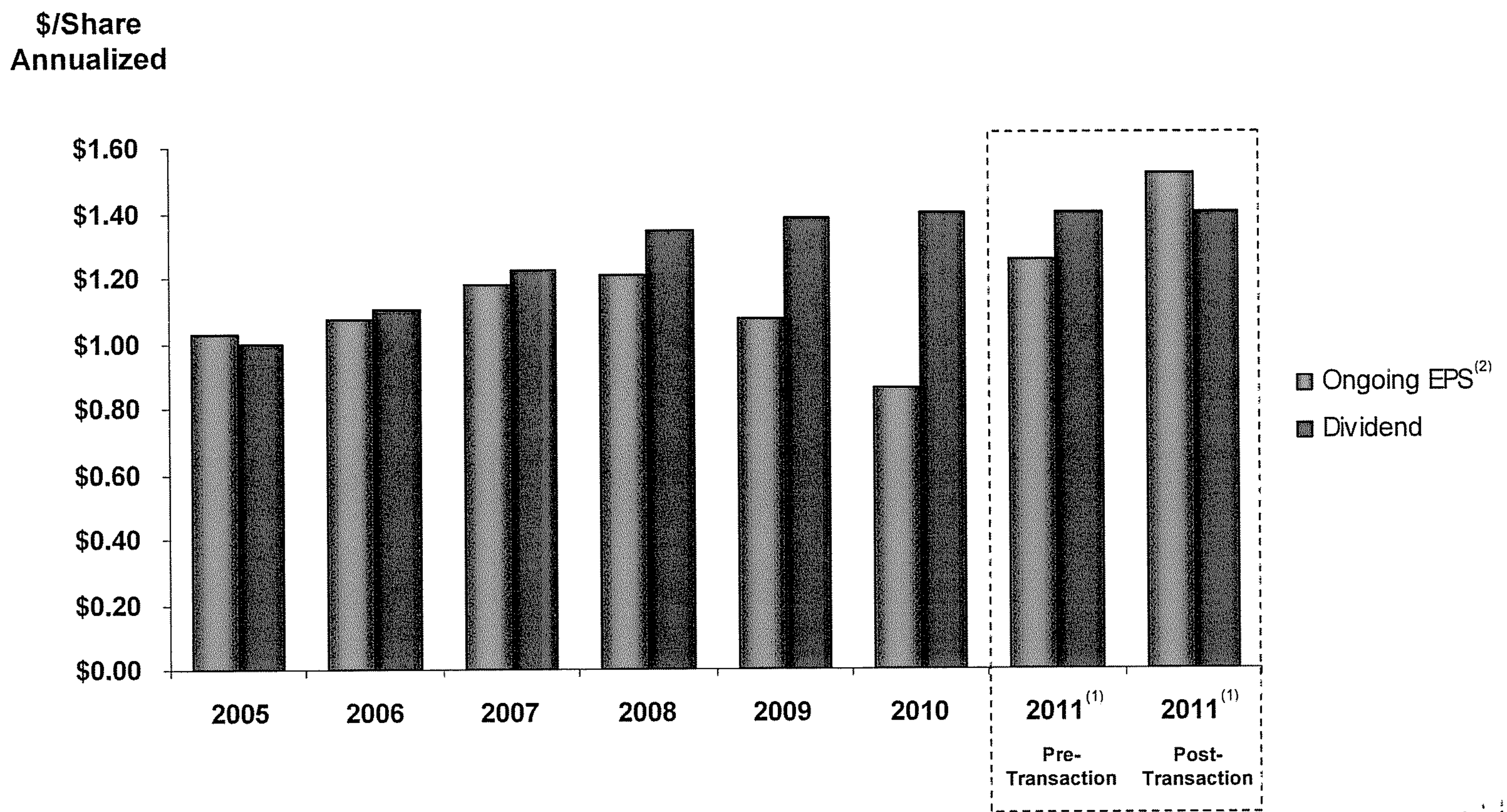
Regulated Rate Base Growth



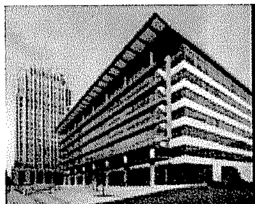
(1) Represents capitalization for LKE, as LG&E and KU rate constructs are based on capitalization. Represents Regulatory Asset Value (RAV) for WPD.
(2) Includes RAV for WPD Midlands. Figures based on assumed exchange rate of $1.60 / GBP and are as of year-end December 31.

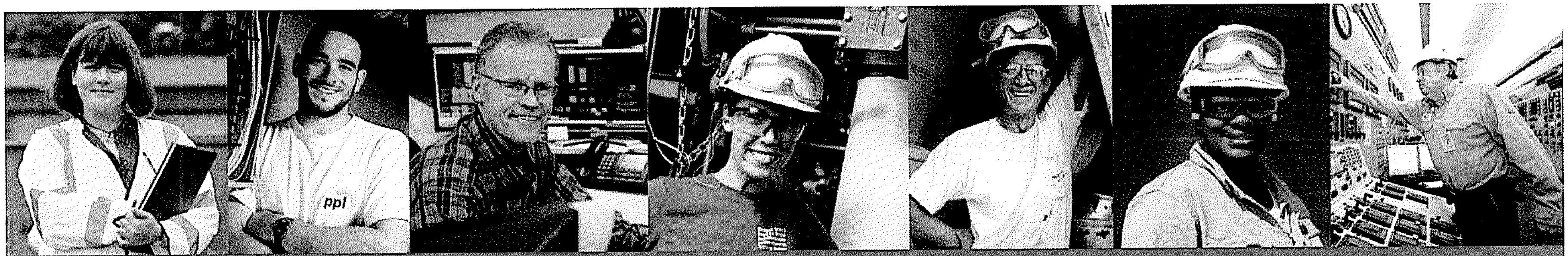
Dividend Profile

A significantly more rate-regulated business mix provides strong support for current dividend and a platform for future growth

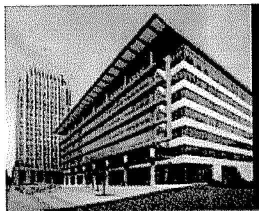


(1) Ongoing EPS based on mid-point of forecast. Annualized dividend based on 1st quarter declaration. Actual dividends to be determined by Board of Directors.
(2) From only regulated segments.

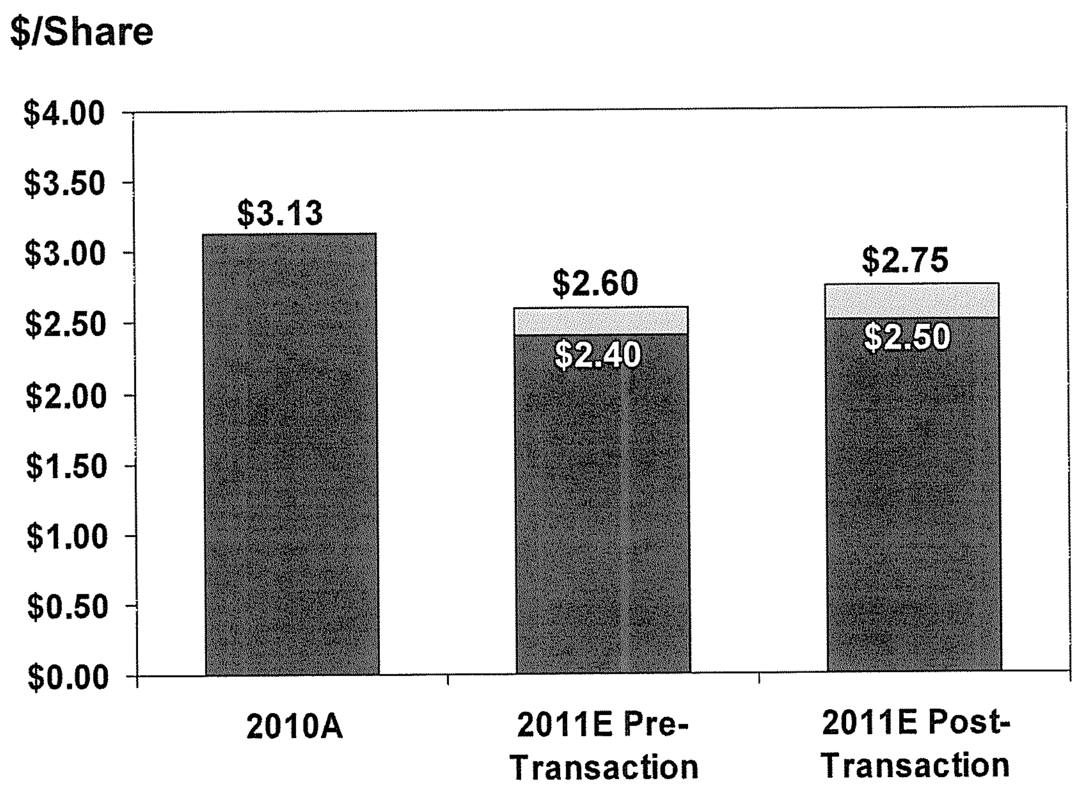


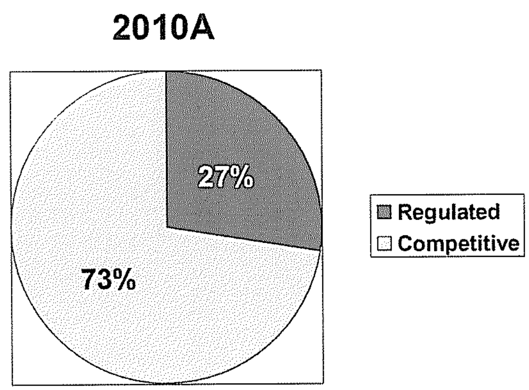


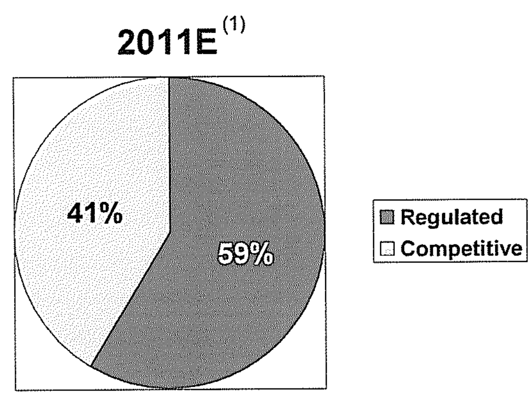
Appendix



2011 Earnings from Ongoing Operations Forecast



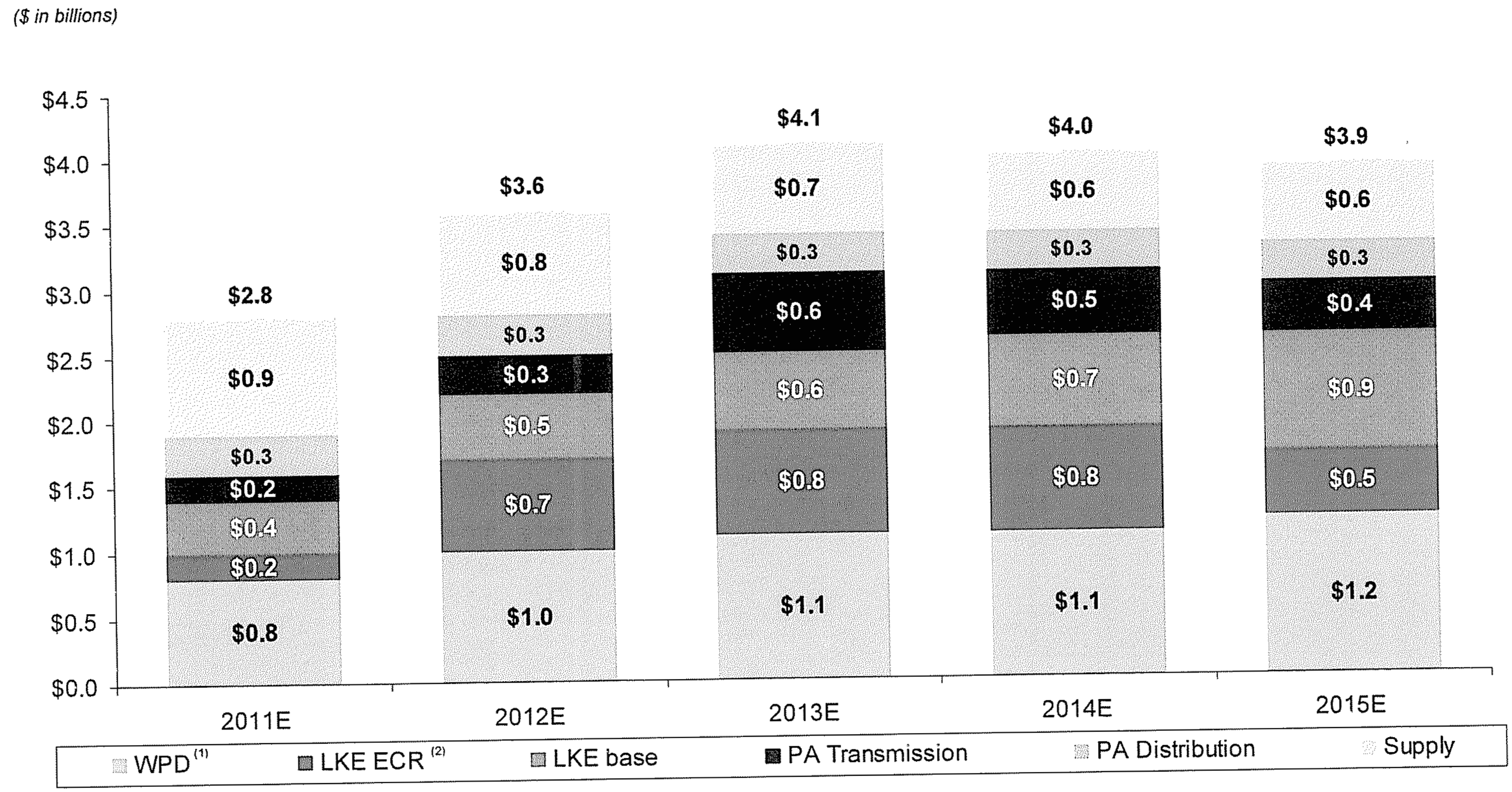




(1) Based on mid-point of forecasted earnings range.

Note: See appendix for reconciliation of earnings from ongoing operations to reported earnings.

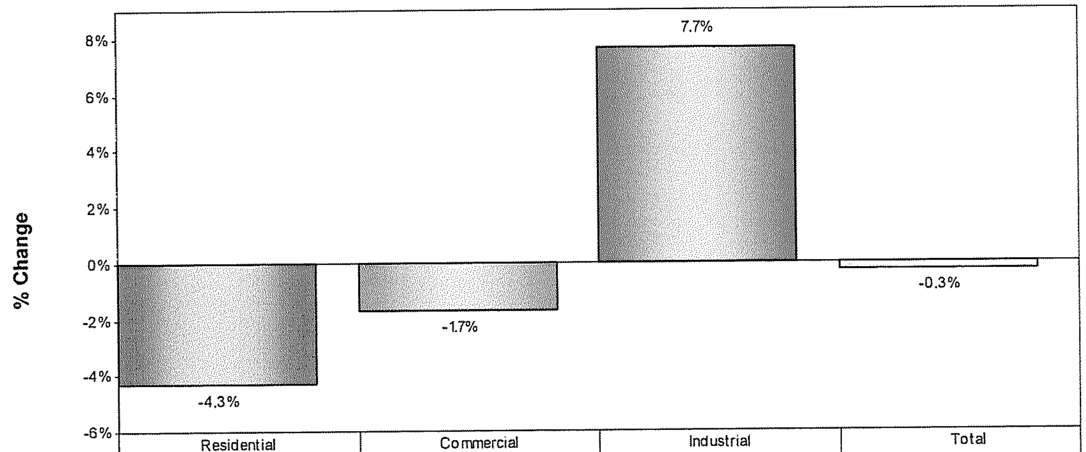
Capital Expenditures



(1) Includes capex for WPD Midlands. Figures based on assumed exchange rate of $1.60 / GBP.
(2) Expect approximately 85% to receive timely returns via ECR mechanism based on historical experience.

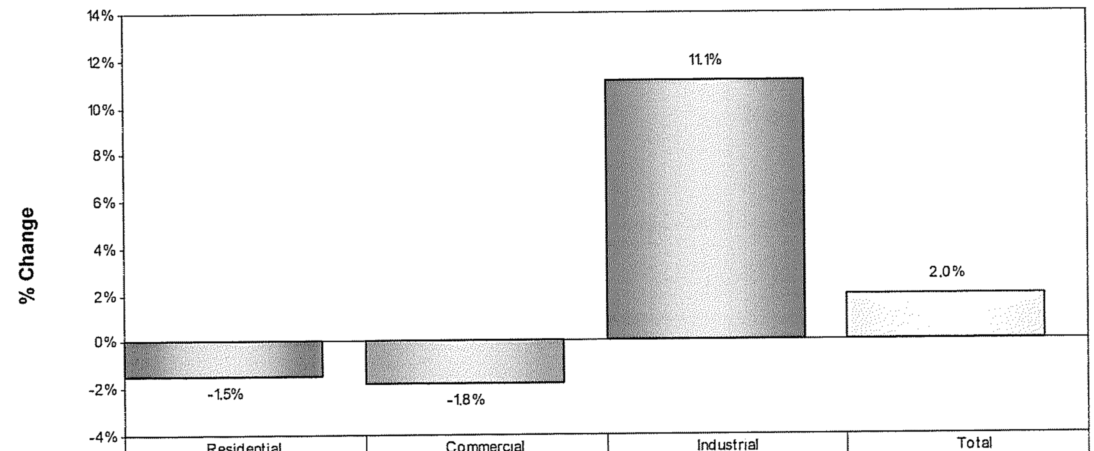
Kentucky Regulated Volume Variances

3-months Ended 3/31 2011 vs 2010



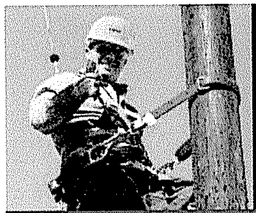
	Residential	Commercial	Industrial	Total
Weather-Normalized (charted)	-4.3%	-1.7%	7.7%	-0.3%
Actual	-10.2%	-3.8%	7.5%	-3.4%

12-months Ended 3/31 2011 vs 2010



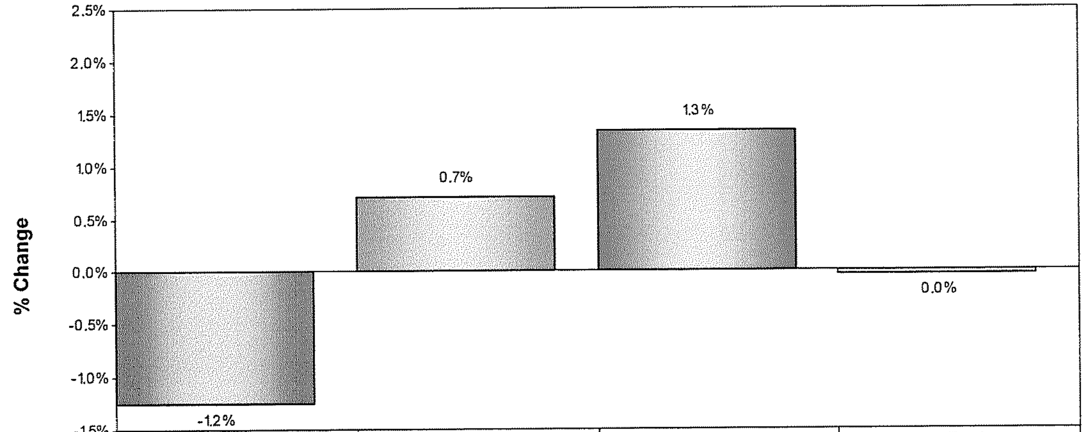
	Residential	Commercial	Industrial	Total
Weather-Normalized (charted)	-1.5%	-1.8%	11.1%	2.0%
Actual	4.2%	1.2%	11.5%	4.9%

Note: Total includes Residential, Commercial and Industrial customer classes as well as "Other", which is not depicted on the charts above.



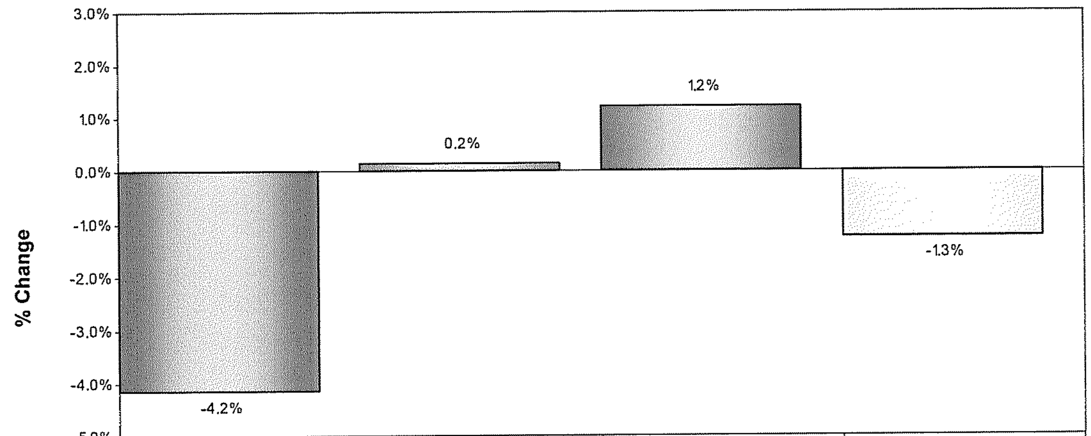
PA Regulated Volume Variances

3-months Ended 3/31 2011 vs 2010



	Residential	Commercial	Industrial	Total
Weather-Normalized (charted)	-1.2%	0.7%	1.3%	0.0%
Actual	1.9%	2.0%	1.3%	1.8%

12-months Ended 3/31 2011 vs 2010



	Residential	Commercial	Industrial	Total
Weather-Normalized (charted)	-4.2%	0.2%	1.2%	-1.3%
Actual	1.9%	2.6%	1.2%	2.0%

Note: Total includes Residential, Commercial and Industrial customer classes as well as "Other", which is not depicted on the charts above.

Enhancing Value Through Active Hedging

	2011[4]	2012
Baseload		
Expected Generation[1] (Million MWhs)	**50.7**	**54.7**
East	42.5	46.2
West	8.2	8.5
Current Hedges (%)	**99%**	**86%**
East	100%	84%
West	97%	94%
Average Hedged Price (Energy Only) ($/MWh)[2] [3]		
East	$57	$55-56
West	$54	$53-54
Current Coal Hedges (%)	**99%**	**96%**
East	99%	94%
West	100%	100%
Average Hedged Consumed Coal Price (Delivered $/Ton)		
East	$73-74	$76-80
West	$23-28	$23-29
Intermediate/Peaking		
Expected Generation[1] (Million MWhs)	7.1	6.2
Current Hedges (%)	58%	26%

Capacity revenues are expected to be $430 million, $385 million and $590 million for 2011, 2012 and 2013, respectively.

As of March 31, 2011
(1) Represents expected sales based on current business plan assumptions. Amounts do not reflect the impact of the Susquehanna turbine blade inspection/replacement outages.
(2) The 2011 average hedge energy prices are based on the fixed price swaps as of March 31, 2011; the prior collars have all been converted to fixed swaps.
(3) The 2012 ranges of average energy prices for existing hedges were estimated by determining the impact on the existing collars resulting from 2012 power prices at the 5th and 95th percentile confidence levels.
(4) Includes three months of actual results.

Market Prices

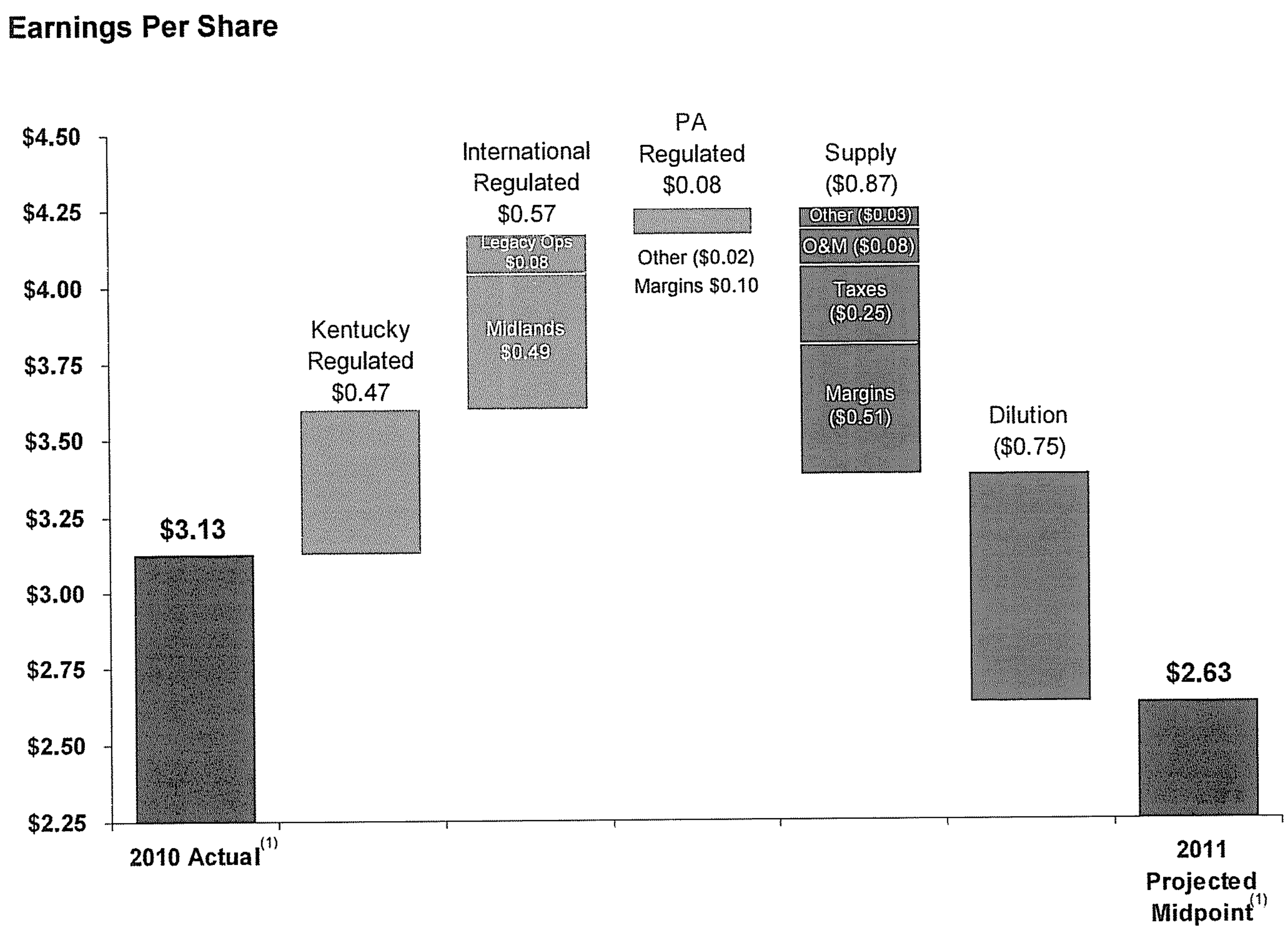
	2011	2012
ELECTRIC		
PJM		
On-Peak	$52	$54
Off-Peak	$37	$40
ATC(1)	$44	$46
Mid-Columbia		
On-Peak	$30	$39
Off-Peak	$21	$29
ATC(1)	$26	$35
GAS(2)		
NYMEX	$4.57	$5.06
TZ6NNY	$5.07	$5.83
PJM MARKET		
HEAT RATE(3)	10.2	10.6
CAPACITY PRICES *(Per MWD)*	$136.79	$123.63
EQA	88.3%	89.8%

(1) 24-hour average.

(2) NYMEX and TZ6NNY forward gas prices on 3/31/2011.

(3) Market Heat Rate = PJM on-peak power price divided by TZ6NNY gas price.

2010 to 2011 Earnings Walk

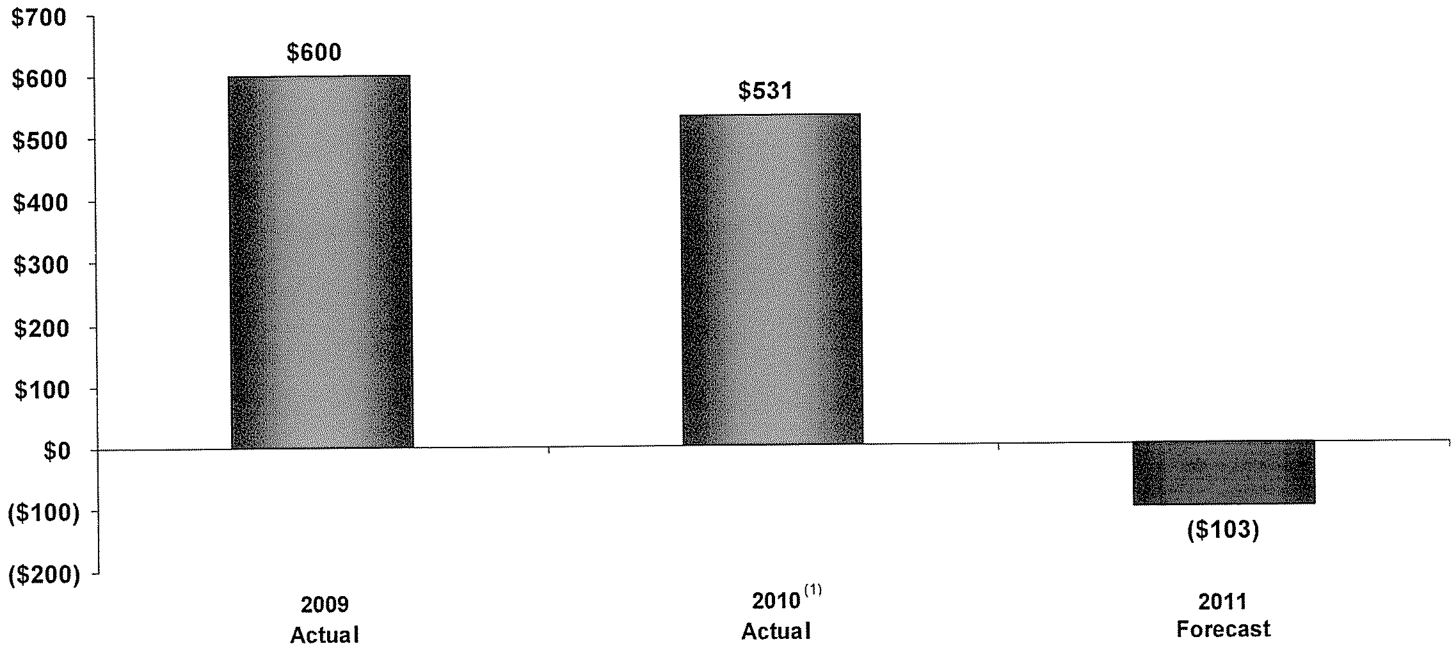


(1) Earnings from ongoing operations.

Note: See Appendix for the reconciliation of earnings from ongoing operations to reported earnings.

Free Cash Flow before Dividends

Millions of Dollars



(1) 2010 Free Cash Flow includes two months of the results of the Kentucky Regulated segment.

Note: See Appendix for reconciliation of free cash flow before dividends to cash from operations.

Shares Outstanding

Average Common Shares Outstanding (1)
(in millions)

As of:

March 31, 2011	485 (A)
December 31, 2011	557 (E)
December 31, 2012	582 (E)

(1) Projected average common shares outstanding include common stock issued for the acquisition of WPD Midlands and projected shares issued to satisfy DRIP and compensation-related stock requirements. These projections do not include common stock issued to fund future growth.

(A) Actual for quarter ended March 31, 2011.

(E) Estimate for average shares outstanding for the year indicated.

PPL Corporation Reconciliation of Cash from Operations to Free Cash Flow before Dividends

(Millions of Dollars)

	2009	2010	2011
Cash from Operations	$1,852	$2,034	$2,200
Increase (Decrease) in cash due to:			
Capital Expenditures	(1,265)	(1,644)	(2,837)
Sale of Assets	84	161	382
Other Investing Activities – Net	(71)	(20)	152
Free Cash Flow before Dividends	$ 600	$ 531	$ (103)

Reconciliation of PPL's Earnings from Ongoing Operations to Reported Earnings

(Per Share)

	Forecast		Actual	
	High 2011	Low 2011	2010	2009
Earnings from Ongoing Operations per share of common stock	$ 2.75	$ 2.50	$ 3.13	$ 1.95
Special Items:				
Energy-related economic activity	0.03	0.03	(0.27)	(0.59)
Sales of assets:				
Maine hydroelectric generation business			0.03	0.06
Long Island generation business				(0.09)
Latin American businesses				(0.07)
Interest in Wyman Unit 4				(0.01)
Impairments:				
Impacts from emission allowances			(0.02)	(0.05)
Other asset impairments				(0.01)
Central Networks acquisition-related costs:				
Bridge Facility costs	(0.02)	(0.02)		
Other acquisition-related costs	(0.02)	(0.02)		
Foreign currency-related economic hedges	(0.01)	(0.01)		
LKE acquisition-related costs:				
Monetization of certain full-requirement sales contracts			(0.29)	
Anticipated sale of certain non-core generation facilities			(0.14)	
Bridge Facility costs			(0.12)	
Discontinued cash flow hedges & ineffectiveness			(0.06)	
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Workforce reductions				(0.03)
Other:				
Montana hydroelectric litigation			(0.08)	(0.01)
Health Care Reform - tax impact			(0.02)	
Change in U.K. tax rate			0.04	
U.S. Tax Court ruling (U.K. Windfall Profits Tax)			0.03	
Change in tax accounting method related to repairs				(0.07)
Total Special Items	(0.02)	(0.02)	(0.96)	(0.87)
Reported Earnings per share of common stock	$ 2.73	$ 2.48	$ 2.17	$ 1.08

Note: Per share amounts are based on diluted shares outstanding.

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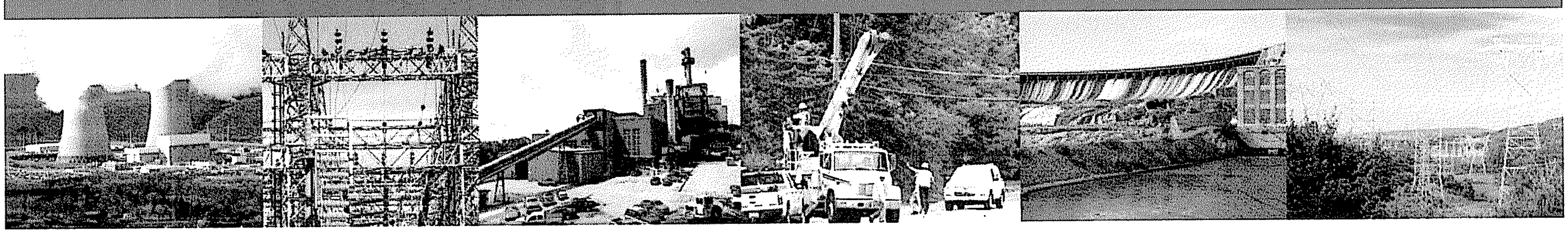
Attachment to Question No. 4

7 of 8

Arbough

EEI Annual Finance Meeting

PPL Corporation
May 25, 2011



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Investment Highlights

- Predominantly rate-regulated business mix with significant growth prospects
  - Operations in constructive jurisdictions
  - Approximately two-thirds of regulated capital expenditures earn real-time or near real-time returns
  - ~ 9% compound annual growth in rate base from 2011 to 2015
  - Expect 75% of 2013 EBITDA from regulated businesses
- Highly attractive generation fleet
  - Competitively positioned nuclear, hydro and efficient coal
    - Complemented by flexible dispatch gas fired units
    - No significant exposure to currently proposed environmental regulations
  - Multiple drivers of significant upside
    - Increasing natural gas prices
    - Increasing heat rates
    - Environmental regulation
- Business Risk Profile rated "Excellent" by S&P
  - Stable ratings outlooks
- Secure dividend with strong platform for future growth

PPL has a highly attractive and differentiated position in the electric industry

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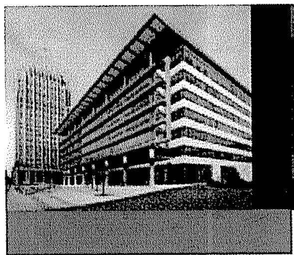
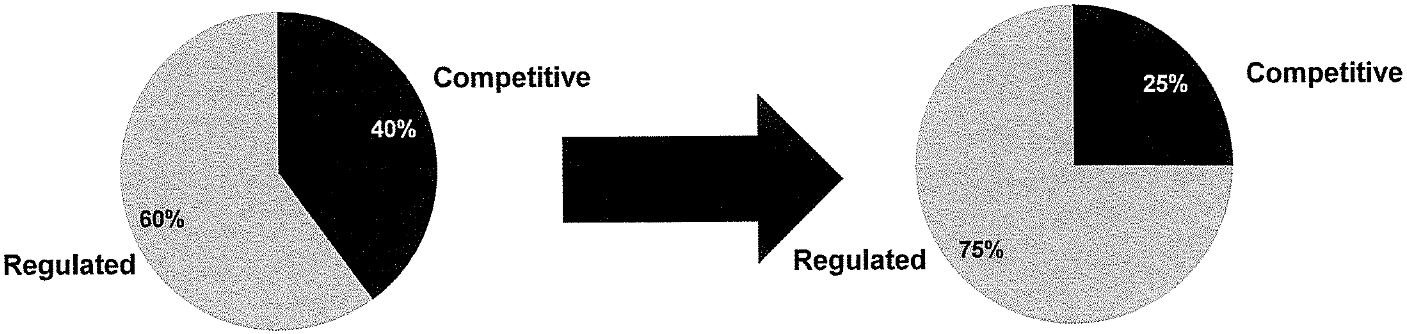
Our Strengths

- Strong regulatory relationships
- Best in class reliability, customer service
- Strong operating performance – regulated and competitive
- Strong carbon and other environmental position
- Excellent cost-management
- Knowledgeable, dedicated employees

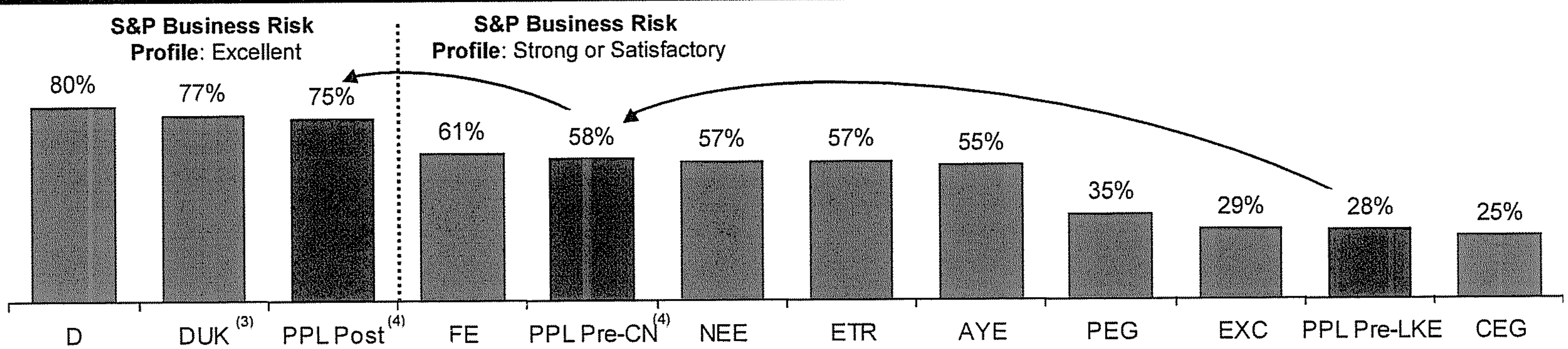


Predominantly Regulated Business Mix

EBITDA Projection (1)



Regulated Cash Flow (2)



(1) *Approximate projections.*

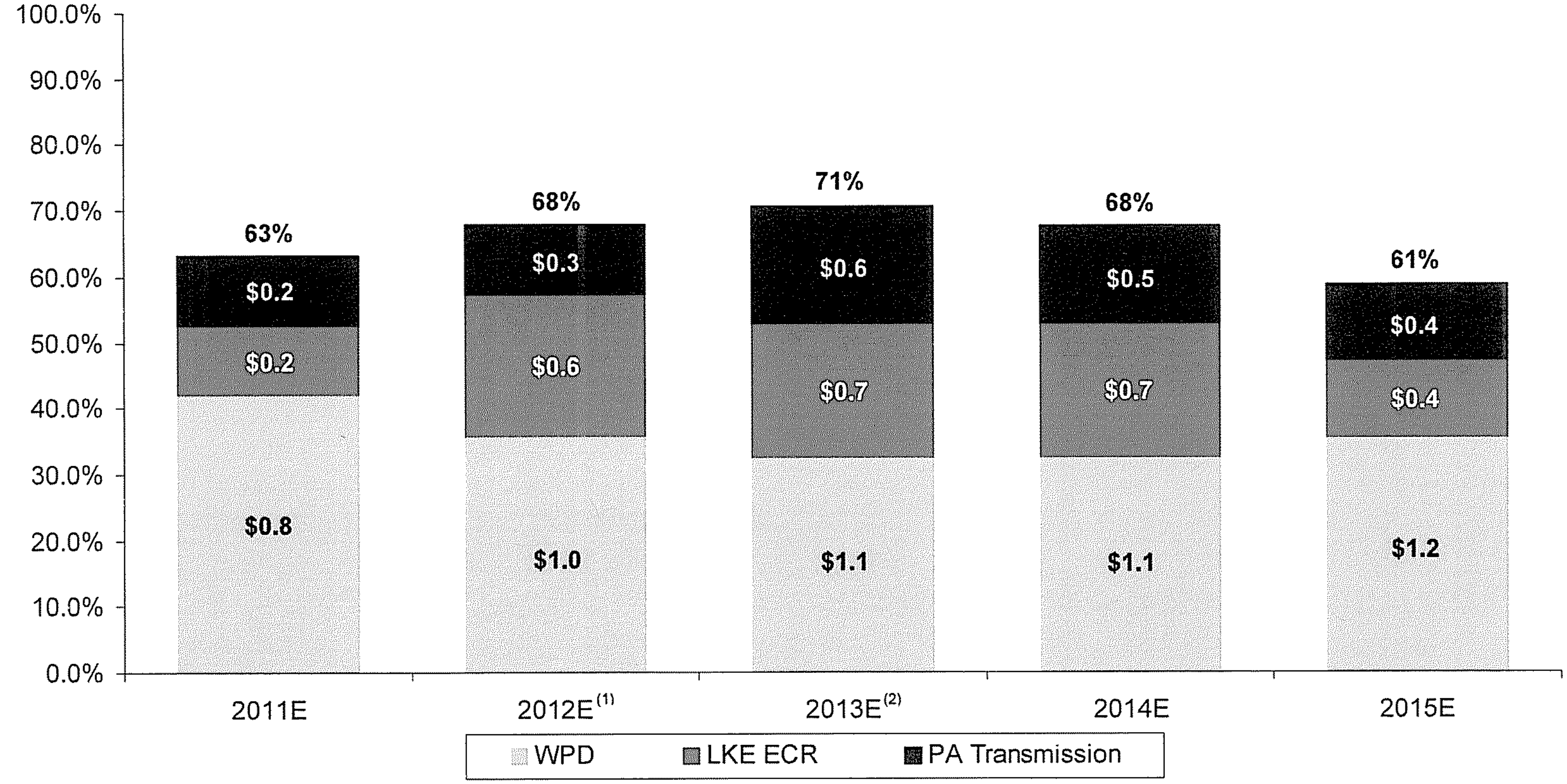
(2) *"Does The Shale Gas Glut Pose A Threat To U.S. Integrated Power Merchants' Credit Quality?" Standard & Poor's, October 22, 2010.*

(3) *Based on EBIT estimate from company presentation.*

(4) *PPL estimates; CN pre-transaction figure based on 2011 FFO; post-transaction figure based on 2013 FFO for the combined entity, which includes full realization of expected synergies.*

Real-Time Recovery of Majority of Regulated Capex Spending

Approximately two-thirds of regulated capital expenditures earn returns subject to minimal or no regulatory lag



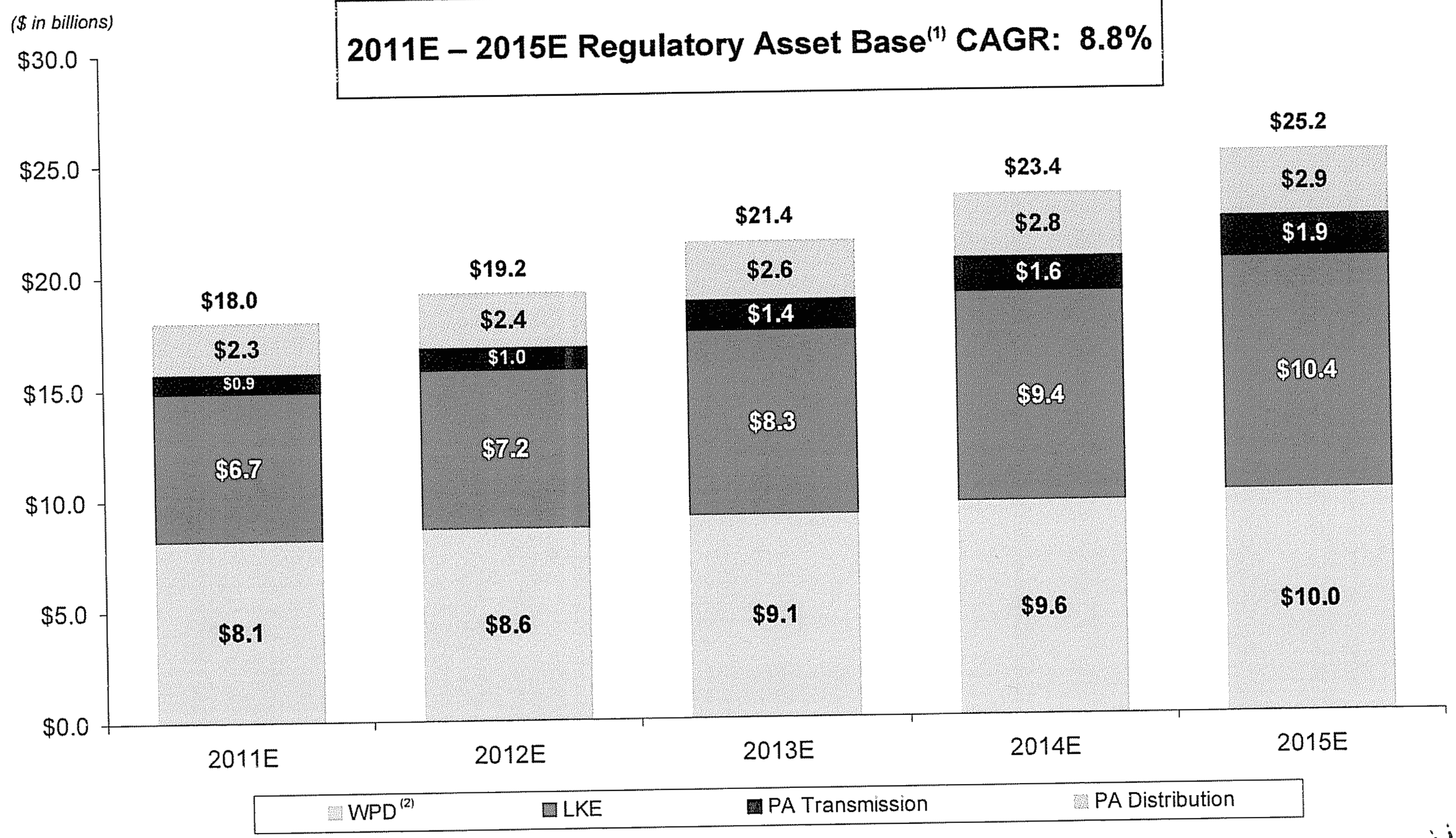
Note: $ in billions.

(1) Figures based on assumed exchange rate of $1.60 / GBP. Includes capex for WPD Midlands.

(2) Assumes approximately 85% of timely returns via ECR mechanism based on historical experience.

Regulated Rate Base Growth

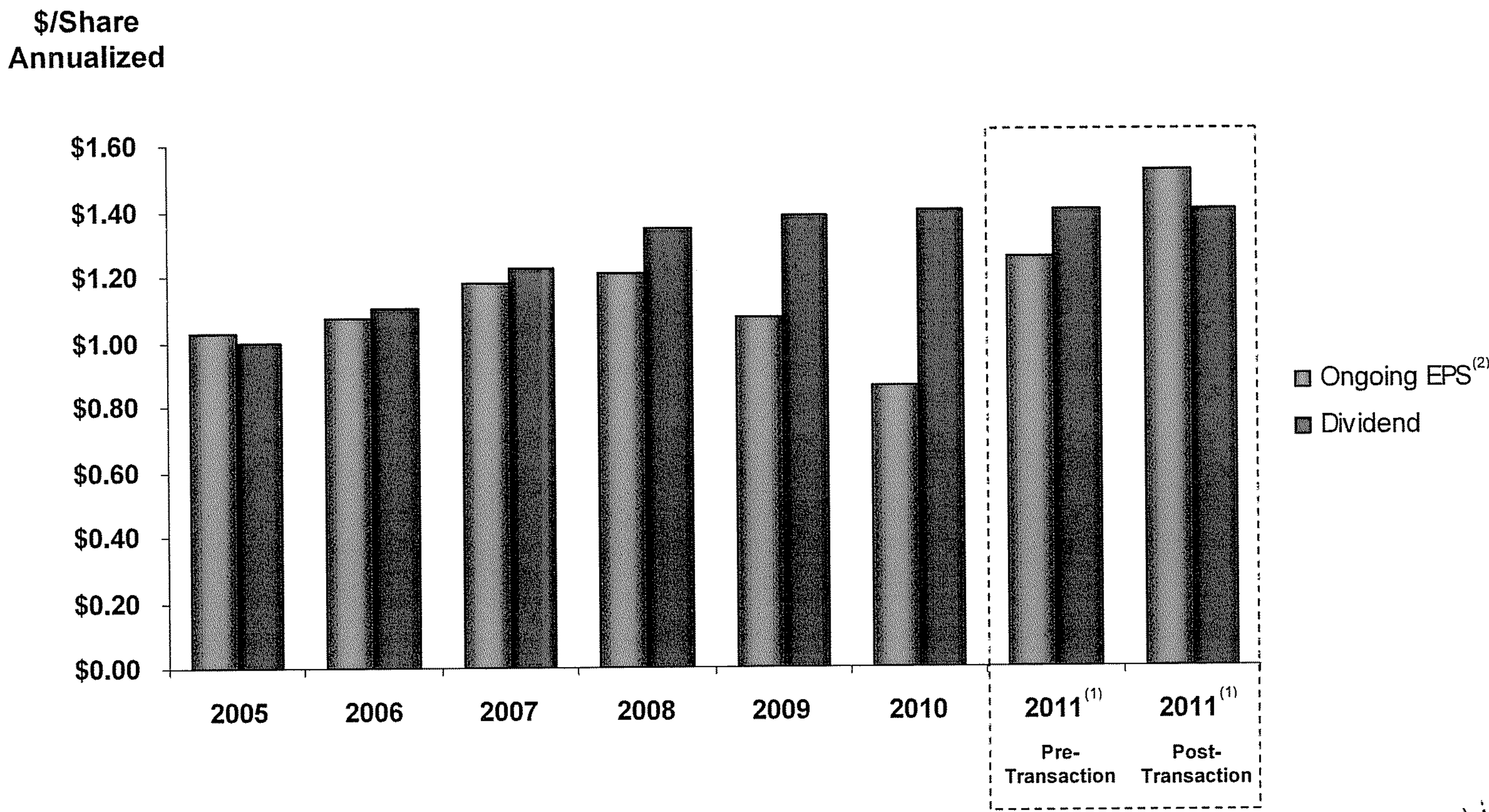
2011E – 2015E Regulatory Asset Base(1) CAGR: 8.8%



(1) Represents capitalization for LKE, as LG&E and KU rate constructs are based on capitalization. Represents Regulatory Asset Value (RAV) for WPD.
(2) Includes RAV for WPD Midlands. Figures based on assumed exchange rate of $1.60 / GBP and are as of year-end December 31.

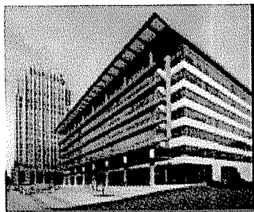
Dividend Profile

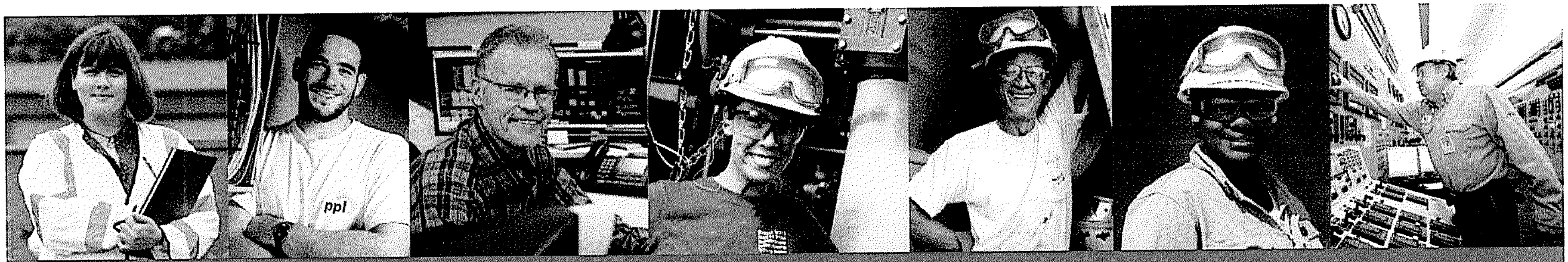
A significantly more rate-regulated business mix provides strong support for current dividend and a platform for future growth



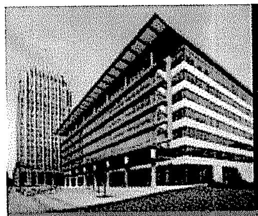
(1) Ongoing EPS based on mid-point of forecast. Annualized dividend based on 1st quarter declaration. Actual dividends to be determined by Board of Directors.

(2) From only regulated segments.

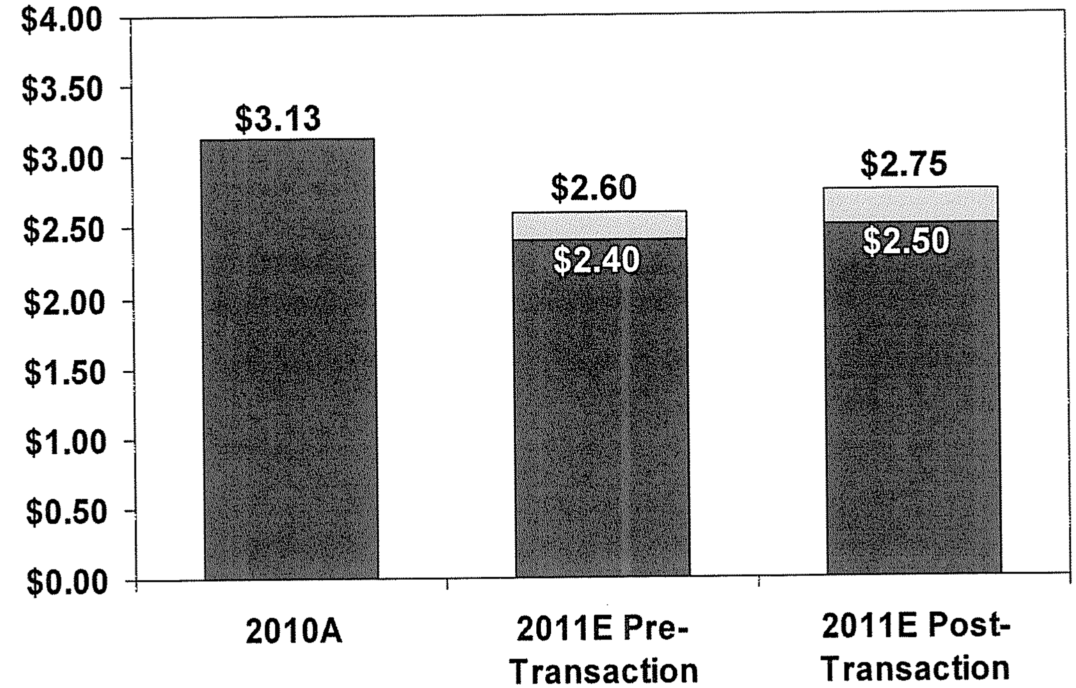




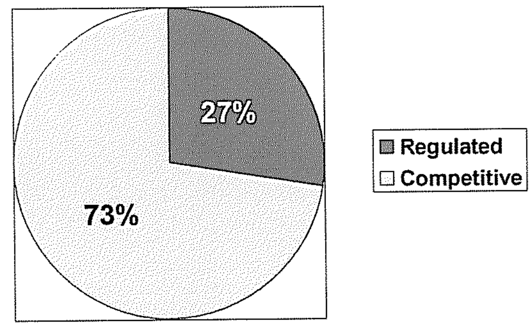
Appendix



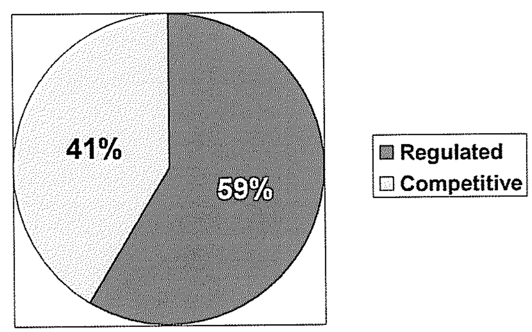
2011 Earnings from Ongoing Operations Forecast



2010A



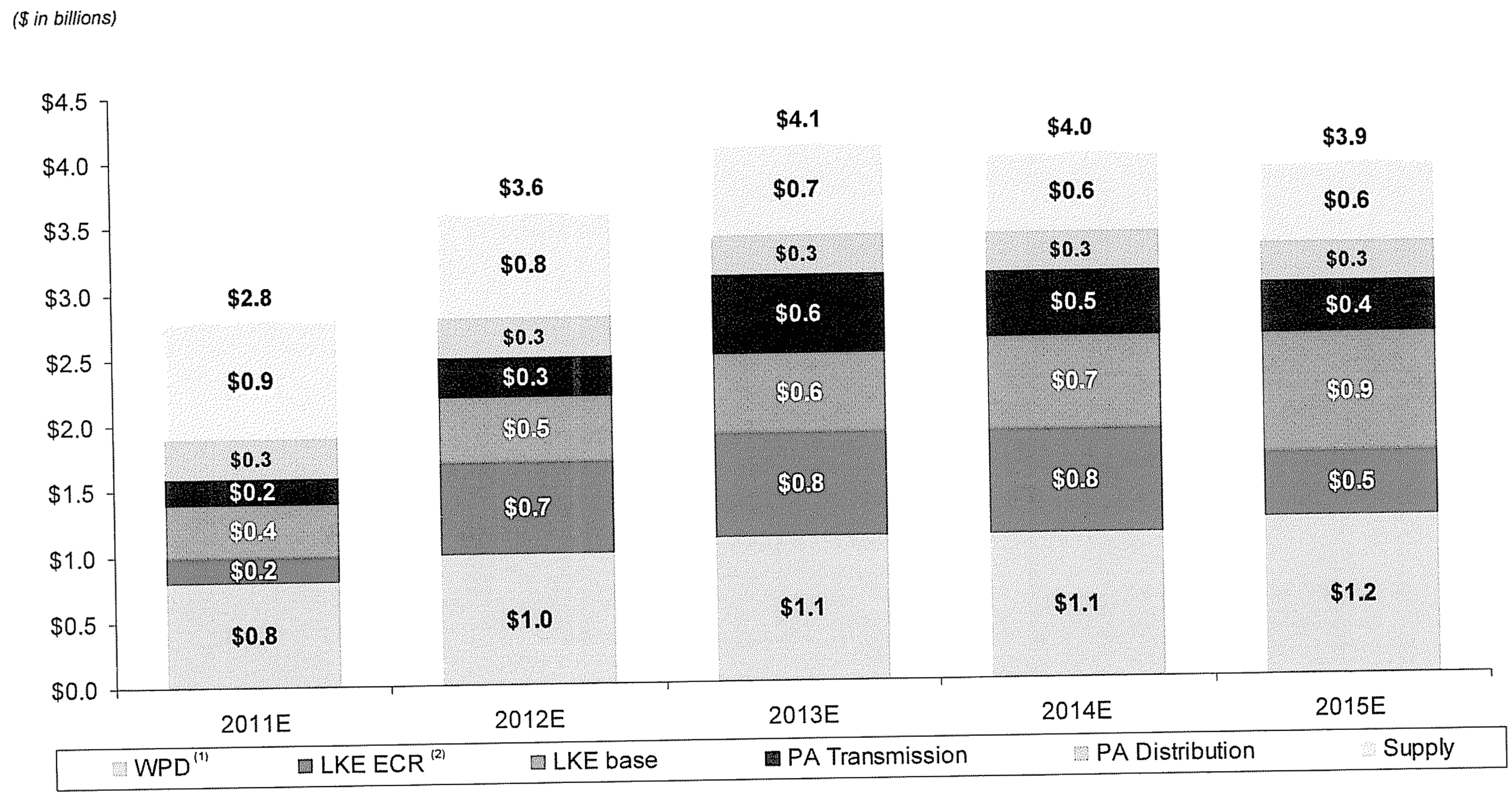
2011E(1)



(1) Based on mid-point of forecasted earnings range.

Note: See appendix for reconciliation of earnings from ongoing operations to reported earnings.

Capital Expenditures

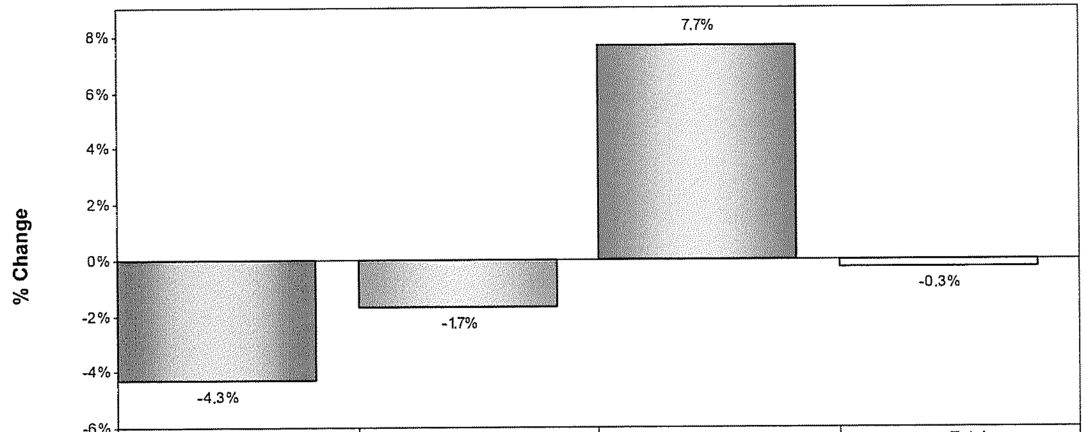


(1) Includes capex for WPD Midlands. Figures based on assumed exchange rate of $1.60 / GBP.

(2) Expect approximately 85% to receive timely returns via ECR mechanism based on historical experience.

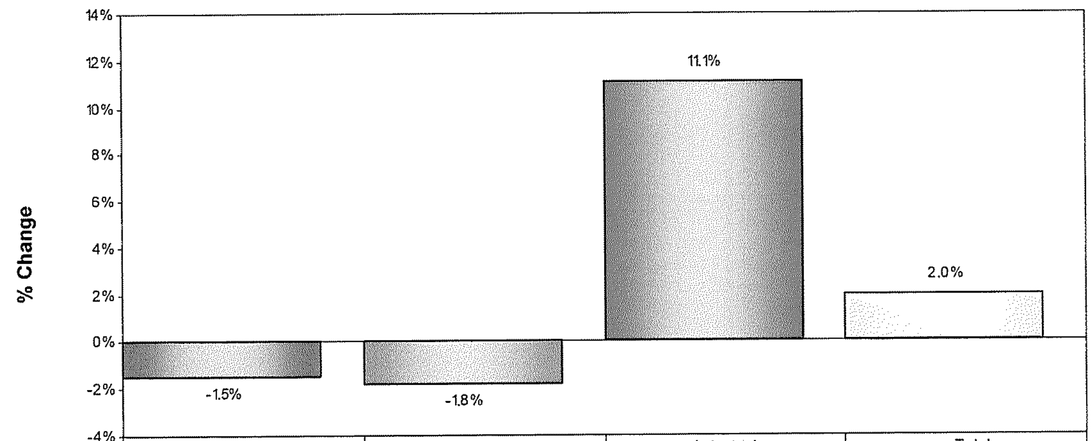
Kentucky Regulated Volume Variances

3-months Ended 3/31 2011 vs 2010



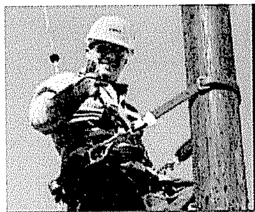
	Residential	Commercial	Industrial	Total
Weather-Normalized (charted)	-4.3%	-1.7%	7.7%	-0.3%
Actual	-10.2%	-3.8%	7.5%	-3.4%

12-months Ended 3/31 2011 vs 2010



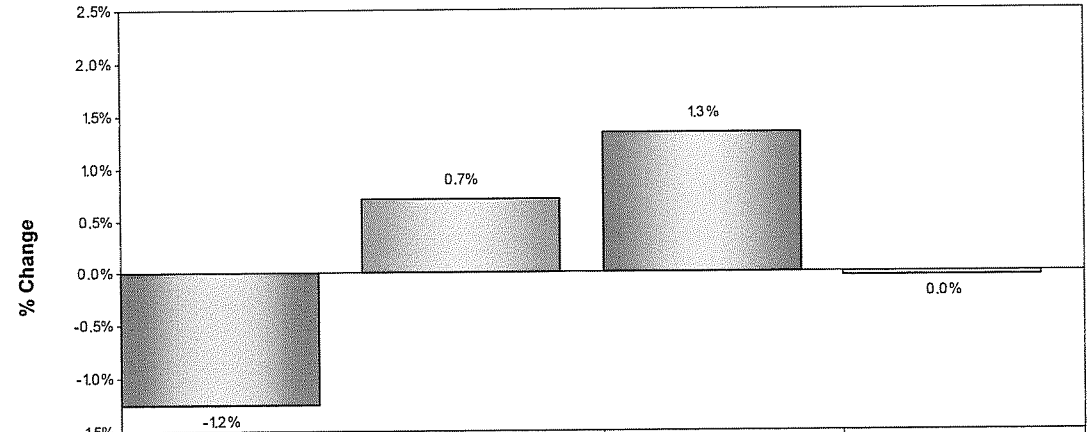
	Residential	Commercial	Industrial	Total
Weather-Normalized (charted)	-1.5%	-1.8%	11.1%	2.0%
Actual	4.2%	1.2%	11.5%	4.9%

Note: Total includes Residential, Commercial and Industrial customer classes as well as "Other", which is not depicted on the charts above.



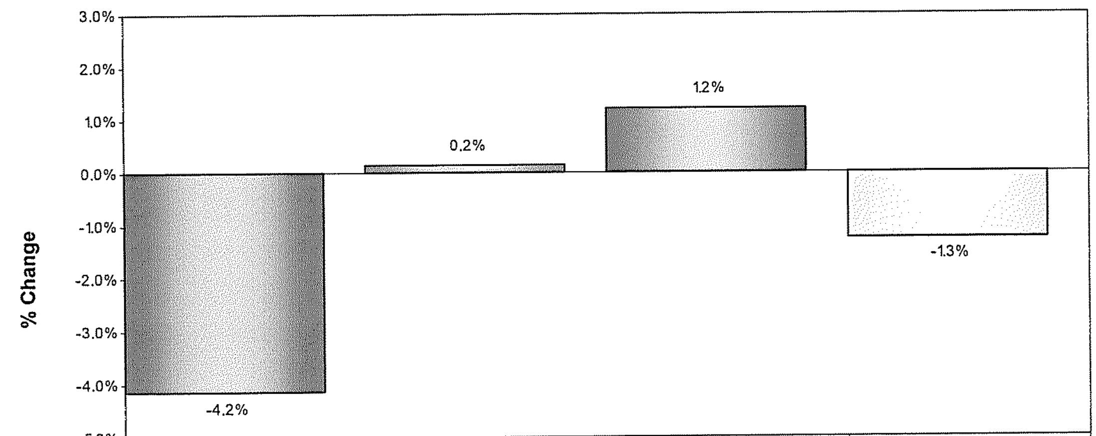
PA Regulated Volume Variances

3-months Ended 3/31 2011 vs 2010



	Residential	Commercial	Industrial	Total
Weather-Normalized (charted)	-1.2%	0.7%	1.3%	0.0%
Actual	1.9%	2.0%	1.3%	1.8%

12-months Ended 3/31 2011 vs 2010



	Residential	Commercial	Industrial	Total
Weather-Normalized (charted)	-4.2%	0.2%	1.2%	-1.3%
Actual	1.9%	2.6%	1.2%	2.0%

Note: Total includes Residential, Commercial and Industrial customer classes as well as "Other", which is not depicted on the charts above.

Enhancing Value Through Active Hedging

	2011[4]	2012
Baseload		
Expected Generation[1] (Million MWhs)	**50.7**	**54.7**
East	42.5	46.2
West	8.2	8.5
Current Hedges (%)	**99%**	**86%**
East	100%	84%
West	97%	94%
Average Hedged Price (Energy Only) ($/MWh) [2] [3]		
East	$57	$55-56
West	$54	$53-54
Current Coal Hedges (%)	**99%**	**96%**
East	99%	94%
West	100%	100%
Average Hedged Consumed Coal Price (Delivered $/Ton)		
East	$73-74	$76-80
West	$23-28	$23-29
Intermediate/Peaking		
Expected Generation[1] (Million MWhs)	7.1	6.2
Current Hedges (%)	58%	26%

Capacity revenues are expected to be $430 million, $385 million and $590 million for 2011, 2012 and 2013, respectively.

As of March 31, 2011
(1) Represents expected sales based on current business plan assumptions. Amounts do not reflect the impact of the Susquehanna turbine blade inspection/replacement outages.
(2) The 2011 average hedge energy prices are based on the fixed price swaps as of March 31, 2011; the prior collars have all been converted to fixed swaps.
(3) The 2012 ranges of average energy prices for existing hedges were estimated by determining the impact on the existing collars resulting from 2012 power prices at the 5th and 95th percentile confidence levels.
(4) Includes three months of actual results.

Market Prices

	2011	2012
ELECTRIC		
PJM		
On-Peak	$52	$54
Off-Peak	$37	$40
ATC[1]	$44	$46
Mid-Columbia		
On-Peak	$30	$39
Off-Peak	$21	$29
ATC[1]	$26	$35
GAS[2]		
NYMEX	$4.57	$5.06
TZ6NNY	$5.07	$5.83
PJM MARKET		
HEAT RATE[3]	10.2	10.6
CAPACITY PRICES *(Per MWD)*	$136.79	$123.63
EQA	88.3%	89.8%

(1) 24-hour average.
(2) NYMEX and TZ6NNY forward gas prices on 3/31/2011.
(3) Market Heat Rate = PJM on-peak power price divided by TZ6NNY gas price.

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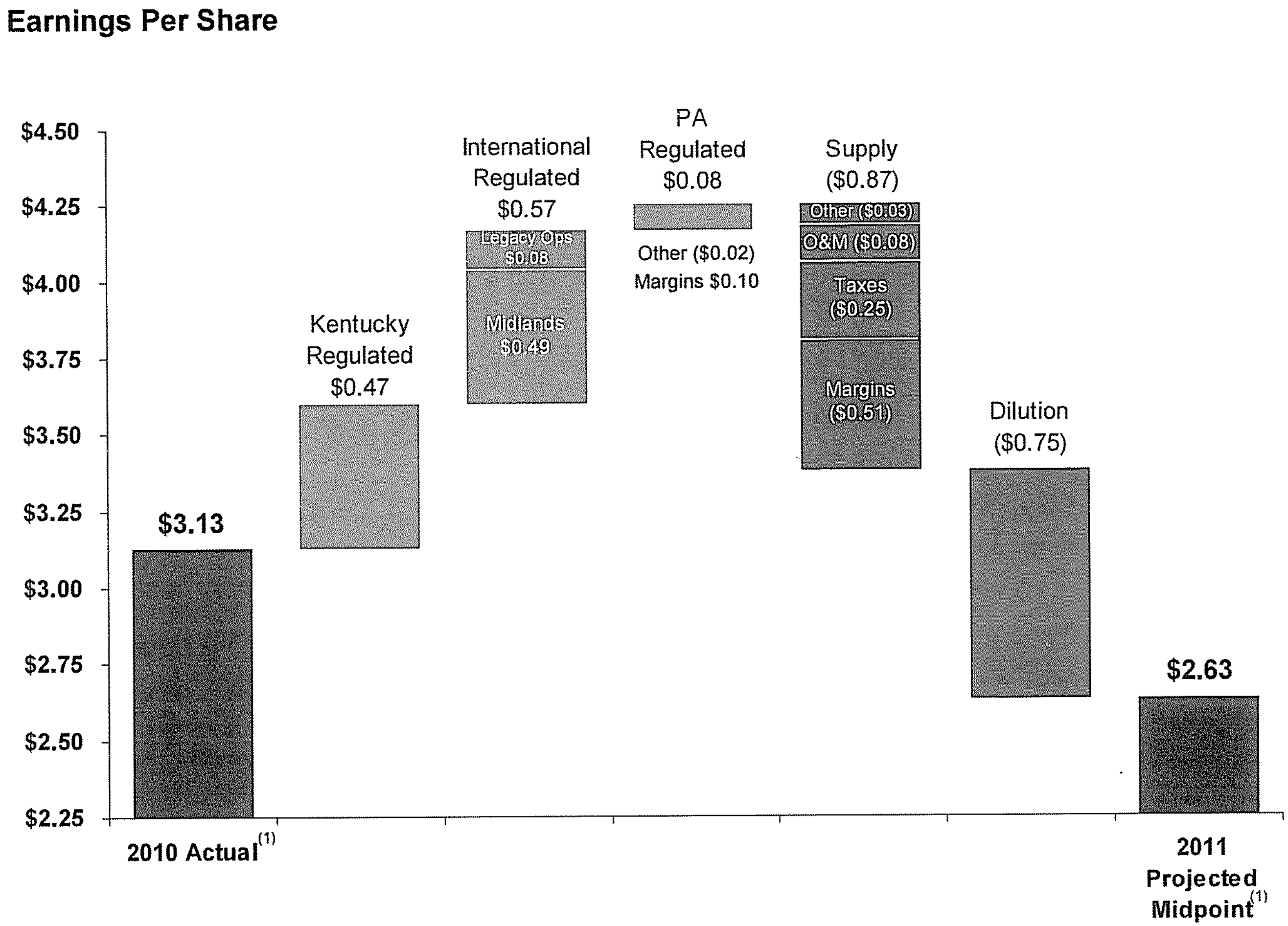
2010 to 2011 Earnings Walk

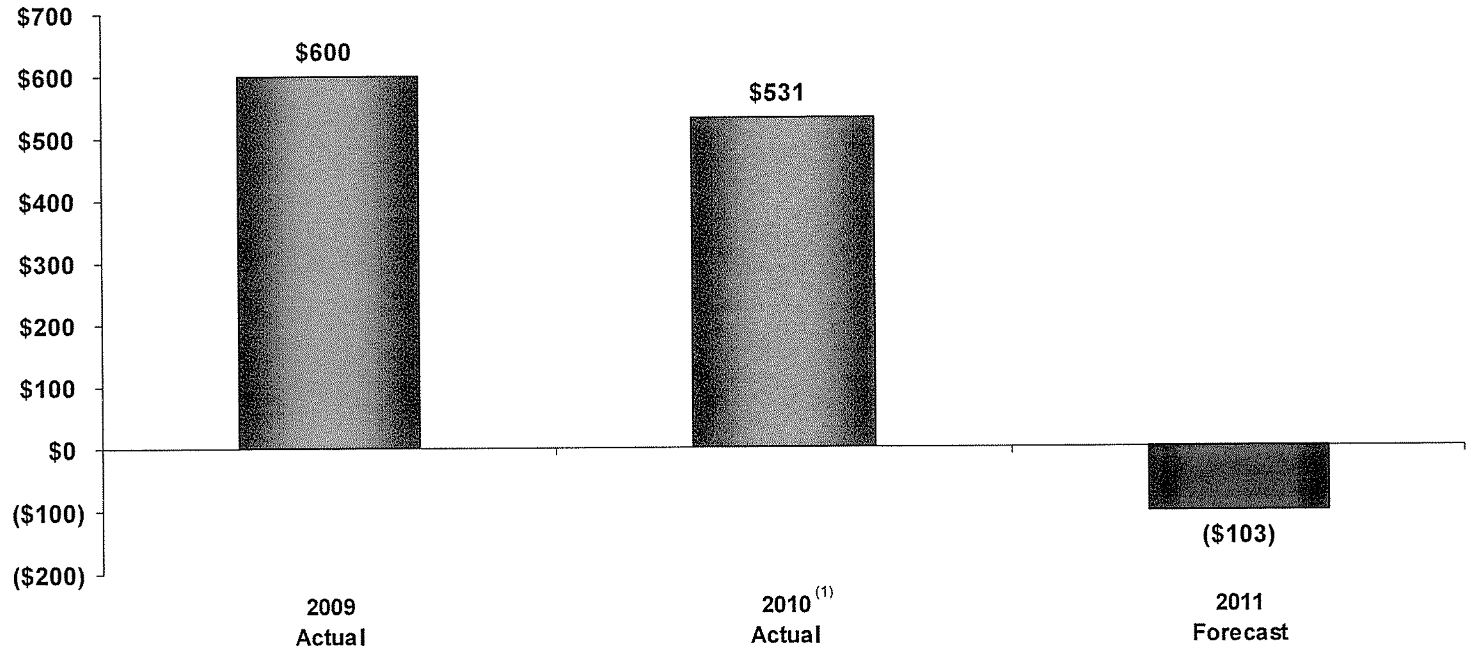


(1) Earnings from ongoing operations.

Note: See Appendix for the reconciliation of earnings from ongoing operations to reported earnings.

Free Cash Flow before Dividends

Millions of Dollars



(1) 2010 Free Cash Flow includes two months of the results of the Kentucky Regulated segment.

Note: See Appendix for reconciliation of free cash flow before dividends to cash from operations.

Shares Outstanding

Average Common Shares Outstanding [1]
(in millions)

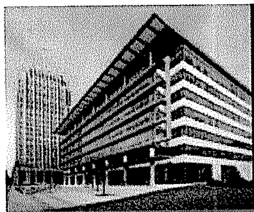
As of:

March 31, 2011	485 (A)
December 31, 2011	557 (E)
December 31, 2012	582 (E)

(1) Projected average common shares outstanding include common stock issued for the acquisition of WPD Midlands and projected shares issued to satisfy DRIP and compensation-related stock requirements. These projections do not include common stock issued to fund future growth.

(A) Actual for quarter ended March 31, 2011.

(E) Estimate for average shares outstanding for the year indicated.



PPL Corporation Reconciliation of Cash from Operations to Free Cash Flow before Dividends

(Millions of Dollars)

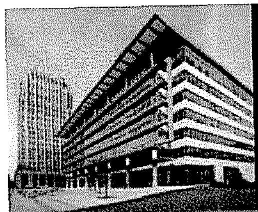
	2009	2010	2011
Cash from Operations	$1,852	$2,034	$2,200
Increase (Decrease) in cash due to:			
Capital Expenditures	(1,265)	(1,644)	(2,837)
Sale of Assets	84	161	382
Other Investing Activities – Net	(71)	(20)	152
Free Cash Flow before Dividends	$ 600	$ 531	$ (103)

Reconciliation of PPL's Earnings from Ongoing Operations to Reported Earnings

(Per Share)

	Forecast		Actual	
	High 2011	Low 2011	2010	2009
Earnings from Ongoing Operations per share of common stock	$ 2.75	$ 2.50	$ 3.13	$ 1.95
Special Items:				
Energy-related economic activity	0.03	0.03	(0.27)	(0.59)
Sales of assets:				
Maine hydroelectric generation business			0.03	0.06
Long Island generation business				(0.09)
Latin American businesses				(0.07)
Interest in Wyman Unit 4				(0.01)
Impairments:				
Impacts from emission allowances			(0.02)	(0.05)
Other asset impairments				(0.01)
Central Networks acquisition-related costs:				
Bridge Facility costs	(0.02)	(0.02)		
Other acquisition-related costs	(0.02)	(0.02)		
Foreign currency-related economic hedges	(0.01)	(0.01)		
LKE acquisition-related costs:				
Monetization of certain full-requirement sales contracts			(0.29)	
Anticipated sale of certain non-core generation facilities			(0.14)	
Bridge Facility costs			(0.12)	
Discontinued cash flow hedges & ineffectiveness			(0.06)	
Reduction of credit facility			(0.01)	
Other acquisition-related costs			(0.05)	
Workforce reductions				(0.03)
Other:				
Montana hydroelectric litigation			(0.08)	(0.01)
Health Care Reform - tax impact			(0.02)	
Change in U.K. tax rate			0.04	
U.S. Tax Court ruling (U.K. Windfall Profits Tax)			0.03	
Change in tax accounting method related to repairs				(0.07)
Total Special Items	(0.02)	(0.02)	(0.96)	(0.87)
Reported Earnings per share of common stock	$ 2.73	$ 2.48	$ 2.17	$ 1.08

Note: Per share amounts are based on diluted shares outstanding.



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Attachment to Question No. 4

8 of 8

Arbough

2nd Quarter Earnings Call
August 5, 2011

PPL Corporation

Cautionary Statements and Factors That May Affect Future Results

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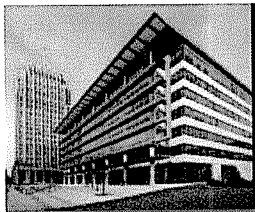
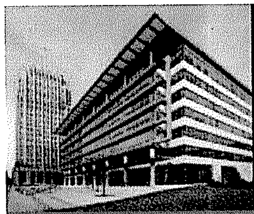


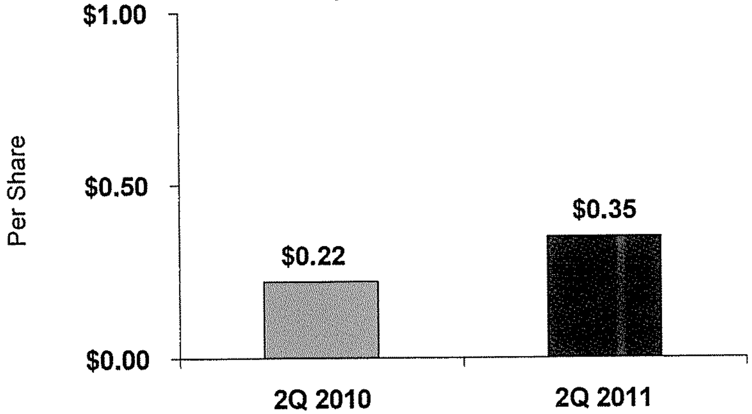
Agenda

Second Quarter 2011 Earnings and Outlook	J. H. Miller
Segment Results and Financial Overview	P. A. Farr
Operational Review	W. H. Spence
Q&A	

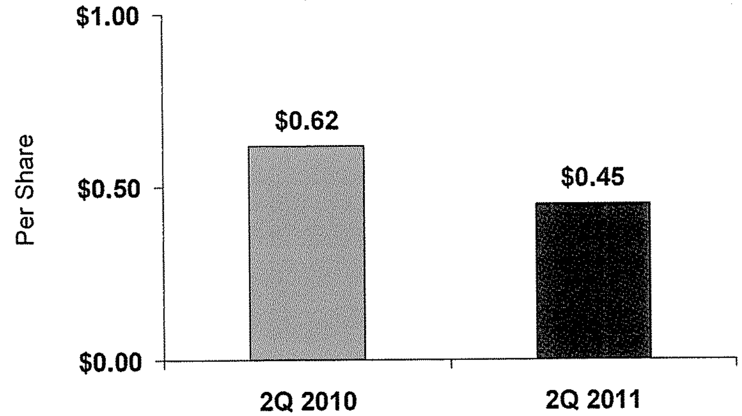


Earnings Results

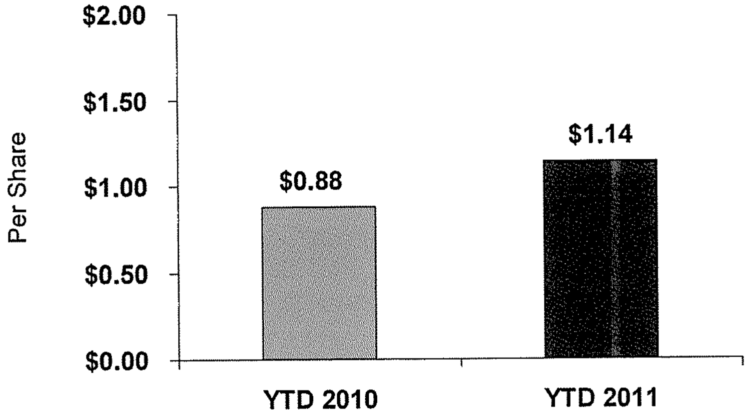
Second Quarter
Reported Earnings



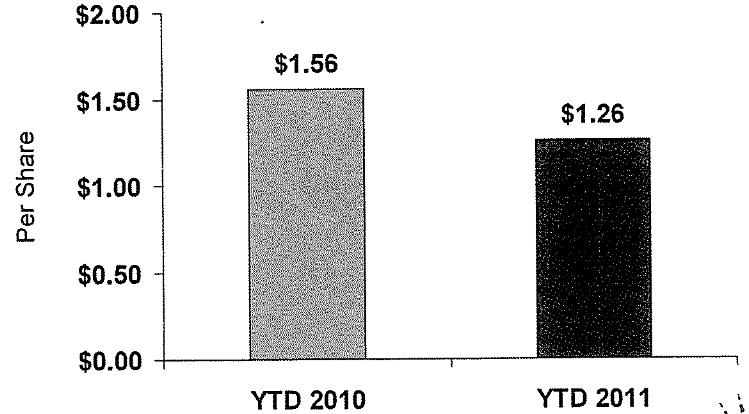
Second Quarter
Earnings from Ongoing Operations



Year-to-Date
Reported Earnings



Year-to-Date
Earnings from Ongoing Operations



Note: See Appendix for the reconciliation of earnings from ongoing operations to reported earnings.

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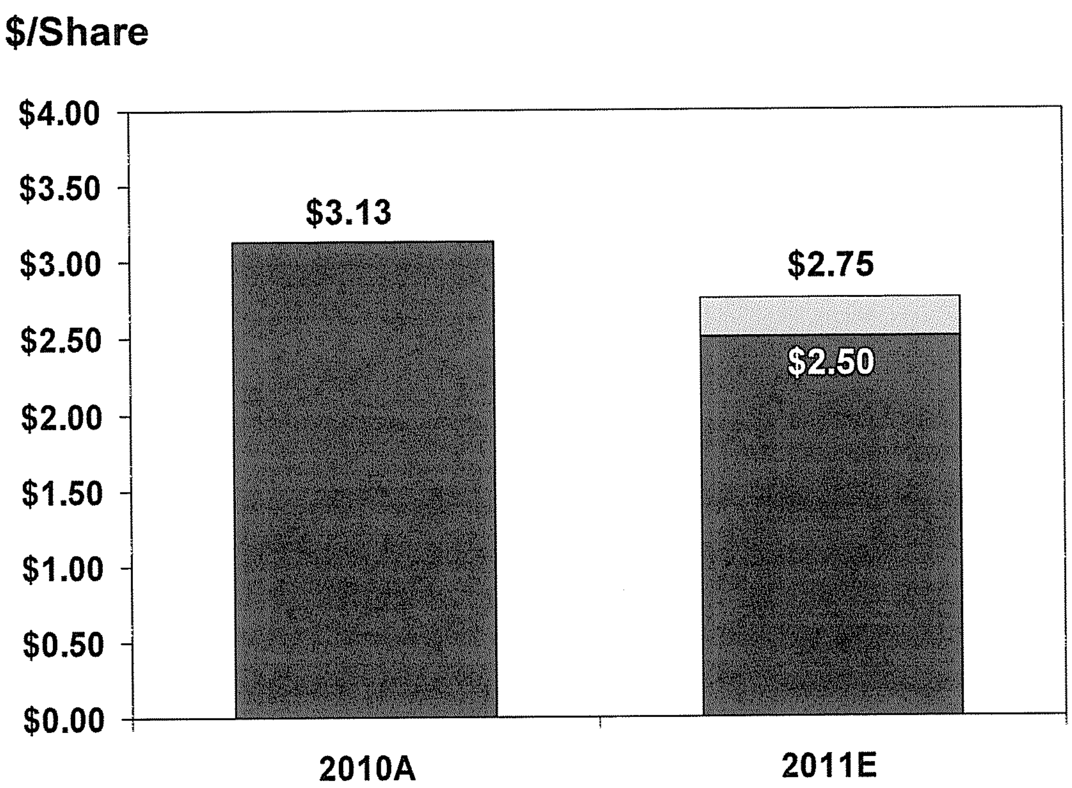
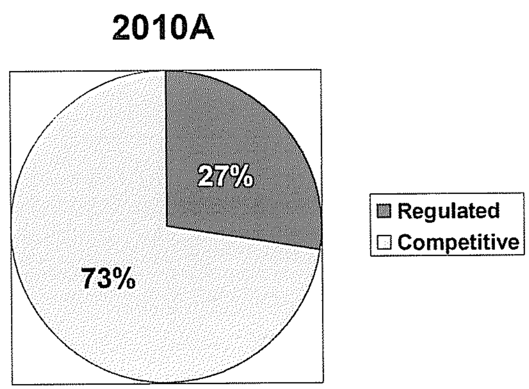
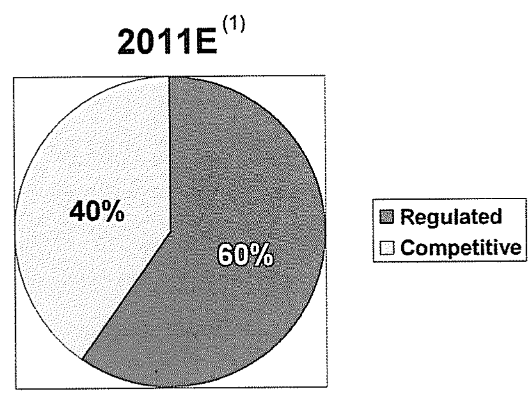
2011 Earnings from Ongoing Operations Forecast







(1) Based on mid-point of forecasted earnings range.

Note: See appendix for reconciliation of earnings from ongoing operations to reported earnings.

Ongoing Earnings Overview

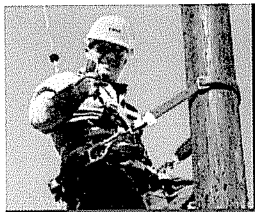
	Q2 2011	Q2 2010	Change
Kentucky Regulated	$0.06	$ -	$0.06
International Regulated	0.21	0.15	0.06
Pennsylvania Regulated	0.06	0.04	0.02
Supply	0.12	0.43	(0.31)
Total	$0.45	$0.62	($0.17)

Note: See Appendix for the reconciliation of earnings from ongoing operations to reported earnings.

International Regulated Segment Earnings Drivers

		2nd Quarter
2010 EPS – Ongoing Earnings		$0.15
Delivery Revenue	0.03	
Financing	(0.01)	
Income Taxes & Other	(0.02)	
Midlands	0.16	
Dilution	(0.10)	
Total		0.06
2011 EPS – Ongoing Earnings		$0.21

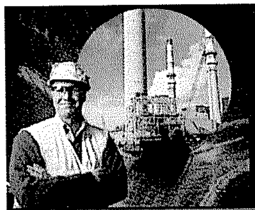
Note: See Appendix for the reconciliation of earnings from ongoing operations to reported earnings.



Pennsylvania Regulated Segment Earnings Drivers

		2nd Quarter
2010 EPS – Ongoing Earnings		$0.04
Electric Delivery Margins	0.03	
O&M	0.01	
Income taxes & other	0.01	
Dilution	(0.03)	
Total		0.02
2011 EPS – Ongoing Earnings		$0.06

Note: See Appendix for the reconciliation of earnings from ongoing operations to reported earnings.

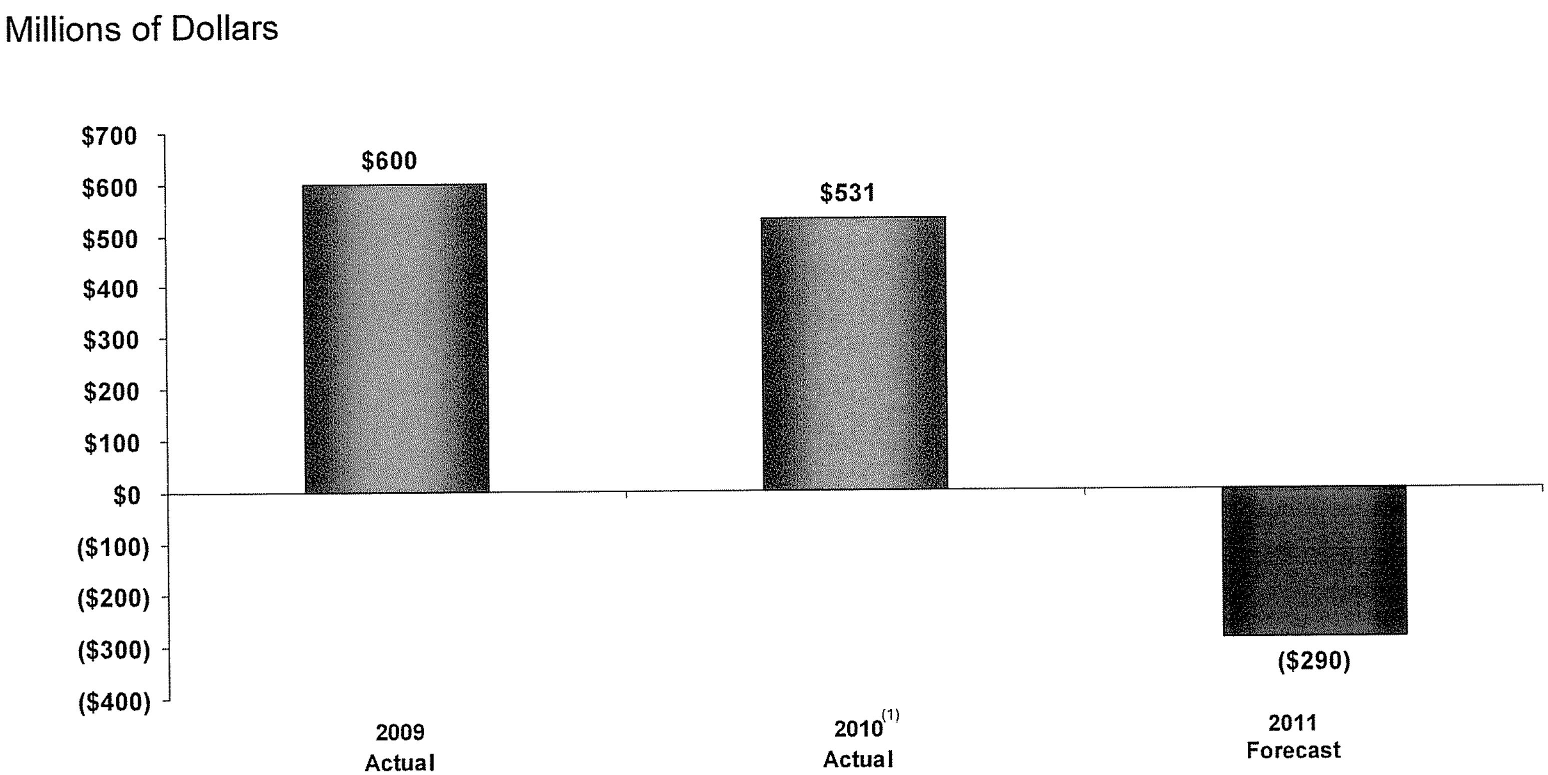


Supply Segment Earnings Drivers

		2nd Quarter
2010 EPS – Ongoing Earnings		$0.43
Margins – East	(0.20)	
O&M	(0.06)	
Discontinued Operations	0.01	
Dilution	(0.06)	
Total		(0.31)
2011 EPS – Ongoing Earnings		$0.12

Note: See Appendix for the reconciliation of earnings from ongoing operations to reported earnings.

Free Cash Flow before Dividends

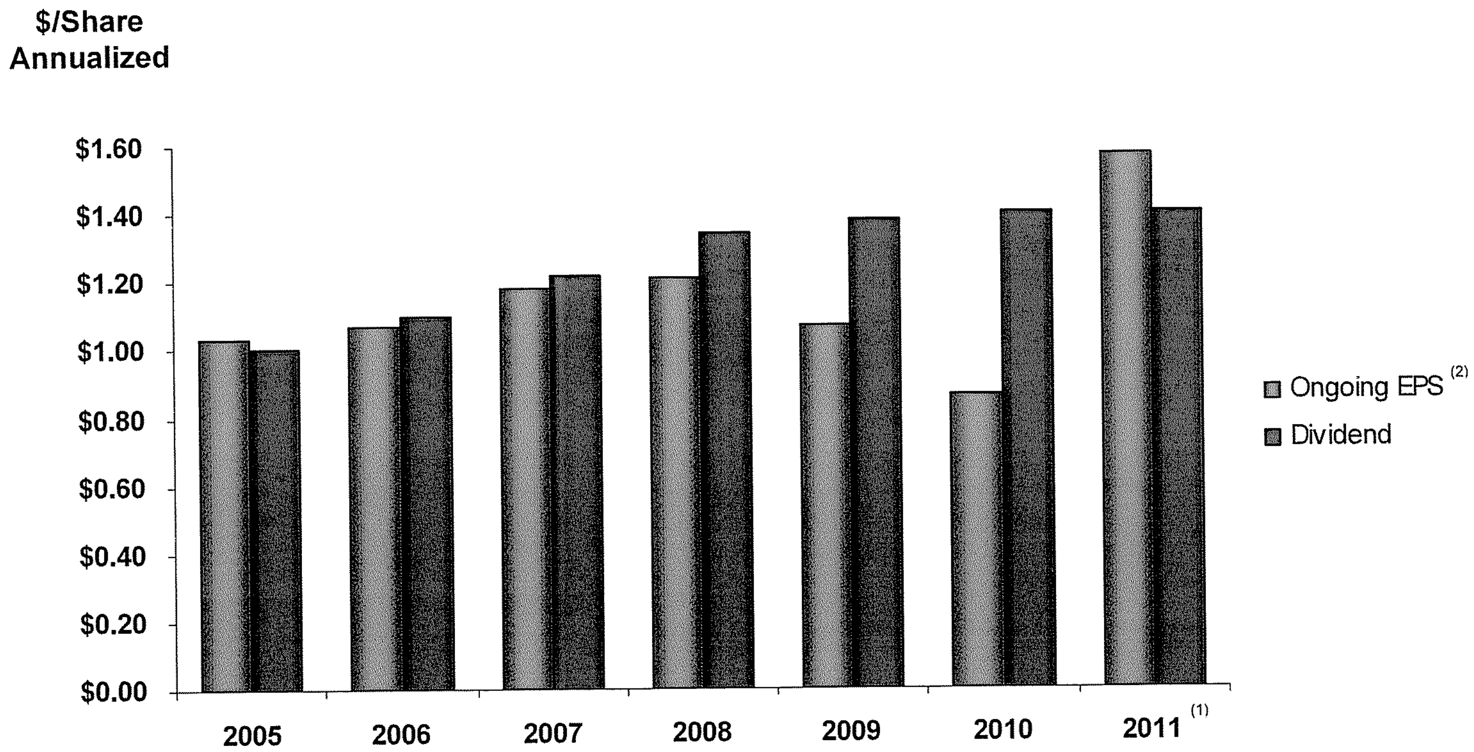


(1) 2010 Free Cash Flow includes two months of the results of the Kentucky Regulated segment.

Note: See Appendix for reconciliation of free cash flow before dividends to cash from operations.

Dividend Profile

A significantly more rate-regulated business mix provides strong support for current dividend and a platform for future growth



(1) Ongoing EPS based on mid-point of forecast. Annualized dividend based on 1st quarter declaration. Actual dividends to be determined by Board of Directors.

(2) From only regulated segments.

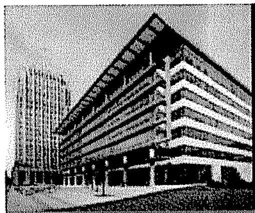
Operational Review

Kentucky Regulated Segment

- Environmental Cost Recovery (ECR) filing with Kentucky PSC
  - Filed in June 2011
  - Discovery phase in process
  - PSC order to be received by year-end 2011

Supply Segment

- Susquehanna Units 1 & 2 return to service after turbine blade replacement
- Generation fleet well-positioned post final EPA regulations



Operational Review (continued)

International Regulated Segment

- Synergy plan for Midlands integration on track
- Organizational structure and Reorganization plan have been determined
- Transition from a functional structure to a regional structure under way and will result in:
  - Smaller support structure
  - Elimination of duplicate work
  - Implementation of more efficient procedures

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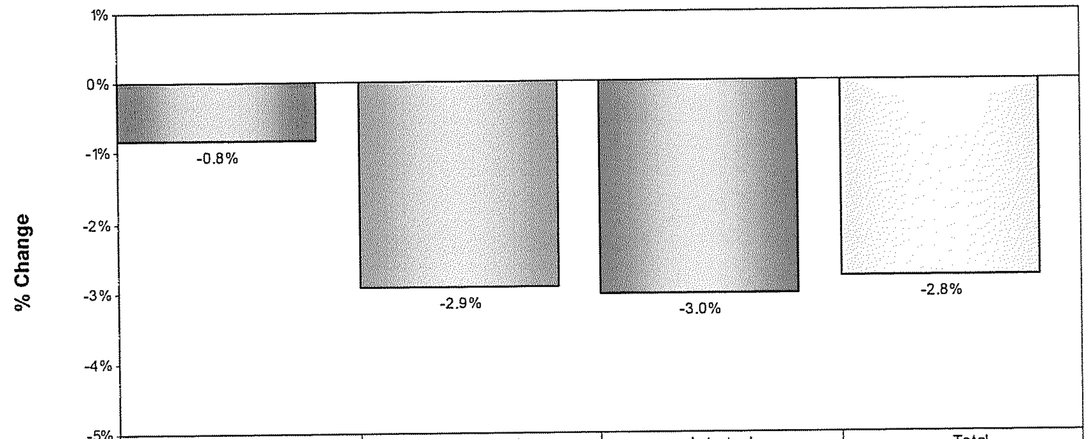
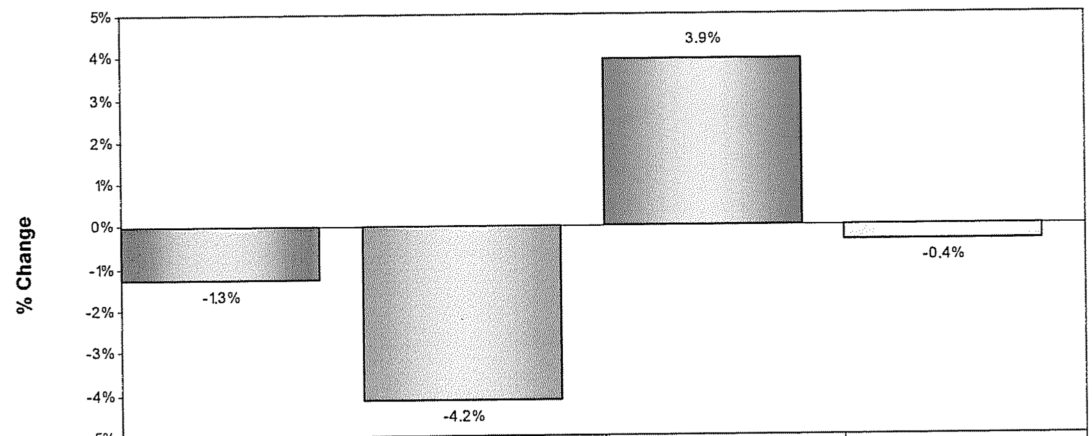
Kentucky Regulated Volume Variances

3-months Ended 06/30/2011 vs. 06/30/2010



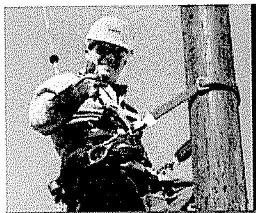
	Residential	Commercial	Industrial	Total
Weather-Normalized (charted)	-0.8%	-2.9%	-3.0%	-2.8%
Actual	-6.3%	-7.0%	-3.8%	-6.0%

12-months Ended 06/30/2011 vs. 06/30/2010



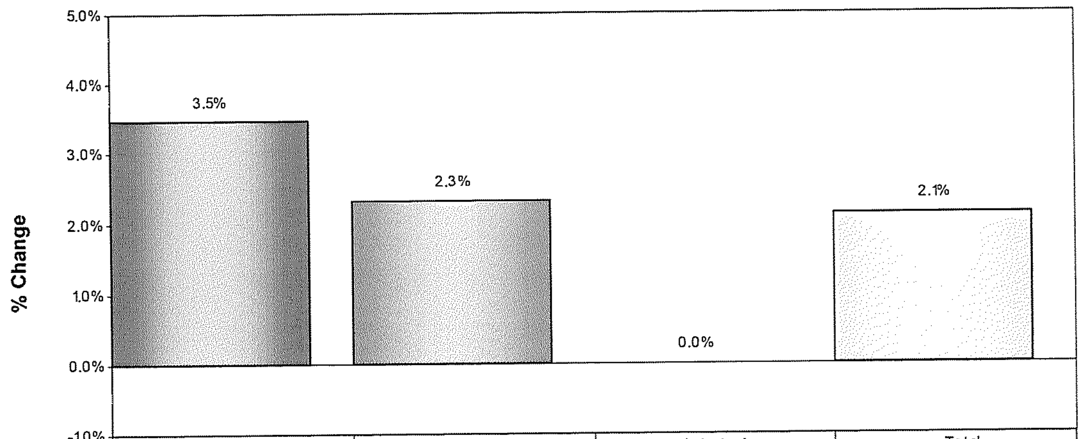
	Residential	Commercial	Industrial	Total
Weather-Normalized (charted)	-1.3%	-4.2%	3.9%	-0.4%
Actual	1.5%	-1.0%	3.9%	1.4%

Note: Total includes Residential, Commercial and Industrial customer classes as well as "Other", which is not depicted on the charts above.



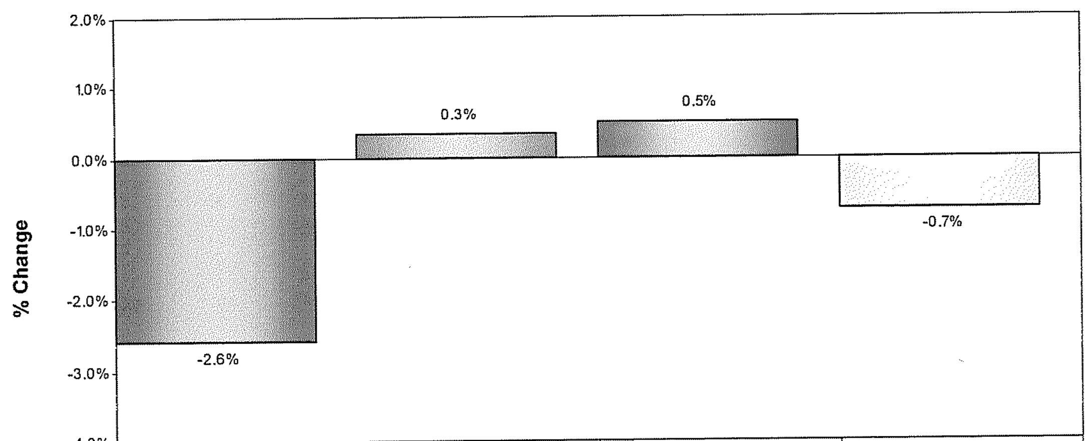
PA Regulated Volume Variances

3-months Ended 6/30/2011 vs. 06/30/2010



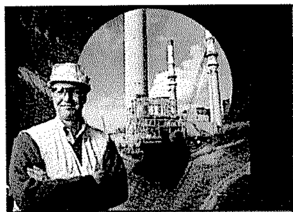
	Residential	Commercial	Industrial	Total
Weather-Normalized (charted)	3.5%	2.3%	0.0%	2.1%
Actual	7.5%	3.6%	0.0%	4.0%

12-months Ended 6/30/2011 vs. 06/30/2010



	Residential	Commercial	Industrial	Total
Weather-Normalized (charted)	-2.6%	0.3%	0.5%	-0.7%
Actual	4.3%	2.8%	0.5%	2.9%

Note: Total includes Residential, Commercial and Industrial customer classes as well as "Other", which is not depicted on the charts above.



Enhancing Value Through Active Hedging

	2011[4]	2012	2013
Baseload			
Expected Generation[1] (Million MWhs)	**47.9**	**54.7**	**54.4**
East	40.1	46.2	46.0
West	7.8	8.5	8.4
Current Hedges (%)	**98%**	**97%**	**69%**
East	99%	98%	69%
West	97%	95%	72%
Average Hedged Price (Energy Only) ($/MWh)[2] [3]			
East	$57	$54-55	$53-56
West	$54	$53-54	$50-51
Current Coal Hedges (%)	**100%**	**96%**	**88%**
East	100%	95%	91%
West	100%	100%	79%
Average Hedged Consumed Coal Price (Delivered $/Ton)			
East	$73-74	$76-80	[5]
West	$23-27	$23-29	$23-30
Intermediate/Peaking			
Expected Generation[1] (Million MWhs)	7.6	6.2	6.3
Current Hedges (%)	87%	32%	19%

Capacity revenues are expected to be $430 million, $385 million and $590 million for 2011, 2012 and 2013, respectively.

As of June 30, 2011
(1) Represents expected sales based on current business plan assumptions.
(2) The 2011 average hedge energy prices are based on the fixed price swaps as of June 30, 2011; the prior collars have all been converted to fixed swaps.
(3) The 2012 and 2013 ranges of average energy prices for existing hedges were estimated by determining the impact on the existing collars resulting from 2012 and 2013 power prices at the 5th and 95th percentile confidence levels.
(4) Includes six months of actual results.
(5) Transportation contract in negotiation.

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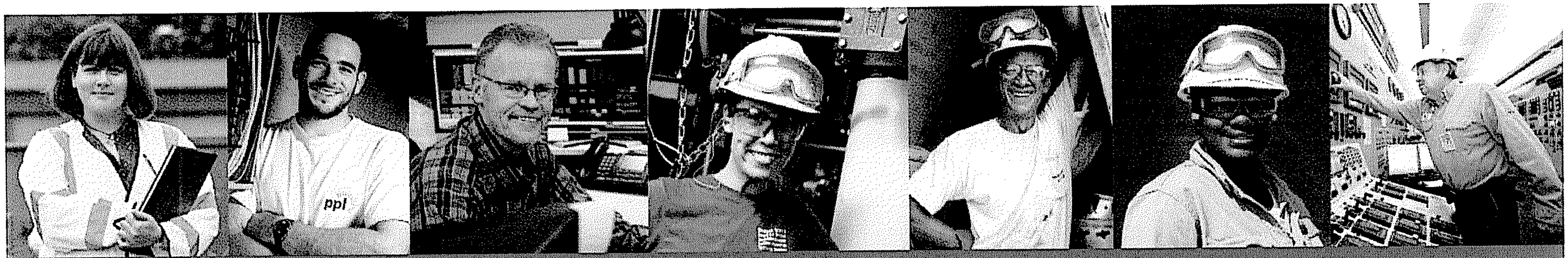
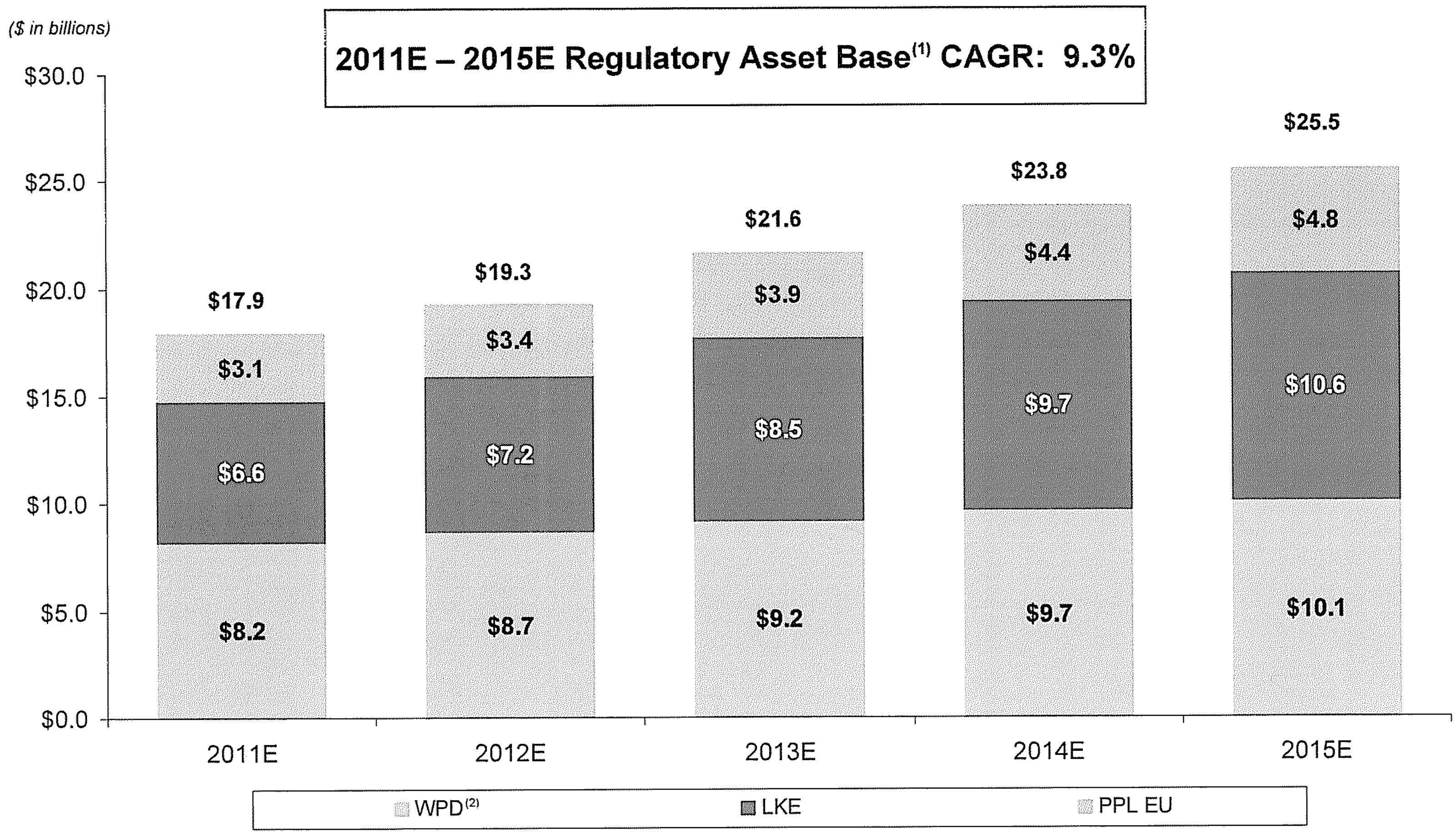


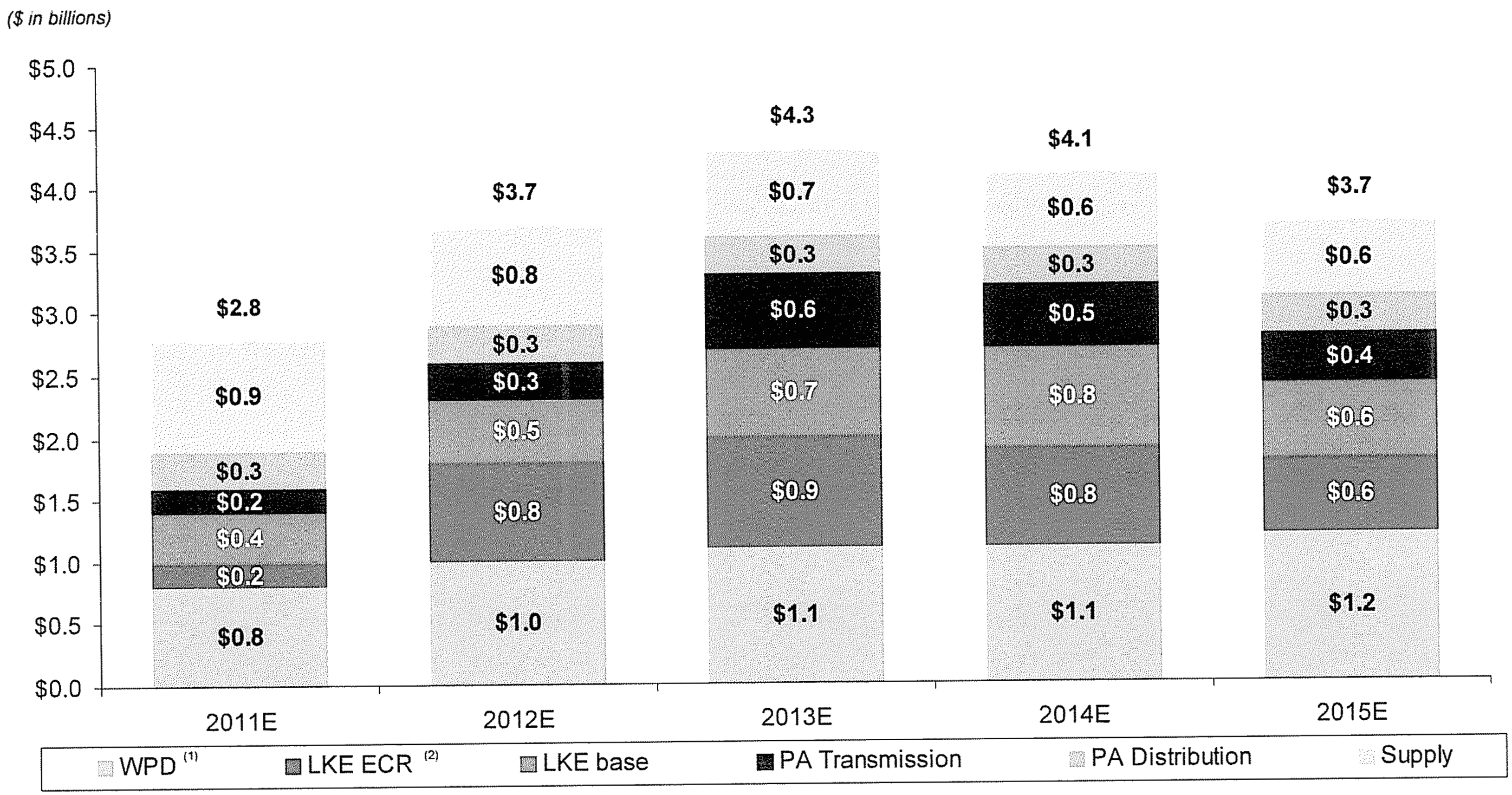
Appendix

Regulated Rate Base Growth



(1) Represents capitalization for LKE, as LG&E and KU rate constructs are based on capitalization. Represents Regulatory Asset Value (RAV) for WPD.
(2) Includes RAV for WPD Midlands. Figures based on assumed exchange rate of $1.60 / GBP and are as of year-end December 31.

Capital Expenditures



(1) Includes capex for WPD Midlands. Figures based on assumed exchange rate of $1.60 / GBP.
(2) Expect approximately 85% to receive timely returns via ECR mechanism based on historical experience.

Market Prices

	Balance of 2011	2012	2013
ELECTRIC			
PJM			
On-Peak	$54	$54	$55
Off-Peak	$38	$39	$41
ATC[1]	$46	$46	$48
Mid-Columbia			
On-Peak	$38	$39	$44
Off-Peak	$26	$28	$31
ATC[1]	$31	$34	$38
GAS[2]			
NYMEX	$4.47	$4.84	$5.16
TZ6NNY	$4.98	$5.57	$5.88
PJM MARKET			
HEAT RATE[3]	10.9	9.6	9.4
CAPACITY PRICES *(Per MWD)*	$136.79	$123.63	$187.49
EQA	91.0%	89.8%	91.3%

(1) 24-hour average.
(2) NYMEX and TZ6NNY forward gas prices on 6/30/2011.
(3) Market Heat Rate = PJM on-peak power price divided by TZ6NNY gas price.

Debt Maturities

(Millions)

	2011	2012	2013	2014	2015
PPL Capital Funding	$0	$0	$0 (1)	$0 (3)	$0
LG&E and KU Energy (Holding Co LKE)	2	0	0	0	400
Louisville Gas & Electric	0	0	0	0	250
Kentucky Utilities	0	0	0	0	250
PPL Electric Utilities	0	0	400 (2)	10 (4)	100
PPL Energy Supply	500	0	737	300	300 (5)
WPD	0	0	0	0	0
Total	$502	$0	$1,137	$310	$1,300

Note: As of June 30, 2011

(1) Excludes $1.15 billion of junior subordinated notes due 2018 that are a component of PPL's 2010 Equity Units and may be put back to PPL Capital Funding if the remarketing in 2013 is not successful.

(2) Bonds were redeemed at make-whole redemption price in July 2011.

(3) Excludes $978 million of junior subordinated notes due 2019 that are a component of PPL's 2011 Equity Units and may be put back to PPL Capital Funding if the remarketing in 2014 is not successful.

(4) Bonds defeased in substance in 2008 by depositing sufficient funds with the trustee.

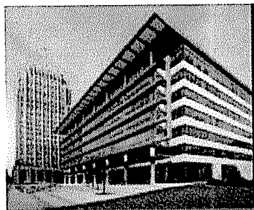
(5) Represents REset Put Securities due 2035 that are required to be put by the holders in October 2015 either for (a) purchase and remarketing by a remarketing dealer or (b) repurchase by PPL Energy Supply.

Liquidity Profile

Institution	Facility	Expiration Date	Total Facility (Millions)	Letters of Credit Outstanding (Millions)	Drawn (Millions)	Availability (Millions)
PPL Energy Supply	Syndicated Credit Facility	Dec-2014	$3,000	$122	$250	$2,628
	Letter of Credit Facility	Mar-2013	200	55	0	145
			$3,200	$177	$250	$2,773
PPL Electric Utilities	Syndicated Credit Facility	Dec-2014	$200	$13	$0	$187
	Asset-backed Credit Facility	Jul-2011	150	0	0	150
			$350	$13	$0	$337
Louisville Gas & Electric	Syndicated Credit Facility	Dec-2014	$400	$0	$0	$400
Kentucky Utilities	Syndicated Credit Facility	Dec-2014	$400	$0	$0	$400
	Letter of Credit Facility	Apr-2014	198	198	0	0
			$598	$198	$0	$400
WPD	PPL WW Syndicated Credit Facility	Jan-2013	£150	£0	£113	£37
	WPD (South West) Syndicated Credit Facility	Jul-2012	210	0	0	210
	WPD (East Midlands) Syndicated Credit Facility	Apr-2016	300	70	0	230
	WPD (West Midlands) Syndicated Credit Facility	Apr-2016	300	71	0	229
	Uncommitted Credit Facilities		113	3	0	110
			£1,073	£144	£113	£816

Note: As of June 30, 2011

- Credit facilities consist of a diverse bank group, with no bank and its affiliates providing an aggregate commitment of more than 9% of the total committed capacity for the domestic facilities and 17% of the total committed capacity for WPD's facilities.
- In July 2011, PPL Electric Utilities extended the expiration date of its Asset-backed Credit Facility to July 2012.



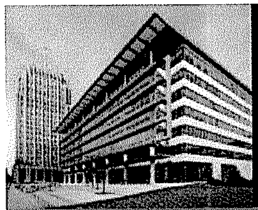
Reconciliation of Second Quarter Earnings from Ongoing Operations to Reported Earnings

(Millions of Dollars, After-Tax)

Quarter Ending June 30, 2011	Kentucky Regulated	International Regulated	Pennsylvania Regulated	Supply	Unallocated Costs	Total
Earnings from Ongoing Operations	$ 31	$ 118	$ 36	$ 68		$ 253
Special Items:						
Energy-related economic activity				(3)		(3)
Foreign currency-related economic hedges		1				1
Sales of assets:						
Non-core generation facilities				(2)		(2)
WPD Midlands acquisition-related costs:						
2011 Bridge Facility costs		(25)				(25)
Foreign currency loss on 2011 Bridge Facility		(39)				(39)
Net hedge gains		43				43
Hedge ineffectiveness		(9)				(9)
U.K. stamp duty tax		(21)				(21)
Other acquisition-related costs		(30)				(30)
Other:						
Montana hydroelectric litigation				(1)		(1)
Litigation settlement - spent nuclear fuel storage				29		29
Total Special Items		(80)		23		(57)
Reported Earnings*	$ 31	$ 38	$ 36	$ 91		$ 196

Quarter Ending June 30, 2010	International Regulated	Pennsylvania Regulated	Supply	Unallocated Costs	Total
Earnings from Ongoing Operations	$ 59	$ 16	$ 164		$ 239
Special Items:					
Energy-related economic activity			(54)		(54)
Foreign currency-related economic hedges	(1)				(1)
Sales of assets:					
Sundance indemnification			1		1
Impairments:					
Emission allowances			(5)		(5)
LKE acquisition-related costs:					
Monetization of certain full-requirement sales contracts			(75)		(75)
2010 Bridge Facility costs				$ (13)	(13)
Other acquisition-related costs				(6)	(6)
Other:					
Montana hydroelectric litigation			(1)		(1)
Total Special Items	(1)		(134)	(19)	(154)
Reported Earnings*	$ 58	$ 16	$ 30	$ (19)	$ 85

* Represents net income attributable to PPL Corporation

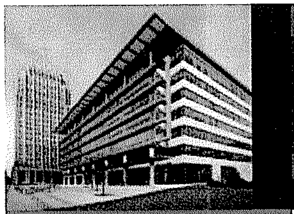


Reconciliation of Second Quarter Earnings from Ongoing Operations to Reported Earnings

(Per Share)

Quarter Ending June 30, 2011	Kentucky Regulated	International Regulated	Pennsylvania Regulated	Supply	Unallocated Costs	Total
Earnings from Ongoing Operations	$ 0.06	$ 0.21	$ 0.06	$ 0.12		$ 0.45
Special Items:						
Energy-related economic activity				(0.01)		(0.01)
WPD Midlands acquisition-related costs:						
2011 Bridge Facility costs		(0.04)				(0.04)
Foreign currency loss on 2011 Bridge Facility		(0.07)				(0.07)
Net hedge gains		0.08				0.08
Hedge ineffectiveness		(0.02)				(0.02)
U.K. stamp duty tax		(0.04)				(0.04)
Other acquisition-related costs		(0.05)				(0.05)
Other:						
Litigation settlement - spent nuclear fuel storage				0.05		0.05
Total Special Items		(0.14)		0.04		(0.10)
Reported Earnings	$ 0.06	$ 0.07	$ 0.06	$ 0.16		$ 0.35

Quarter Ending June 30, 2010	International Regulated	Pennsylvania Regulated	Supply	Unallocated Costs	Total
Earnings from Ongoing Operations	$ 0.15	$ 0.04	$ 0.43		$ 0.62
Special Items:					
Energy-related economic activity			(0.14)		(0.14)
Impairments:					
Emission allowances			(0.01)		(0.01)
LKE acquisition-related costs:					
Monetization of certain full-requirement sales contracts			(0.20)		(0.20)
2010 Bridge Facility costs				$ (0.03)	(0.03)
Other acquisition-related costs				(0.02)	(0.02)
Total Special Items			(0.35)	(0.05)	(0.40)
Reported Earnings	$ 0.15	$ 0.04	$ 0.08	$ (0.05)	$ 0.22



Reconciliation of Year-to-Date Earnings from Ongoing Operations to Reported Earnings

(Millions of Dollars, After-Tax)

Year-to-Date June 30, 2011	Kentucky Regulated	International Regulated	Pennsylvania Regulated	Supply	Unallocated Costs	Total
Earnings from Ongoing Operations	$ 106	$ 193	$ 88	$ 273		$ 660
Special Items:						
Energy-related economic activity				14		14
Sales of assets						
Non-core generation facilities				(3)		(3)
Impairments						
Emission allowances				(1)		(1)
Renewable energy credits				(2)		(2)
Adjustments - nuclear decommissioning trust investments				1		1
WPD Midlands acquisition-related costs:						
2011 Bridge Facility costs		(30)				(30)
Foreign currency loss on 2011 Bridge Facility		(39)				(39)
Net hedge gains		39				39
Hedge ineffectiveness		(9)				(9)
U.K. stamp duty tax		(21)				(21)
Other acquisition-related costs		(40)				(40)
Other:						
Montana hydroelectric litigation				(1)		(1)
Litigation settlement - spent nuclear fuel storage				29		29
Total Special Items		(100)		37		(63)
Reported Earnings*	$ 106	$ 93	$ 88	$ 310		$ 597

Year-to-Date June 30, 2010	International Regulated	Pennsylvania Regulated	Supply	Unallocated Costs	Total
Earnings from Ongoing Operations	$ 135	$ 53	$ 408		$ 596
Special Items:					
Energy-related economic activity			(119)		(119)
Foreign currency-related economic hedges	(1)				(1)
Sales of assets:					
Sundance indemnification			1		1
Impairments					
Emission allowance			(7)		(7)
LKE acquisition-related costs:					
Monetization of certain full-requirement sales contracts			(75)		(75)
2010 Bridge Facility costs				$ (13)	(13)
Other acquisition-related costs				(6)	(6)
Other:					
Montana hydroelectric litigation			(33)		(33)
Health care reform - tax impact			(8)		(8)
Total Special Items	(1)		(241)	(19)	(261)
Reported Earnings*	$ 134	$ 53	$ 167	$ (19)	$ 335

* Represents net income attributable to PPL Corporation

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Reconciliation of Year-to-Date Earnings from Ongoing Operations to Reported Earnings

(Per Share)

Year-to-Date June 30, 2011	Kentucky Regulated	International Regulated	Pennsylvania Regulated	Supply	Unallocated Costs	Total
Earnings from Ongoing Operations	$ 0.20	$ 0.37	$ 0.17	$ 0.52		$ 1.26
Special Items:						
Energy-related economic activity				0.01		0.01
WPD Midlands acquisition-related costs:						
2011 Bridge Facility costs		(0.06)				(0.06)
Foreign currency loss on 2011 Bridge Facility		(0.07)				(0.07)
Net hedge gains		0.08				0.08
Hedge ineffectiveness		(0.02)				(0.02)
U.K. stamp duty tax		(0.04)				(0.04)
Other acquisition-related costs		(0.08)				(0.08)
Other:						
Litigation settlement - spent nuclear fuel storage				0.06		0.06
Total Special Items		(0.19)		0.07		(0.12)
Reported Earnings	$ 0.20	$ 0.18	$ 0.17	$ 0.59		$ 1.14

Year-to-Date June 30, 2010	International Regulated	Pennsylvania Regulated	Supply	Unallocated Costs	Total
Earnings from Ongoing Operations	$ 0.35	$ 0.14	$ 1.07		$ 1.56
Special Items:					
Energy-related economic activity			(0.30)		(0.30)
Impairments:					
Emission allowances			(0.02)		(0.02)
LKE acquisition-related costs:					
Monetization of certain full-requirement sales contracts			(0.20)		(0.20)
2010 Bridge Facility costs				$ (0.03)	(0.03)
Other acquisition-related costs				(0.02)	(0.02)
Other:					
Montana hydroelectric litigation			(0.09)		(0.09)
Health care reform - tax impact			(0.02)		(0.02)
Total Special Items			(0.63)	(0.05)	(0.68)
Reported Earnings	$ 0.35	$ 0.14	$ 0.44	$ (0.05)	$ 0.88

Note: Per share amounts are based on diluted shares outstanding.

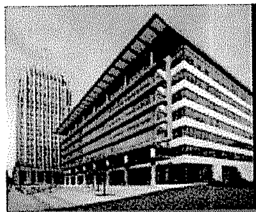
Reconciliation of PPL's Earnings from Ongoing Operations to Reported Earnings

(Per Share)

	Forecast		Actual	
	High 2011	Low 2011	2010	2009
Earnings from Ongoing Operations	$ 2.75	$ 2.50	$ 3.13	$ 1.95
Special Items:				
Energy-related economic activity	0.01	0.01	(0.27)	(0.59)
Sales of assets:				
Maine hydroelectric generation business			0.03	0.06
Long Island generation business				(0.09)
Latin American businesses				(0.07)
Interest in Wyman Unit 4				(0.01)
Impairments:				
Emission allowances			(0.02)	(0.05)
Other asset impairments				(0.01)
WPD Midlands acquisition-related costs:				
2011 Bridge Facility costs	(0.06)	(0.06)		
Foreign currency loss on 2011 Bridge Facility	(0.07)	(0.07)		
Net hedge gains	0.08	0.08		
Hedge ineffectiveness	(0.02)	(0.02)		
U.K. stamp duty tax	(0.04)	(0.04)		
Other acquisition-related costs	(0.08)	(0.08)		
LKE acquisition-related costs:				
Monetization of certain full-requirement sales contracts			(0.29)	
Anticipated sale of certain non-core generation facilities			(0.14)	
2010 Bridge Facility costs			(0.12)	
Discontinued cash flow hedges and ineffectiveness			(0.06)	
Reduction of credit facility			(0.01)	
Other acquisition-related costs			(0.05)	
Workforce reductions				(0.03)
Other:				
Montana hydroelectric litigation			(0.08)	(0.01)
Health care reform - tax impact			(0.02)	
Change in U.K. tax rate			0.04	
U.S. Tax Court ruling (U.K. Windfall Profits Tax)			0.03	
Litigation settlement - spent nuclear fuel storage	0.06	0.06		
Change in tax accounting method related to repairs				(0.07)
Total Special Items	(0.12)	(0.12)	(0.96)	(0.87)
Reported Earnings	$ 2.63	$ 2.38	$ 2.17	$ 1.08

Note: Per share amounts are based on diluted shares outstanding.

ppl



Gross Margins Summary

(Millions of Dollars)	Three Months Ended June 30,			
	2011	2010	Change	Per Share Diluted (after-tax) (a)
KY Gross Margins	$ 360		$ 360	$ 0.55
PA Gross Delivery Margins by Component				
Distribution	$ 173	$ 157	$ 16	$ 0.03
Transmission	45	42	3	-
Total	$ 218	$ 199	$ 19	$ 0.03
Unregulated Gross Energy Margins by Region				
Non-trading				
Eastern U.S.	$ 395	$ 528	$ (133)	$ (0.20)
Western U.S.	88	88	-	-
Net energy trading	10	5	5	-
Total	$ 493	$ 621	$ (128)	$ (0.20)

(a) Excludes dilution which is primarily associated with the June 2010 and April 2011 issuances of common stock.

Reconciliation of Second Quarter Operating Income to Margins

(Millions of Dollars)	Three Months Ended June 30, 2011					Three Months Ended June 30, 2010				
	Kentucky Gross Margins	PA Gross Delivery Margins	Unregulated Gross Energy Margins	Other (a)	Operating Income (b)	Kentucky Gross Margins	PA Gross Delivery Margins	Unregulated Gross Energy Margins	Other (a)	Operating Income (b)
Operating Revenues										
Utility	$ 639	$ 436		$ 409 (c)	$ 1,484		$ 520		$ 172 (c)	$ 692
PLR intersegment Utility revenue (expense) (d)		(4)	$ 4				(64)	$ 64		
Unregulated retail electric and gas			180	1 (e)	181			103	(2) (e)	101
Wholesale energy marketing										
Realized			716	16 (e)	732			1,219	12 (e)	1,231
Unrealized economic activity				(44) (e)	(44)				(666) (e)	(666)
Net energy trading margins			10		10			5		5
Energy-related businesses				126	126				110	110
Total Operating Revenues	639	432	910	508	2,489		456	1,391	(374)	1,473
Operating Expenses										
Fuel	206		250	(42) (f)	414			252	6	258
Energy purchases										
Realized	40	169	150	75 (g)	434		209	529	(1) (g)	737
Unrealized economic activity				(109) (g)	(109)				(445) (g)	(445)
Other operation and maintenance	21	29	9	664	723		23	6	390	419
Depreciation	12			225	237				125	125
Taxes, other than income		20	7	48	75		27	4	22	53
Energy-related businesses				120	120				100	100
Intercompany eliminations		(4)	1	3			(2)		2	
Total Operating Expenses	279	214	417	984	1,894		257	791	199	1,247
Discontinued operations								21	(21) (h)	
Total	$ 360	$ 218	$ 493	$ (476)	$ 595		$ 199	$ 621	$ (594)	$ 226

Note: see next slide for footnotes

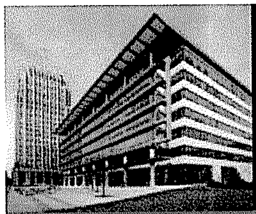
Margins footnotes

a) Represents amounts that are excluded from Margins.
b) As reported on the Statement of Income.
c) Represents WPD's utility revenue.
d) Primarily related to PLR supply sold by PPL EnergyPlus to PPL Electric.
e) Represents revenue associated with energy-related economic activity. This activity is described in the "Commodity Price Risk (Non-trading) - Economic Activity" section of Note 14 to the Financial Statements in the Form 10-Q for the Quarter Ended June 30, 2011. The three months ended June 30, 2011 includes a pre-tax gain of $6 million related to the amortization of option premiums and a pre-tax realized gain of $10 million related to the monetization of certain full-requirement sales contracts. In addition, the three months ended June 30, 2010 includes a pre-tax gain of $12 million related to the amortization of option premiums.
f) Primarily relates to the $50 million spent nuclear fuel litigation settlement and economic activity related to fuel.
g) Represents expenses associated with energy-related economic activity. This activity is described in the "Commodity Price Risk (Non-trading) - Economic Activity" section of Note 14 to the Financial Statements in the Form 10-Q for the Quarter Ended June 30, 2011. The three months ended June 30, 2011 includes a pre-tax loss of $76 million related to the monetization of certain full-requirement sales contracts. In addition, the three months ended June 30, 2010 includes a pre-tax loss of $1 million related to the amortization of option premiums.
h) Represents the net of certain revenues and expenses associated with certain businesses that are classified as discontinued operations. These revenues and expenses are not reflected in "Operating Income" on the Statements of Income.

PPL Corporation Reconciliation of Cash from Operations to Free Cash Flow before Dividends

(Millions of Dollars)

	2009	2010	2011
Cash from Operations	$1,852	$2,034	$2,020
Increase (Decrease) in cash due to:			
Capital Expenditures	(1,265)	(1,644)	(2,805)
Sale of Assets	84	161	384
Other Investing Activities – Net	(71)	(20)	111
Free Cash Flow before Dividends	$ 600	$ 531	$ (290)



Forward-Looking Information Statement

Statements contained in this presentation, including statements with respect to future earnings, cash flows, financing, regulation and corporate strategy are "forward-looking statements" within the meaning of the federal securities laws. Although PPL Corporation believes that the expectations and assumptions reflected in these forward-looking statements are reasonable, these statements are subject to a number of risks and uncertainties, and actual results may differ materially from the results discussed in the statements. The following are among the important factors that could cause actual results to differ materially from the forward-looking statements: market demand and prices for energy, capacity and fuel; weather conditions affecting customer energy usage and operating costs; competition in power markets; the effect of any business or industry restructuring; the profitability and liquidity of PPL Corporation and its subsidiaries; new accounting requirements or new interpretations or applications of existing requirements; operating performance of plants and other facilities; the length of scheduled and unscheduled outages at our generating plants; environmental conditions and requirements and the related costs of compliance, including environmental capital expenditures and emission allowance and other expenses; system conditions and operating costs; development of new projects, markets and technologies; performance of new ventures; asset or business acquisitions and dispositions, and PPL Corporation's ability to realize the expected benefits from acquired businesses, including the 2010 acquisition of Louisville Gas and Electric Company and Kentucky Utilities Company and the 2011 acquisition of the Central Networks electricity distribution businesses in the U.K.; any impact of hurricanes or other severe weather on our business, including any impact on fuel prices; receipt of necessary government permits, approvals, rate relief and regulatory cost recovery; capital market conditions and decisions regarding capital structure; the impact of state, federal or foreign investigations applicable to PPL Corporation and its subsidiaries; the outcome of litigation against PPL Corporation and its subsidiaries; stock price performance; the market prices of equity securities and the impact on pension income and resultant cash funding requirements for defined benefit pension plans; the securities and credit ratings of PPL Corporation and its subsidiaries; political, regulatory or economic conditions in states, regions or countries where PPL Corporation or its subsidiaries conduct business, including any potential effects of threatened or actual terrorism or war or other hostilities; foreign exchange rates; new state, federal or foreign legislation, including new tax legislation; and the commitments and liabilities of PPL Corporation and its subsidiaries. Any such forward-looking statements should be considered in light of such important factors and in conjunction with PPL Corporation's Form 10-K and other reports on file with the Securities and Exchange Commission.

Definitions of Non-GAAP Financial Measures

"Earnings from ongoing operations" should not be considered as an alternative to reported earnings, or net income attributable to PPL, which is an indicator of operating performance determined in accordance with generally accepted accounting principles (GAAP). PPL believes that "earnings from ongoing operations," although a non-GAAP financial measure, is also useful and meaningful to investors because it provides management's view of PPL's fundamental earnings performance as another criterion in making investment decisions. PPL's management also uses "earnings from ongoing operations" in measuring certain corporate performance goals. Other companies may use different measures to present financial performance.

"Earnings from ongoing operations" is adjusted for the impact of special items. Special items include:

- *Energy-related economic activity (as discussed below).*
- *Foreign currency-related economic hedges.*
- *Gains and losses on sales of assets not in the ordinary course of business.*
- *Impairment charges (including impairments of securities in the company's nuclear decommissioning trust funds).*
- *Workforce reduction and other restructuring impacts.*
- *Acquisition-related costs and charges.*
- *Other charges or credits that are, in management's view, not reflective of the company's ongoing operations.*

Energy-related economic activity includes the changes in fair value of positions used economically to hedge a portion of the economic value of PPL's generation assets, full-requirement sales contracts and retail activities. This economic value is subject to changes in fair value due to market price volatility of the input and output commodities (e.g., fuel and power) prior to the delivery period that was hedged. Also included in energy-related economic activity is the ineffective portion of qualifying cash flow hedges, the monetization of certain full-requirement sales contracts and premium amortization associated with options. This economic activity is deferred, with the exception of the full-requirement sales contracts that were monetized, and included in earnings from ongoing operations over the delivery period of the item that was hedged or upon realization. Management believes that adjusting for such amounts provides a better matching of earnings from ongoing operations to the actual amounts settled for PPL's underlying hedged assets. Please refer to the Notes to the Consolidated Financial Statements and MD&A in PPL Corporation's periodic filings with the Securities and Exchange Commission for additional information on energy-related economic activity.

"Free cash flow before dividends" is derived by deducting capital expenditures and other investing activities-net, from cash flow from operations. Free cash flow before dividends should not be considered as an alternative to cash flow from operations, which is determined in accordance with GAAP. PPL believes that free cash flow before dividends, although a non-GAAP measure, is an important measure to both management and investors, as it is an indicator of the company's ability to sustain operations and growth without additional outside financing beyond the requirement to fund maturing debt obligations. Other companies may calculate free cash flow before dividends in a different manner.

Definitions of Non-GAAP Financial Measures

"Kentucky Gross Margins" is a single financial performance measure of the Kentucky Regulated segment's electricity generation, transmission and distribution operations as well as its distribution and sale of natural gas. In calculating this measure, utility revenues and expenses associated with approved cost recovery tracking mechanisms are offset. Certain costs associated with these mechanisms, primarily ECR and DSM, are recorded as "Other operation and maintenance" expense and the depreciation associated with ECR equipment is recorded as "Depreciation" expense. These mechanisms allow for recovery of certain expenses, returns on capital investments associated with environmental regulations and performance incentives. As a result, this measure represents the net revenues from the Kentucky Regulated segment's operations.

"Pennsylvania Gross Delivery Margins" is a single financial performance measure of the Pennsylvania Regulated segment's electric delivery operations, which includes transmission and distribution activities. In calculating this measure, utility revenues and expenses associated with approved recovery mechanisms, including energy provided as a PLR, are offset with minimal impact on earnings. Costs associated with these mechanisms are recorded in "Energy purchases," "Other operation and maintenance," which is primarily Act 129 costs, and in "Taxes, other than income," which is primarily gross receipts tax. This performance measure includes PLR related energy purchases by PPL Electric from PPL EnergyPlus, which are reflected in "PLR intersegment utility revenue (expense)." These mechanisms allow for recovery of certain expenses; therefore, certain expenses and revenues offset with minimal impact on earnings. As a result, this measure represents the net revenues from the Pennsylvania Regulated segment's electric delivery operations.

"Unregulated Gross Energy Margins" is a single financial performance measure of the Supply segment's competitive energy non-trading and trading activities. In calculating this measure, the Supply segment's energy revenues, which include operating revenues associated with certain Supply segment businesses that are classified as discontinued operations, are offset by the cost of fuel, energy purchases, certain other operation and maintenance expenses, primarily ancillary charges, gross receipts tax, which is recorded in "Taxes, other than income," and operating expenses associated with certain Supply segment businesses that are classified as discontinued operations. This performance measure is relevant to PPL due to the volatility in the individual revenue and expense lines on the Statements of Income that comprise "Unregulated Gross Energy Margins." This volatility stems from a number of factors, including the required netting of certain transactions with ISOs and significant swings in unrealized gains and losses. Such factors could result in gains or losses being recorded in either "Wholesale energy marketing" or "Energy purchases" on the Statements of Income. This performance measure includes PLR revenues from energy sales to PPL Electric by PPL EnergyPlus, which are reflected in "PLR intersegment utility revenue (expense)." In addition, PPL excludes from "Unregulated Gross Energy Margins" the Supply segment's energy-related economic activity, which includes the changes in fair value of positions used to economically hedge a portion of the economic value of PPL's competitive generation assets, full-requirement sales contracts and retail activities. This economic value is subject to changes in fair value due to market price volatility of the input and output commodities (e.g., fuel and power) prior to the delivery period that was hedged. Also included in this energy-related economic activity is the ineffective portion of qualifying cash flow hedges, the monetization of certain full-requirement sales contracts and premium amortization associated with options. This economic activity is deferred, with the exception of the full-requirement sales contracts that were monetized, and included in unregulated gross energy margins over the delivery period that was hedged or upon realization.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF LOUISVILLE GAS AND ELECTRIC COMPANY FOR CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY AND APPROVAL OF ITS 2011 COMPLIANCE PLAN FOR RECOVERY BY ENVIRONMENTAL SURCHARGE	))))))	CASE NO. 2011-00162

LOUISVILLE GAS AND ELECTRIC COMPANY
RESPONSE TO THE
ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUESTS
DATED AUGUST 18, 2011

ONE PAPER COPY
QUESTION NO. 6

FILED: SEPTEMBER 1, 2011

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to Attorney General's Supplemental Data Requests Dated August 18, 2011

Case No. 2011-00162

Question No. 6

Witness: Daniel K. Arbough

Q-6. Please provide copies of credit reports for PPL and/or the Company from the major credit rating agencies published since January 1, 2010. If this information has been provided in response to another data request, please indicate the appropriate data request number, the document title, and the page number(s).

A-6. Certain of the Company's rating agency reports were provided in response to KPSC-1 Question No. 14. All additional rating agency reports since January 1, 2010 are attached on CD in the folder titled Question No. 6 on CD in the folder titled Question No. 6.

FitchRatings

Fitch Affirms the Ratings of PPL and Subs on Acquisition Ratings

02 Mar 2011 6:11 PM (EST)

Fitch Ratings-New York-02 March 2011: Fitch Ratings has affirmed the ratings of PPL Corp. (PPL) and its U.S. subsidiaries following the announcement of a definitive agreement to acquire the Central Networks UK electric distribution businesses from E.ON UK plc for $5.6 billion in cash plus the assumption of $800 million of debt and transaction costs. The Ratings Outlook for all entities is Stable. See a full list of ratings affirmed below.

The affirmation reflects the reduction in business risk that results from the addition of two regulated electric utilities, and the on-going transformation from a company reliant on commodity-sensitive businesses to one that is highly regulated. It also assumes that the initial increase in leverage, as measured by the ratio of debt/EBITDA, will decline over the next few years as the company realizes a full year of earnings from the November 2010 acquisition of LG&E & KU Energy LLC (rated with a 'BBB+' Issuer Default Rating [IDR] by Fitch) and from the integration of Central Networks. In addition, the majority of the acquisition debt will be housed at the newly acquired UK subsidiaries, and will be non-recourse to PPL. The capital market risk of placing the permanent debt and equity financing and the ability to extract expected synergies from the newly acquired UK businesses are the primary credit concerns. There are no regulatory approvals required and management expects to complete the transaction in April 2011.

PPL plans to initially fund the $5.6 billion acquisition with drawings under a committed bridge loan facility. The permanent financing, expected to be completed in the second quarter of 2011, will be comprised of approximately $1.75 billion of common equity, $875 million of mandatory convertible debt, and $3 billion of subsidiary debt including $750 million at an intermediate UK holding company and $2.45 billion at Central Networks' two operating utilities, Central Networks East plc and Central Networks West plc. The capital market risk is mitigated by the short time frame to closing. Fitch calculates the pro forma 2010 ratio of debt/EBITDA will initially spike to 5.0 times (x) compared to the adjusted 2010 Debt/EBITDA of 4.4x. By 2013, Fitch expects the debt ratio to fall below 4.0x.

The acquisition substantially reduces PPL's commodity price exposure and lowers Fitch's business risk assessment by a full category. By 2013, management expects to derive approximately 75% of EBITDA from regulated operations compared to approximately 60% prior to the current transaction and about 30% prior to the acquisition of LG&E and KU Energy in November 2010. The service territories of Central Networks' two operating utilities are contiguous with PPL's other UK electric distribution business, Western Power Distribution, which provides the opportunity for synergy savings, which under UK regulation are retained until the next price review due in mid-2013.

Fitch affirms the following ratings with a Stable Outlook:

PPL Corp
--Long-term IDR at 'BBB';
--Short-term IDR at 'F2'.

PPL Energy Supply, LLC
--Long-term IDR at 'BBB';
--Senior unsecured debt at 'BBB';
--Short-term IDR at 'F2'.

PPL Capital Funding Inc.
--Long-term IDR at 'BBB';
--Short-term IDR at 'F2';
--Senior unsecured debt at 'BBB';
--Jr. subordinated notes at 'BB+'.

PPL Electric Utilities Corp.
--Long-term IDR at 'BBB';
--Secured debt 'A-';
--Preference stock at 'BBB-';
--Short-term IDR at 'F2';
--Commercial paper at 'F2'

LG&E and KU Energy LLC
--Long-term IDR at 'BBB+';
--Senior unsecured debt at 'BBB+';
--Short-term IDR at 'F2'

Kentucky Utilities Company
--Long-term IDR at 'A-';
--Secured debt at 'A+';
--Senior unsecured debt at 'A';
--Short-term IDR at 'F2'.

Louisville Gas and Electric Company
--Long-term IDR at 'A-';
--Secured debt at 'A+';
--Senior unsecured debt at 'A';
--Short-term IDR at 'F2'.

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Media Relations: Cindy Stoller, New York, Tel: +1 212 908 0526, Email: cindy.stoller@fitchratings.com.

Additional information is available at 'www.fitchratings.com'.

Applicable Criteria and Related Research:
--'Corporate Rating Methodology' (Nov. 24, 2009);
--'Credit Rating Guidelines for Regulated utility Companies' (July 31, 2007);
--'U.S. Power and Gas Comparative Operating Risk (COR) Evaluation and Financial Guidelines' (August 22, 2007).

Applicable Criteria and Related Research:
U.S. Power and Gas Comparative Operating Risk (COR) Evaluation and Financial Guidelines
Credit Rating Guidelines for Regulated Utility Companies
Corporate Rating Methodology

Attachment to Question No. 6

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Arbough

FitchRatings
KNOW YOUR RISK

FITCH AFFIRMS RATINGS OF PPL ON AGREEMENT TO ACQUIRE E. ON U.S. LLC

Fitch Ratings-New York-29 April 2010: Fitch Ratings has affirmed the 'BBB' Issuer Default Ratings (IDR) and various instrument ratings of PPL Corp. (PPL) and its subsidiaries PPL Energy Supply, LLC and PPL Electric Utilities Corp. following the announcement of a definitive agreement to acquire E. ON U.S., LLC, the parent company of Louisville Gas and Electric Company (LG&E) and Kentucky Utilities Company (KU), for $6.7 billion in cash. The total enterprise value of the transaction, including the assumption of $975 million of tax exempt debt, is $7.625 billion. The Rating Outlook is Stable. A full list of the ratings is shown below.

The rating affirmation reflects the high equity content in the cash offer and the reduction in PPL's business risk from the addition of two financially healthy regulated electric utilities. In addition, PPL will receive tax benefits of approximately $450 million as part of the transaction. The financing plan includes up to $2.6 billion of PPL common stock, up to $1 billion of mandatory convertible debt, approximately $2.9 billion of subsidiary debt and the remainder available cash. The subsidiary debt is comprised of approximately $2.1 billion of utility first mortgage bonds to be issued by LG&E and KU and $800 million of senior unsecured debt to be issued by Kentucky Holdings, an intermediate holding company and direct parent company of LG&E and KU. A portion of the proceeds will be used by the newly acquired entities to retire the $4.6 billion of inter-company borrowings. The hybrid securities are expected to be issued by PPL Capital Funding, Inc., a financing subsidiary of PPL. PPL has also put in place a $6.5 billion bridge loan facility.

The acquisition substantially reduces PPL's commodity exposure, adds scale, geographic and regulatory diversity and lowers business risk. After the acquisition, PPL will derive approximately 60% of EBITDA and cash flow from regulated utility operations and the remainder from merchant generation, compared to the current mix of about 30% from regulated utilities currently and 70% from merchant generation. The regulated contribution should continue to grow over time due to the projected rate base growth of the company's domestic utilities and the unfavorable market conditions in the merchant power markets. Moreover the credit quality of the two Kentucky utilities, which are not currently rated by Fitch, appear to be consistent with an IDR equal to or greater than PPL's current 'BBB' IDR.

The primary credit concerns are the capital market risk of placing the proposed debt and equity issues on a timely basis and the concentration of coal-fired generation at the two Kentucky utilities. Maintenance of current ratings is contingent on the successful completion of the proposed financing plan as presented to Fitch without relying on the bridge loan facility. The coal exposure is mitigated by constructive regulatory provisions in Kentucky that provide for the recovery of environmental expenditures. Consummation of the transaction is subject to regulatory approvals, which management expects will take six to nine months.

Fitch affirms the following ratings:

PPL Corp
--Long-term IDR at 'BBB';
--Short-term IDR at 'F2;.

PPL Energy Supply, LLC
--Long-term IDR at 'BBB';
--Senior unsecured debt at 'BBB';
--Short-term IDR at 'F2'.

PPL Capital Funding Corp.
--Long-term IDR at 'BBB';

--Short-term IDR at 'F2';
--Senior unsecured debt at 'BBB';
--Junior subordinated notes at 'BB+'.

PPL Electric Utilities Corp.
--Long-term IDR at 'BBB';
--Secured debt at 'A-';
--Preferred Stock 'at BBB-';
--Preference Stock at 'BBB-';
--Short-term IDR at 'F2';
--Commercial Paper at 'F2'.

These rating actions reflect the application of Fitch's current criteria which are available at 'www.fitchratings.com' and specifically include the following reports:
--'Corporate Rating Methodology' (Nov. 24, 2009).
--'Credit Rating Guidelines for Regulated utility Companies' (July 31, 2007).
--'U.S. Power and Gas Comparative Operating Risk (COR) Evaluation and Financial Guidelines' (Aug.22, 2007).

Contact: Robert Hornick +1-212-908-0523 or Jill Schmidt +1-212-908-0644, New York.

Media Relations: Cindy Stoller, New York, Tel: +1 212 908 0526, Email: cindy.stoller@fitchratings.com.

Additional information is available at 'www.fitchratings.com'.

Attachment to Question No. 6

3 of 24

Arbough

STANDARD &POOR'S

Global Credit Portal®
RatingsDirect®

February 11, 2011

Summary:
Louisville Gas & Electric Co.

Primary Credit Analyst:
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Secondary Credit Analyst:
Barbara A Eiseman, New York (1) 212-438-7666; barbara_eiseman@standardandpoors.com

Table Of Contents

Summary:

Louisville Gas & Electric Co.

Credit Rating: BBB+/Stable/NR

Rationale

The ratings on vertically-integrated electric and natural gas distribution utility Louisville Gas & Electric Co. (LG&E) reflect ultimate parent PPL Corporation's consolidated credit profile. It incorporates the regulated cash flows of LG&E and vertically integrated utility Kentucky Utilities Co. (KU), along with those from PPL Electric Utilities Corp. (PPLEU) and Western Power Distribution Holdings Ltd. (WPD). In conjunction with these regulated cash flows is the higher business risk of unregulated generation owned through PPL Energy Supply LLC (PPL Energy). After incorporating these various affiliates, we consider PPL's business risk profile to be strong. Allentown, Pa.-based PPL has about $9 billion of outstanding debt excluding $1.5 billion at PPLEU and that of WPD, all as of Sept. 30, 2010.

We view LG&E's consolidated business risk profile as excellent (we categorize business risk profiles as excellent to vulnerable) and its financial profile as significant (financial profiles are ranked from minimal to highly leveraged). Supporting the business risk profile are the strengths of serving electric and natural gas customers in the Louisville area. The strength of the utility includes relatively predictable utility operations with steady cash flows, constructive cost recovery, and relatively low rates derived from low-cost coal-fired generation. Although generation is mostly coal-fired, the plants meet current environmental requirements and have a significant amount of capital spending through 2014 that should be recoverable through rates.

PPL's strong business risk profile reflects excellent business risk profiles for the vertically integrated utilities KU and LG&E, and electric T&D utility PPLEU and WPD's electric distribution utilities. PPL Energy's business risk profile is considered satisfactory, reflecting the merchant status of the generation portfolio. PPLEU is a low-risk regulated electric T&D utility that serves about 1.4 million customers in central and eastern Pennsylvania. Residential and commercial customers comprise about 80% of the utility's sales. PPLEU's credit profile benefits from an automatic adjustment mechanism for recovery of future transmission-related costs and a rate rider that provides for the pass through of power costs to ratepayers outside a base rate proceeding. The future of competitive power markets in Pennsylvania continues to temper the utility's business profile. WPD is a United Kingdom-based holding company that serves 2.6 million customers through electric distribution subsidiaries Western Power Distribution (South West) PLC and Western Power Distribution (South Wales) PLC.

As LG&E's financial risk profile reflects that of PPL's consolidated profile, it is considered significant. This reflects financial measures that, after adjustments, are sufficient for the rating. Projected funds from operation (FFO) to debt in the 22%-23% range and debt to total capital of about 52% would support ratings at the higher end of the 'BBB' category. Projected debt to EBITDA around 4x would further support the rating. Projected free operating cash flow is expected to be positive, but with net cash flow (FFO less dividends) projected to be less than capital spending levels, external financing would be necessary. FFO interest coverage is projected to exceed 5x.

Short-term credit factors

LG&E's liquidity position reflects that of PPL, which we consider strong under Standard & Poor's corporate liquidity methodology, which categorizes liquidity in five standard descriptors. Liquidity supports PPL's 'BBB+' issuer credit rating. Projected sources of liquidity, mainly operating cash flow and available bank lines, exceed projected uses, mainly necessary capital expenditures, debt maturities, and common dividends, by more than 1.5x. Sources over uses would be positive even after a 50% EBITDA decline. Further supporting our description of liquidity as 'strong' is PPL's ability to absorb high-impact, low-probability events with limited need for refinancing, its flexibility to lower capital spending, its sound bank relationships, its solid standing in credit markets, and generally prudent risk management. Debt maturities at PPL's funding entity PPL Capital Funding and PPL Energy should be manageable during the next few years, with a $500 million maturity at PPL Energy in 2011 and about $735 million in 2013. For PPLEU, the only significant maturity through 2014 is a $400 million issuance due in 2013.

Recovery analysis

We assign recovery ratings to First Mortgage Bonds (FMBs) issued by investment-grade U.S. utilities, which can result in issue ratings being notched above a utility's corporate credit rating (CCR) depending on the CCR category and the extent of the collateral coverage. The investment grade FMB recovery methodology is based on the ample historical record of nearly 100% recovery for secured bondholders in utility bankruptcies and our view that the factors that supported those recoveries (limited size of the creditor class and the durable value of utility rate-based assets during and after a reorganization given the essential service provided and the high replacement cost) will persist in the future. Under our notching criteria, we consider the limitations of FMB issuance under the utility's indenture relative to the value of the collateral pledged to bondholders, management's stated intentions on future FMB issuance, as well as the regulatory limitations on bond issuance when assigning issue ratings to utility FMBs. FMB ratings can exceed a utility's CCR by up to one notch in the 'A' category, two notches in the 'BBB' category, and three notches in speculative-grade categories.

LG&E's FMBs benefit from a first-priority lien on substantially all of the utility's real property owned or subsequently acquired. Collateral coverage of about 1.5x times supports a recovery rating of 1+ and an issue rating two notches above the CCR.

Outlook

The stable outlook on PPL and LG&E reflect our expectation that management will maintain a strong business profile by focusing on its regulated utilities and not increasing unregulated operations beyond current levels. The outlook also reflects expectations that cash flow protection and debt leverage measures will be in line for the rating. Specifically, our baseline forecast includes FFO to total debt of about 23%, debt to EBITDA under 4x, and debt leverage to total capital of about 52%, consistent with our expectations for the 'BBB+' rating. Given the company's mostly regulated focus, we expect that PPL will avoid any meaningful rise in business risk by reaching constructive regulatory outcomes and not expanding its unregulated operations. We could lower the ratings if unregulated cash flow expectations lag due to weaker demand for power in the PJM market, or forecasted financial measures are not sustainable at expected levels. Although unlikely over the intermediate term, we could raise ratings if the business risk profile is considered 'excellent' and financial measures exceed our base line forecast on a consistent basis, including FFO to total debt in excess of 23%, debt to EBITDA below 4x, and debt to total capital around 50%.

Related Criteria And Research

- 2008 Corporate Criteria: Analytical Methodology, published April 15, 2008.
- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, published May 27, 2009.

Attachment to Question No. 6
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February 12, 2010

Summary:
Louisville Gas & Electric Co.

Primary Credit Analyst:
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Summary:

Louisville Gas & Electric Co.

Credit Rating: BBB+/Stable/NR

Rationale

The ratings on Louisville Gas & Electric Co. (LG&E) are based primarily on parent E.ON U.S. LLC's consolidated credit profile. The ratings on E.ON U.S. reflect the credit profile of its two operating utilities in Kentucky--Louisville Gas & Electric Co. (BBB+/Stable/--) and Kentucky Utilities Co. (KU, BBB+/Stable/A-2)--and the company's focus on operating the fully integrated utilities. Implicit support from ultimate parent Germany-based integrated power and gas utility E.ON AG (A/Stable/A-1) is factored into the ratings analysis.

E.ON U.S.'s consolidated business risk profile is viewed as 'excellent' (business risk profiles are categorized as 'excellent' to 'vulnerable') and its financial profile is considered to be aggressive (financial profiles are ranked from 'minimal' to 'highly leveraged'). The company's business risk profile is supported by relatively low-risk, regulated vertically integrated electric and natural gas distribution operations, a stable and credit supportive regulatory environment in Kentucky, efficient generation facilities that allow for competitive rates, consistently high customer satisfaction rankings, and effective cost containment. The company's electric operations benefit from a fuel and purchased power (energy only) adjustment clause, an environmental cost recovery surcharge and other timely cost recovery mechanisms, while its smaller gas operations benefit from a gas supply clause. Construction outlays focus on the company's 75% ownership share in the 750 MW Trimble County Unit 2 coal-fired facility, slated for completion later this year, ongoing environmental requirements and other project betterments.

On July 16, 2009, termination of the power plant lease arrangement between E.ON U.S.'s subsidiary Western Kentucky Energy Corp. and Big Rivers Electric Corp. was completed. While unwinding of the contract required a large one-time cash payment of $575 million and other concessions, it significantly reduces E.ON U.S.'s dependence on riskier unregulated activities, and enhances the company's business risk profile within the "excellent category."

Currently pending before the Kentucky Public Service Commission (KPSC) are rate applications for a $94.6 million (12.1%) electric rate hike and a $22.6 million (7.7%) natural gas rate increase for LG&E and a $135 million (11.5%) electric rate hike for KU. The rate requests are predicated upon an 11.50% return on equity. Commission orders are expected this summer. Higher rates are needed to recover the utilities' investment in Trimble County, damage costs related to severe storms and higher costs. The fact that the state regulators will be reviewing rate hike requests at a time of unusual economic weakness is a credit concern. Therefore, the company's ability to manage regulatory risk will be critical to credit quality.

E.ON U.S.'s consolidated financial metrics have declined somewhat owing primarily to its heavy construction program. However, with well controlled operating and maintenance expenses, continued efficient operations, responsive regulatory treatment and credit supportive actions by management, bondholder protection parameters should strengthen to levels more commensurate with the current rating level.

Liquidity

Standard & Poor's expects consolidated capital spending at E.ON U.S. to exceed cash flow from operations primarily because of significant environmental expenditures and outlays to complete the Trimble County Unit 2 station. The steady internal cash flow generated by KU's and LG&E's regulated operations will not be enough to meet these obligations, thus creating a reliance on outside capital. Such funding is expected to be concentrated at parent E.ON AG, which will also provide support in the case of short-term liquidity needs. (A cross-default clause in E.ON's credit facility protects E.ON U.S. as long as it is a "material subsidiary".) An E.ON-related entity provides a credit facility to E.ON U.S. to ensure funding availability for its money pool.

Outlook

The stable outlook on LG&E mirrors that of parent E.ON U.S. and is based on continued support from ultimate parent E.ON AG and a corporate strategy that maintains a primarily low-risk, utility-based business risk profile. The ratings and outlook on E.ON U.S. and its subsidiaries are loosely linked to those on E.ON AG. However, the significance of E.ON's U.S. operations to its group strategy remains a factor in the ratings on E.ON U.S. Any change in the parent's attitude toward its U.S. holdings or in Standard & Poor's perception of the parent's support could lead to a rating change. Ratings stability on E.ON AG reflects our expectation that it will maintain a financial profile commensurate with the ratings, especially consolidated FFO coverage of debt on an adjusted basis of more than 20%. Given the deterioration in E.ON AG's financial profile and its substantial investment program, there is no upside ratings potential. The ratings could be lowered if E.ON AG were not to maintain credit metrics commensurate with the ratings. This could, in particular, occur if the group were not to deliver on its disposal program.

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March 22, 2011

Summary:
Louisville Gas & Electric Co.

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Table Of Contents

Summary:

Louisville Gas & Electric Co.

Credit Rating: BBB/Watch Neg/A-3

Rationale

The ratings on vertically-integrated electric utility Louisville Gas & Electric Co. (LG&E) reflect the credit quality of ultimate parent PPL Corp., which, along with its affiliates LG&E, Kentucky Utilities Co. (KU), LG&E and KU Energy LLC (LKE), PPL Electric Utilities Corp. (PPLEU), PPL Energy Supply LLC (PPL Energy), Western Power Distribution (South West) PLC, and Western Power Distribution (South Wales) PLC, are on CreditWatch with negative implications. Affiliate Western Power Distribution Holdings Ltd. is on CreditWatch with developing implications. The CreditWatch listings followed PPL's planned acquisition of E.ON UK's Central Networks West PLC (CNW) and Central Networks East PLC (CNE), two distribution networks in the U.K. The CreditWatch listing directly relates to the execution of the financing plan for the acquisition, which includes a commitment by the company for a substantial issuance of equity. Resolution of the CreditWatch will depend on the company's ability to complete its financing activities consistent with our expectations for the 'BBB' ratings.

Allentown, Pa.-based PPL has about $13.4 billion of debt, including $1.63 billion of junior subordinated notes.

PPL's purchase price of the Central Networks utilities includes the assumption of $800 million of public debt and cash of $5.6 billion (excluding related transaction expenses and fees) that it will initially fund through a bridge loan and ultimately through a combination of cash, common equity issuance at PPL, unsecured debt at CNW and CNE, and unsecured debt at an intermediate holding company (generically UK Holdings) that will own CNW and CNE. In addition, PPL will issue equity units at PPL Capital Funding, which will likely receive high equity credit under our rating criteria. This acquisition will raise PPL's regulated cash flows to about 75% from the current 60%. Before PPL bought the Kentucky utilities, its regulated cash flows were less than 30%. The ratings change reflects our revisions, in accordance with our criteria, of PPL's business risk profile to excellent from strong (we categorize business risk profiles as excellent to vulnerable) and the company's financial risk profile to aggressive from significant (we rank financial profiles from minimal to highly leveraged).

The excellent business profile reflects the addition of fully regulated distribution utilities that have credit-supportive U.K. regulation and no commodity exposure, since power for retail customers is procured by nonaffiliated retail suppliers. The Central Networks utilities are contiguous to PPL's existing U.K. utilities. After the acquisition of CNE and CNW, we expect U.K. operations to be about 30% of PPL's consolidated cash flow. With this transaction, we are viewing all of PPL's utility assets as part of a consolidated entity, whereas previously we considered only the quality of the utility's dividends to its parent. The stability of CNE and CNW along with existing utility assets in the U.K., Kentucky, and Pennsylvania, which we assess as excellent, will more than offset the satisfactory business risk profile of PPL Energy's merchant generation, resulting in a consolidated business profile of excellent. We expect the merchant generation business to contribute less than 25% of pro forma consolidated cash flows.

LG&E's consolidated business risk profile< which weconsider excellent, reflects the strengths of serving electric and natural gas customers in the Louisville area. The utility's strengths include relatively predictable utility operations with steady cash flows, constructive cost recovery, and relatively low rates stemming from low-cost coal-fired generation. Although generation is mostly coal-fired, the plants meet current environmental requirements and have a significant amount of capital spending through 2014 that they should be able to recover through rates.

As LG&E's financial risk profile reflects that of PPL's consolidated profile, we consider it as aggressive. Our revision of the financial risk profile to aggressive reflects in part the company's financial policies toward acquisitions, including funding with aggressive levels of hybrid securities. Furthermore, due to the company's strategy of focusing on fully regulated operations and also expanding its U.K. presence, we are incorporating consolidated financial measures for PPL in our analysis. When reviewing the financial metrics, we are now including all cash flows and debt obligations from the U.K. utilities and PPLEU in PPL's financial measures. We expect consolidated financial measures, including ratios of debt to EBITDA, funds from operations (FFO) to total debt, and debt to capital, to range in the aggressive category of our financial risk profile. Debt to EBITDA should range between 4x and 5x, while we expect the percentage of FFO to debt to be in the mid-teens. These measures will support ratings at the 'BBB' level when the company successfully completes the permanent financing.

Short-term credit factors

LG&E's short-term rating is A-3. The utility's liquidity position reflects that of PPL. We consider PPL's liquidity strong under Standard & Poor's corporate liquidity methodology, which categorizes liquidity in five standard descriptors. Liquidity supports PPL's 'BBB+' issuer credit rating. Projected sources of liquidity, mainly operating cash flow and available bank lines, exceed projected uses, mainly necessary capital expenditures, debt maturities, and common dividends, by more than 1.5x. Sources over uses would be positive even after a 50% EBITDA decline. Further supporting our description of liquidity as strong is PPL's ability to absorb high-impact, low-probability events with limited need for refinancing, its flexibility to lower capital spending, its sound bank relationships, its solid standing in credit markets, and generally prudent risk management.

Recovery analysis

We assign recovery ratings to First Mortgage Bonds (FMBs) issued by investment-grade U.S. utilities, which can result in issue ratings being notched above a utility's corporate credit rating (CCR) depending on the CCR category and the extent of the collateral coverage. The investmentgrade FMB recovery methodology is based on the ample historical record of nearly 100% recovery for secured bondholders in utility bankruptcies and our view that the factors that supported those recoveries (limited size of the creditor class and the durable value of utility rate-based assets during and after a reorganization given the essential service provided and the high replacement cost) will persist in the future. Under our notching criteria, we consider the limitations of FMB issuance under the utility's indenture relative to the value of the collateral pledged to bondholders, management's stated intentions on future FMB issuance, as well as the regulatory limitations on bond issuance when assigning issue ratings to utility FMBs. FMB ratings can exceed a utility's CCR by up to one notch in the 'A' category, two notches in the 'BBB' category, and three notches in speculative-grade categories.

LG&E's FMBs benefit from a first-priority lien on substantially all of the utility's real property owned or subsequently acquired. Collateral coverage of about 1.5x supports a recovery rating of 1+ and an issue rating two notches above the CCR.

CreditWatch

The CreditWatch listing will remain until the company demonstrates progress on the permanent financing plan in line with our expectations. The acquisition requires large permanent financing that has attendant execution risks, and we will monitor PPL's ability to finalize this permanent financing. We could remove the CreditWatch listing and assign a stable outlook if financing is consistent with our expectation. We could lower the ratings if PPL can't fully execute its permanent financing plan in a credit-supportive manner consistent with our expectations for 'BBB' ratings.

Related Criteria And Research

- 2008 Corporate Criteria: Analytical Methodology
- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded
- 2008 Corporate Criteria: Ratios And Adjustments
- Methodology And Assumptions: Standard & Poor's Standardizes Liquidity Descriptors For Global Corporate Issuers

Attachment to Question No. 6

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Arbough

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May 6, 2010

Summary:
Louisville Gas & Electric Co.

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Table Of Contents

Summary:

Louisville Gas & Electric Co.

Credit Rating: BBB+/Stable/NR

Rationale

The ratings on Louisville Gas & Electric Co. (LG&E) are based primarily on parent E.ON U.S. LLC's credit profile. The ratings on E.ON U.S. are based primarily on the credit profile of its two operating utilities in Kentucky--LG&E and Kentucky Utilities Co. (BBB+/Stable/A-2)--and the company's focus on operating the fully integrated utilities. Current ratings are linked to ultimate parent E.ON AG (A/Stable/A-1).

On April 28, 2010, PPL Corp. announced its plan to acquire E.ON U.S. for $7.625 billion in cash. The transaction includes the assumption of $574 million of tax-exempt debt at LGE and $351 million of tax-exempt debt at KU. The acquisition requires approvals by state regulators in Kentucky, Virginia and Tennessee, and by the FERC. The transaction is expected to close by the end of 2010.

The inclusion of LG&E and KU into PPL will rebalance PPL's portfolio toward a greater regulated mix. With regulated operations contributing 60%-65% of the overall cash flow post acquisition compared with about 30% in 2009, the "excellent" business risk profile of the utility businesses will more than offset the "satisfactory" business risk profile of the generation business. This will result in a pro forma "strong" consolidated business risk profile. We expect consolidated debt to EBITDA and total debt to total capital ratios to range in the "significant" financial risk profile category. Projected FFO to total debt of 23.5%-25% will likely support ratings at the higher end of the 'BBB' rating category on successful completion of the acquisition.

The acquisition requires large permanent financing that has attendant execution risks. If the transaction with PPL is not ultimately consummated, we will affirm the 'BBB+' ratings on E.ON U.S., LG&E, and KU.

We view E.ON U.S.'s consolidated business risk profile as 'excellent' (we categorize business risk profiles as 'excellent' to 'vulnerable') and its financial profile as 'aggressive' (financial profiles are ranked from 'minimal' to 'highly leveraged'). The company's business risk profile is supported by relatively low-risk, regulated vertically integrated electric and natural gas distribution operations, a stable and credit supportive regulatory environment in Kentucky, efficient generation facilities that allow for competitive rates, consistently high customer satisfaction rankings, and effective cost containment. The company's electric operations benefit from a fuel and purchased power (energy only) adjustment clause, an environmental cost recovery surcharge, and other timely cost recovery mechanisms, while its smaller gas operations benefit from a gas supply clause. These strengths are tempered by the lack of fuel diversity (nearly all coal-fired), a relatively heavy construction program, and rate relief needs during a period of unusual economic weakness. Construction outlays focus on the company's 75% ownership share in the 750 MW Trimble County Unit 2 coal-fired facility that's slated for completion later this year, ongoing environmental requirements, and other project betterments.

On July 16, 2009, the power plant lease arrangement between E.ON U.S.'s subsidiary Western Kentucky Energy Corp. and Big Rivers Electric Corp. was terminated. While unwinding of the contract required a large one-time cash payment of $575 million and other concessions, it significantly reduces E.ON U.S.'s dependence on riskier unregulated activities, and enhances the company's business risk profile within the "excellent" category.

Currently pending before the Kentucky Public Service Commission are rate applications for a $94.6 million (12.1%) electric rate hike and a $22.6 million (7.7%) natural gas rate increase for LG&E and a $135 million (11.5%) electric rate hike for KU. The rate requests are predicated upon an 11.5% return on equity. Commission orders are expected this summer. Higher rates are needed to recover the utilities' investment in Trimble County Unit 2, damage costs related to severe storms, and higher costs. The fact that the state regulators will be reviewing somewhat large rate hike requests in a weakened economy is a credit concern. Therefore, the company's ability to manage regulatory risk will be critical to credit quality.

E.ON U.S.'s consolidated financial metrics have declined somewhat, owing primarily to its heavy construction program. However, with well controlled operating and maintenance expenses, continued efficient operations, responsive regulatory treatment, and credit supportive actions by management, bondholder protection parameters should strengthen to levels more commensurate with the current rating level.

Short-term credit factors

Standard & Poor's expects E.ON U.S.'s capital spending to exceed cash flow from operations primarily because of significant environmental expenditures and outlays to complete the Trimble County Unit 2 station. The steady internal cash flow generated by KU's and LG&E's regulated operations will not be enough to meet these obligations, thus creating a reliance on outside capital. Such funding is expected to be concentrated at Germany-based parent E.ON AG, which will also provide support in the case of short-term liquidity needs. (An E.ON AG-related entity provides a credit facility to E.ON U.S. to ensure funding availability for its money pool.

Outlook

The stable outlook on LG&E mirrors that of parent E.ON U.S. is based on corporate strategy that maintains a primarily low-risk, utility-based business risk profile. Standard & Poor's could lower the ratings absent future sufficient rate relief, if construction expenditures materially increase resulting in higher-than-expected reliance on debt, and if cash flow metrics erode. In light of a prospectively heavy capital program and subpar financial metrics, higher ratings are not envisioned in the foreseeable future.

Related Criteria And Research

- "2008 Corporate Criteria: Analytical Methodology," April 15, 2008.
- "Criteria Methodology: Business Risk/Financial Risk Matrix Expanded," May 27, 2009.

Attachment to Question No. 6

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Arbough

7

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August 19, 2010

Summary:

Louisville Gas & Electric Co.

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Summary:

Louisville Gas & Electric Co.

Credit Rating: BBB+/Stable/NR

Rationale

The ratings on Louisville Gas & Electric Co. (LG&E) are based primarily on parent E.ON U.S. LLC's credit profile. We base the ratings on E.ON U.S. primarily on the credit profile of its two operating utilities in Kentucky--LG&E and Kentucky Utilities Co. (KU; BBB+/Stable/A-2)--and the company's focus on operating the fully integrated utilities. Current ratings are linked to ultimate parent E.ON AG (A/Stable/A-1).

On April 28, 2010, PPL Corp. announced its plan to acquire E.ON U.S. for $7.625 billion in cash. The transaction includes the assumption of $574 million of tax-exempt debt at LGE and $351 million of tax-exempt debt at KU. The acquisition requires approvals by state regulators in Kentucky, Virginia and Tennessee, and by the Federal Energy Regulatory Commission. We expect the transaction to close by the end of 2010.

The inclusion of LG&E and KU into PPL will rebalance PPL's portfolio toward a greater regulated mix. With regulated operations contributing 60% to 65% of the overall cash flow post acquisition compared with about 30% in 2009, the 'excellent' business risk profile of the utility businesses will more than offset the 'satisfactory' business risk profile of the generation business. This will result in a pro forma 'strong' consolidated business risk profile. We expect consolidated debt to EBITDA and total debt to total capital ratios to range in the "significant" financial risk profile category. Projected funds from operations to total debt of 23.5%-25% will likely support ratings at the higher end of the 'BBB' rating category on successful completion of the acquisition.

The acquisition requires large permanent financing that has attendant execution risks. If the transaction with PPL does not ultimately go through, we will affirm the 'BBB+' ratings on E.ON U.S., LG&E, and KU.

We view E.ON U.S.'s consolidated business risk profile as 'excellent' (we categorize business risk profiles as 'excellent' to 'vulnerable') and its financial profile as 'aggressive' (financial profiles are ranked from 'minimal' to 'highly leveraged'). The company's business risk profile gets support from relatively low-risk, regulated vertically integrated electric and natural gas distribution operations, a regulatory environment in Kentucky that we view as "credit supportive," efficient generating facilities that allow for competitive rates, consistently high customer satisfaction rankings, and effective cost containment. The company's electric operations benefit from a fuel and purchased power (energy only) adjustment clause, an environmental cost recovery surcharge, and other timely cost recovery mechanisms, while its smaller gas operations benefit from a gas supply clause. These strengths are tempered by the lack of fuel diversity (nearly all coal-fired), a relatively heavy construction program, and continuing rate relief needs during a period of unusual economic weakness. Construction outlays focus on the company's 75% ownership share in the 750 MW Trimble County Unit 2 coal-fired facility that's slated for completion later this year, ongoing environmental requirements, and other project betterments.

On July 16, 2009, the power plant lease arrangement between E.ON U.S.'s subsidiary Western Kentucky Energy Corp. and Big Rivers Electric Corp. was terminated. While unwinding of the contract required a large one-time cash payment of $575 million and other concessions, it significantly reduces E.ON U.S.'s dependence on riskier unregulated activities, and enhances the company's business risk profile within the 'excellent' category.

On July 30, 2010, the Kentucky Public Service Commission approved a settlement agreement that provides for an aggregate $189 million rate increase, or roughly 75% of the amount sought for the two U.S. utility subsidiaries. The commission approved a $74 million electric and $17 million gas rate hike for LG&E and a $98 million electric rate increase for KU, with rates effective Aug. 1, 2010. Full realization of the recent rate relief will help to strengthen key financial measures. Although a large portion of E.ON U.S.'s construction program is nearing completion, significant capital outlays remain for environmental controls, which will require continued rate relief to recover costs in a weakened economy. Therefore, the company's ability to manage regulatory risk will be critical to credit quality.

E.ON U.S.'s consolidated financial metrics have declined somewhat, owing primarily to its heavy construction program. However, with well-controlled operating and maintenance expenses, continued efficient operations, recently approved higher rates, continued responsive regulatory treatment, and credit-supportive actions by management, bondholder protection parameters should strengthen to levels more commensurate with the current rating level.

Liquidity

E.ON U.S., LG&E, and KU have adequate liquidity under Standard & Poor's corporate liquidity methodology, which categorizes liquidity in five standard descriptors. Projected sources of liquidity, a credit facility with an affiliated company, an intercompany money pool agreement that is available to LG&E and KU, operating cash flow, and available bank lines, exceed projected uses, capital expenditures, debt maturities, and dividends, by more than 1.2 times. The ability to absorb high-impact, low-probability events with limited need for refinancing, its flexibility to lower capital spending, sound bank relationships, a solid standing in credit markets, generally prudent risk management, and a significantly larger ultimate parent further support our description of liquidity as adequate. Funding is expected to be available from Germany-based parent E.ON AG, which will also provide support in the case of short-term liquidity needs. A cross-default clause in E.ON AG's credit facility protects E.ON U.S. as long as it is a "material subsidiary." An E.ON AG-related entity provides a credit facility to E.ON U.S. to ensure funding availability for its money pool.

Outlook

The stable outlook on LG&E mirrors that of E.ON U.S. and is based on corporate strategy that maintains a primarily low-risk, utility-based business risk profile. Standard & Poor's could lower the ratings absent future sufficient rate relief, if construction expenditures materially increase resulting in higher-than-expected reliance on debt, and if cash flow metrics erode. In light of a prospectively heavy capital program and subpar financial metrics, higher ratings are not envisioned in the foreseeable future.

Related Criteria And Research

- 2008 Corporate Criteria: Analytical Methodology, published April 15, 2008.
- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, published May 27, 2009.

Attachment to Question No. 6
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Arbough

file

FitchRatings

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MAR 22 2011

Mr. James E. Abel
Vice President, Finance and Treasurer
PPL Corp.
Two North Ninth Street
Allentown, PA 18101-1179

March 17, 2011

Dear Mr. Abel,

Re: **County of Jefferson, Kentucky Pollution Control Revenue Bonds, 2001 Series A (Louisville Gas and Electric Company project)**
County of Jefferson, Kentucky Pollution Control Revenue Bonds, 2001 Series B (Louisville Gas and Electric Company project
County of Jefferson, Kentucky Environmental Facilities Revenue Bonds, 2001 Series A (Louisville Gas and Electric Company project)
County of Trimble, Kentucky Pollution Control Revenue Bonds, 2001 Series A (Louisville Gas and Electric Company project)
County of Trimble, Kentucky Pollution Control Revenue Bonds, 2001 Series B (Louisville Gas and Electric Company project)
County of Trimble, Kentucky Pollution Control Revenue Bonds, 2000 Series A (Louisville Gas and Electric Company project)
County of Trimble, Kentucky Pollution Control Revenue Bonds, 2002 Series A (Louisville Gas and Electric Company project)
County of Carroll, Kentucky Pollution Control Revenue Bonds, 2002 Series A (Kentucky Utilities Company project)
County of Carroll, Kentucky Pollution Control Revenue Bonds, 2002 Series B (Kentucky Utilities Company project)
County of Carroll, Kentucky Pollution Control Revenue Bonds, 2002 Series C (Kentucky Utilities Company project)
County of Muhlenberg, Kentucky Pollution Control Revenue Bonds, 2002 Series A (Kentucky Utilities Company project)
County of Mercer, Kentucky Pollution Control Revenue Bonds, 2002 Series A (Kentucky Utilities Company project)

Fitch ("Fitch") (see definition below) assigns an 'A+/F2' rating to the above referenced issues. The Rating Outlook is Stable.

The primary applicable criteria with respect to this rating is entitled:

-- 'U.S. Power and Gas Comparative Operating Risk (COR) Evaluation and Financial Guidelines' Aug. 22, 2007

All applicable criteria can be found at www.fitchratings.com.

FitchRatings

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We are pleased to have had the opportunity to be of service to you. If I can be of further assistance, please contact me at 212 908-0532.

Sincerely,

Robert Hornick

Fitch
Robert Hornick
Senior Director

cc: Daniel K. Arbough

Attachment to Question No. 6

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Arbough

MOODY'S
INVESTORS SERVICE

Announcement: Moody's affirms PPL's ratings following acqusition announcement; outlook stable

Global Credit Research - 02 Mar 2011

Approximately $ 16.0 Billion of Debt Securities and Credit Facilities Affected.

New York, March 02, 2011 -- Moody's Investors Service affirmed the ratings of PPL Corporation (PPL: Baa3 Issuer Rating) and its subsidiaries following yesterday's announcement that it had reached a definitive agreement to acquire the Central Networks electric distribution business from E.ON UK plc for 4.0 billion pounds Sterling ($6.4 billion), which includes the assumption of 500 million pounds ($800 million) of existing public debt. The rating outlook for PPL and its subsidiaries is stable.

"The rating affirmation recognizes that the planned acquisition of Central Networks further de-risks PPL's overall business platform as more than 70% of consolidated results will be provided by predictable, rate regulated businesses from three different jurisdictions, making the company's earnings, cash flow, and dividends less reliant on the company's commodity business", said A.J. Sabatelle, Senior Vice President of Moody's.

The rating action considers the pro-forma consolidated credit profile of PPL, and factors in the increasing proportion of regulated activities, the geographic diversity across these businesses, and the declining exposure to the commodities business as a source of cash flow and earnings. To that end, the rating affirmation acknowledges that the combination of the Central Networks transaction coupled with last year's acquisition of LG&E and KU Energy LLC (LKE: Baa2 Senior Unsecured Debt) and its subsidiaries have transitioned the company from a smaller, more regional commodity sensitive concern to a larger, more geographically diverse company with a more sustainable business model.

The rating affirmation considers the relatively conservative manner in which PPL intends to permanently finance the acquisition, including the issuance of $1.7 -- $1.9 billion of PPL common stock and $750 -- $950 million of convertible equity units, which helps to maintain balance sheet strength, and more strongly positions PPL in its current investment grade rating category. We understand that the company intends to permanently finance the remainder of the transaction with debt issued at both the Central Networks operating and holding company levels in a manner which targets a low Baa rating for the consolidated regulated networks business. While this degree of leverage in the capital structure at Central Networks does slightly weaken PPL's consolidated credit metrics, the degree of dependable cash flow expected to be derived from this transaction and from the earlier LKE acquisition makes the organization's overall credit quality more resilient to any potential negative credit events within the family.

Moody's also recognizes the track record that PPL has demonstrated in the UK in operating its existing Western Power Distribution (WPD) business where WPD ranks in the top tier in several different efficiency and performance standards and where those network's tariffs were recently reset for a five-year period. However, our rating affirmation balances this expected performance and the opportunities for potential synergies against the challenges that we believe management may face in successfully integrating two large acquisitions in a fairly compressed timeframe -- the LKE acquisition which closed about four months ago and the Central Networks acquisition which is expected to close next month. This somewhat guarded view considers the substantially larger size of the Central Networks operations relative to WPD and the fact that all UK electric distribution networks have gone through various rounds of cost saving initiatives over the last decade.

With respect to the PPL subsidiaries' ratings, Moody's views the acquisition as being a credit supportive development for these ratings as no incremental debt is being added at any of the affiliates while the transaction provides another source of reliable earnings, cash flow, and dividends to the overall enterprise. In particular, Moody's believes that PPL Energy Supply, LLC (PPL Supply), the company's unregulated power subsidiary, indirectly benefits from the Central Networks and LKE transactions as they should reduce the company's reliance on this commodity driven subsidiary for earnings and dividends, enabling this unregulated operation to potentially utilize any free cash flow for future debt reduction. That being said, PPL Supply remains weakly positioned at its current Baa2 senior unsecured rating and while recently reported 2010 results were strong, future financial performance is expected to weaken particularly in 2012 due to the various challenges affecting all unregulated power companies. As such, while the benefits of the Central Networks and LKE acquisitions help mitigate near-term downward rating pressure at PPL Supply, negative rating pressure remains at this subsidiary.

Importantly, to the extent that a negative rating action is taken at PPL Supply, the probability of a similar rating action occurring at PPL or its subsidiaries has been greatly reduced, given the business and risk profile transformation that will occur from the completion of the Central Networks and LKE transactions.

The stable outlook for PPL reflects our view that the planned acquisition of Central Networks will be financed in a balanced manner and that upon completion, PPL's credit quality will have been fortified through the reduction in overall business risk at the company. While we view the Central Networks and LKE acquisitions as transforming events which could form the basis for positive rating momentum at PPL, prospects for the company to be upgraded in the near --term are limited in light of the execution risks in integrating these two large acquisitions at the same time coupled with some of the market-based issues currently facing the company's unregulated business. However, to the extent that the integration process at both Central Networks and LKE meets the company's expectation and PPL continues to take actions that lower overall enterprise risk and leverage over time, PPL's rating could be upgraded. Conversely, the prospects for downward rating action are limited in the intermediate term, as Moody's views PPL as being strongly positioned at the current rating category and fairly resilient to withstand downward pressure in the family given the diversified set of rate regulated operations at the company and the reduced exposure to the commodity business.

The principal methodology used in rating PPL was Rating Methodology: Regulated Electric and Gas Utilities, published August 2009 and available on www.moodys.com in the Rating Methodologies sub-directory under the Research and Ratings tab. Other methodologies and factors that may have been considered in the process of rating these issuers can also be found in the Rating Methodologies sub-directory on Moody's website.

Please see ratings tab on the issuer/entity page on Moodys.com for the last rating action and the rating history.

PPL is a diversified energy holding company headquartered in Allentown, Pennsylvania.

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Attachment to Question No. 6
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Arbough

MOODY'S
INVESTORS SERVICE

Credit Opinion: PPL Corporation

Global Credit Research - 29 Jun 2011

Allentown, Pennsylvania, United States

Ratings

Category	**Moody's Rating**
Outlook	Stable
Issuer Rating	Baa3
Western Power Distrib (East Midlands) Plc	
Outlook	Stable
Issuer Rating	Baa1
Senior Unsecured -Dom Curr	Baa1
ST Issuer Rating	P-2
Western Power Distrib (West Midlands) Plc	
Outlook	Stable
Issuer Rating	Baa1
Senior Unsecured -Dom Curr	Baa1
PPL Energy Supply, LLC	
Outlook	Stable
Sr Unsec Bank Credit Facility	Baa2
Senior Unsecured	Baa2
PPL Capital Funding, Inc.	
Outlook	Stable
Bkd Senior Unsecured	Baa3
Bkd Jr Subordinate	Ba1

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Key Indicators

[1]
PPL Corporation

	LTM (03/11)	2010	2009	2008
(CFO Pre-W/C + Interest) / Interest Expense	4.8x	5.3x	4.5x	3.9x
(CFO Pre-W/C) / Debt	18%	19%	19%	16%
(CFO Pre-W/C - Dividends) / Debt	13%	15%	13%	11%
Debt / Book Capitalization	55%	56%	55%	59%

[1] All ratios calculated in accordance with the Global Regulated Electric Utilities Rating Methodology using Moody's standard adjustments.

Note. For definitions of Moody's most common ratio terms please see the accompanying User's Guide

Opinion

Rating Drivers

-Recent acquisitions have transformed the company to a more diversified and less risky business model

-Business strategy should result in fairly predictable cash flows

-Large portion of the rate regulated businesses operate under above average regulatory frameworks

-Well-positioned consolidated credit metrics for rating category expected to be more resilient

-Conservative financing approach to recent acquisitions supports rating profile

-Substantial capital investment program anticipated

-As a holding company, PPL creditors are impacted by structural subordination

Corporate Profile

PPL Corporation (PPL: Baa3 Issuer Rating, stable) is a diversified energy holding company headquartered in Allentown, PA. PPL owns or controls about 19,000 megawatts of generating capacity in the US, sells energy in key U.S. markets, and delivers electricity and natural gas to about 10 million customers in the US and the UK.

SUMMARY RATING RATIONALE

PPL's rating is reflective of the consolidated credit profile which has been transformed to a more diversified, more rate regulated platform from a largely commodity driven, more regionally focused operation. We estimate that at least 70% of consolidated results will be provided by predictable, rate regulated businesses from three different jurisdictions, several of which have an above-average regulatory profile. To that end, the rating incorporates the reduced reliance that PPL will have on earnings and dividends derived from its unregulated, commodity business. The rating recognizes the growing importance that the company's Kentucky operations will have on future results which include plans to make substantial environmental capital investments. We observe that the transition to market rates in Pennsylvania has been completed for all of the state's electric utilities, and that the company's focus is centered on infrastructure investment, through the replacement of an aging transmission and distribution system coupled with new transmission and smart grid investments.

DETAILED RATING CONSIDERATIONS

-Acquisitions have transformed business strategy, lowered business risk

PPL's acquisitions of two large regulated utility systems located in Kentucky and in the UK during the last eight months have transformed the company's business platform to a broader, more diversified rate regulated business model from one that was highly dependent on the company's commodity business.

On April 1, 2011, PPL completed the acquisition of the Central Networks electricity distribution business (since renamed PPL WEM Holdings (PPL WEM, rated Baa3), the second-largest such business in the UK for £3.6 billion ($5.7 billion) in cash, inclusive of certain permitted pre-closing adjustments, plus £500 million ($800 million) of existing public debt assumed through consolidation. PPL has since renamed the operating subsidiaries Western Power Distribution (East Midlands) plc (WPDEM: Baa1 senior unsecured) and Western Power Distribution (West Midlands) plc (WPDWM: Baa1 senior unsecured) and both are owned by PPL WEM.

On November 1, 2010, PPL acquired E.ON U.S. LLC (renamed KG&E and KU Energy LLC or LKE) and its subsidiaries, Louisville Gas and Electric Company (LG&E: Baa1 senior unsecured) and Kentucky Utilities Companies (KU: Baa1 senior unsecured), two regulated utilities operating principally in Kentucky for $7.6 billion, including debt assumed through consolidation.

We estimate that at least 70% of consolidated results going forward will be provided by predictable, rate regulated businesses from three different jurisdictions, two of which have, in our opinion, an above-average regulatory profile. Specifically, the networks business of PPL WEM operates under a highly transparent and regulatory framework in the UK which we consider to be well-above average and where the tariffs have been approved for the next five years. Through

PPL's existing ownership of Western Power Distribution (South Wales) plc and Western Power Distribution (South West) plc (both rated Baa1), two additional networks companies, PPL is not only familiar with the regulatory framework but has consistently outperformed its peer companies, which should bode well for the future operations of PPL WEM. Moreover, PPL's ownership of two Kentucky vertically-integrated utilities, LG&E and KU, should provide consistent earnings and cash flow under an above average regulated framework where substantial environmental capital investment is expected over the next several years. Together, we estimate that the UK and Kentucky operations alone will provide about 55% of the company's earnings and cash flow in most years.

With the transition to market rates for generation in Pennsylvania completed for all of the state's utilities, PPL's focus in this state will be around infrastructure investment. From a credit supportive perspective, Moody's considers the regulatory environment in Pennsylvania to be average when compared to other state regulatory environments. We observe that the PPL Electric Utilities (PPL EU Baa2 senior unsecured) subsidiary received a generally favorable result from a credit perspective in its most recent rate case and expect the company to have substantial capital investment requirements for infrastructure, smart grid and transmission projects. In most years, we expect PPL EU to represent about 15% of consolidated results.

The remaining percentage is expected to be derived from PPL Energy Supply, LLC (PPL Supply: Baa2 senior unsecured), an unregulated generation subsidiary, which owns competitive generation assets in PJM and in the western US. We anticipate financial results for PPL Supply to be weaker in 2012 relative 2010 and expected 2011 results due to lower electric demand, lower capacity revenues and continued low natural gas prices, which affects electric energy margins. That said, we also observe that with the recent LKE and PPL WEM acquisitions, the parent's reliance on PPL Supply for earnings and dividends will decline appreciably from recent years which we view as a credit positive for both PPL Supply and PPL.

For more information on PPL's operating subsidiaries, please refer to moodys.com.

-PPL's consolidated credit metrics position it quite well for its low investment grade rating.

For the past three years, we calculate that PPL's cash flow (CFO pre-W/C) /debt averaged 17.9% and the company recorded cash flow to debt metrics of 17.5% through LTM 03/31/2011. Similarly, we calculate that cash flow interest coverage averaged 4.6x for the past three years and was 4.8x at LTM 03/31/2011, while retained cash flow to debt averaged 13.2% and was 13.3% at LTM 03/31/2011. Some of this historical performance can be attributed to the performance at PPL Supply, particularly in 2010, when generation rate caps in Pennsylvania were lifted. We expect PPL's consolidated credit metrics to trend modestly lower due to weaker performance at the commodities subsidiary and a higher contribution from the predictable but lower margin rate regulated operations. Most importantly, we anticipate the company's financial performance to be substantially more resilient in the future to a declining commodity environment given the greater diversity in operations and the increased contributions from more predictable sources of cash flow and earnings.

-Conservative financing approach to recent acquisitions support rating profile

The rating considers the relatively conservative manner in which PPL has financed both the LKE and PPL WEM acquisitions which indicates, in our opinion, management's commitment to maintaining an investment grade credit quality profile throughout the organization. In both the LKE and PPL WEM transactions, while hybrid convertible securities were used in a substantial way to finance the purchase price, no incremental permanent debt was added to the capital structure as the majority of the funding source was provided by the sale of PPL common stock. In the $7.6 billion LKE acquisition, PPL raised $2.484 billion of common equity and raised $1.15 billion of convertible equity units. Similarly, in the US$6.5 billion PPL WEM transaction, PPL issued $2.328 billion of common equity and raised $977.5 million of convertible equity units. In addition, we calculate that during the twelve month period ending March 31, 2011, PPL raised approximately $419 million of cash proceeds from the sale of non-core generating assets that was used to either fund capital requirements or reduce consolidated debt.

-Substantial capital investment program anticipated

Beginning in 2012, over the next few years, PPL will embark on a sizeable capital expenditure plan approximating $15.6 billion (annual average of $3.9 billion). By comparison, PPL's capital expenditures averaged $1.6 billion over the previous four year period. While a large portion of this comparison reflects the incorporation of two acquisitions as well as the impact of lower capital spending in 2009 due to the economy, capital spending for the rate regulated businesses are expected to show material increases. Of particular note is the $5.0 billion of capital expected to be spent at LKE over this four year period including $2.3 billion for environmental capital projects. Additionally, $1.8 billion is earmarked for investments in FERC regulated transmission projects at PPL EU, including the planned Susquehanna-Roseland line linking Pennsylvania and New Jersey.

-Structural subordination

PPL's rating reflects the structurally subordinate position of holding company obligations relative to the $14.4 billion of secured and unsecured long-term debt issued at various operating subsidiaries and intermediate holding companies. While PPL does not currently have any funded long-term senior debt obligations, it did guarantee substantially-sized bridge financings to complete the LKE and PPL WEM transactions and it continues to guarantee nearly $2.6 billion of subordinated debt issued by PPL Capital Funding, Inc., the majority of which was used to finance these acquisitions. We observe that all of the $6.7 billion PPL guaranteed bridge financing associated with the PPL WEM acquisition was fully repaid in May 2011, well ahead of original expectations.

Liquidity Profile

As a holding company, PPL's primary source of liquidity is the dividends it receives from its operating subsidiaries. At March 31, 2011, PPL had consolidated cash on hand of $1.245 billion of which $583 million was cash at the PPL Supply level.

On a consolidated basis in 2010, cash flow from operations of approximately $2.0 billion was sufficient to cover about 90% PPL's outlays including approximately $1.7 billion of capital expenditures, approximately $560 million of common stock dividends, and $54 million of preferred dividends. Moody's calculates that internal sources of $2.7 billion of cash flow should cover about 75-80% of the company's capital expenditures and dividends in 2011, resulting in negative free cash flow of approximately $800 million. We anticipate higher levels of negative free cash flow for 2012 and 2013 given the increase in the size of the capital budget across the regulated platform. That said, the company estimates that about 66% of its consolidated capital spend will earn regulated returns subject to minimal or no regulatory lag which should help mitigate this issue over the next several years.

PPL's subsidiaries have external liquidity facilities totaling approximately $4.35 billion in committed facilities to support the short-term liquidity needs of its domestic operations and £960 million to support its UK operations. Other than a $150 million accounts receivable facility at PPL EU, which expires in 2011, the facilities have expiry dates ranging from 2013 to 2016. At March 31, 2011, of the $4.35 billion of committed credit facilities to support the domestic operations, $3.2 billion was at PPL Supply, $800 million was committed to the Kentucky utilities ($400 million each for LG&E and KU), and $350 million was at PPL EU. Total availability on the facilities at March 31, 2011 was $3.192 billion, of which $2.253 was available for PPL Supply, $400 million for LG&E, $202 million for KU, and $337 million for PPL EU. In April 2011, KU entered into a new $198 million letter of credit facility expiring in April 2014 that will be used to support outstanding tax exempt bonds, and which subsequently replaced the letters of credit issued under KU's credit facility, giving the utility access to the entire $400 million revolver. The credit facilities each contain one financial covenant. PPL Supply's credit facilities have a limitation on debt to capitalization at 65%. As of December 31, 2010, the ratio as defined in the agreement was approximately 44%. The PPL EU, LG&E, and KU credit facilities each limit the ratio of debt to capitalization to 70%. As of December 31, 2010, the ratio as defined in the agreements was approximately 43%, 43%, and 41%, respectively, for PPL EU, LG&E, and KU. None of the facilities contain a material adverse change (MAC) clause.

Also, PPL Supply and three of its affiliates, PPL EnergyPlus, PPL Montour and PPL Brunner Island maintain an $800 million secured energy marketing and trading facility, whereby PPL EnergyPlus will receive credit to be applied to satisfy collateral posting obligations related to its energy marketing and trading activities with counterparties participating in the facility. The credit amount is guaranteed by PPL Energy Supply, PPL Montour and PPL Brunner Island. PPL Montour and PPL Brunner Island have granted liens on their respective generating facilities to secure any amount they may owe under their guarantees. The facility expires in November 2015, but is subject to automatic one-year renewals under certain conditions. There were no secured obligations outstanding under this facility at March 31, 2011.

In addition to the above, PPL Supply maintains a $500 million Facility Agreement expiring June 2017, whereby PPL Supply has the ability to request up to $500 million of committed letters of credit capacity at fees to be agreed upon at the time of each request, based on certain market conditions. At March 31, 2011, PPL Supply had not requested any capacity for the issuance of letters of credit under this arrangement.

While PPL has no parent level debt outstanding, at the subsidiary level, PPL Supply's nearest debt maturity occurs later this year when $500 million of senior notes mature in November 2011. Among the utility subsidiaries, the next debt maturity occurs in November 2013, when $400 million of PPL EU senior secured notes are due.

In terms of contingent capital requirements, at March 31, 2011, if the credit contingent provisions underlying all derivative instruments were triggered due to a credit downgrade below investment grade, PPL and PPL Supply would have been required to prepay or post additional collateral of $205 million and $188 million, respectively.

Rating Outlook

The stable outlook for PPL reflects our view that with the completion of the LKE and PPL WEM acquisitions, PPL's credit quality has been fortified through the reduction in overall business risk. The stable outlook further reflects our view that the company's position as owner of low-cost, strategically placed, primarily base-load generating assets will remain unchanged in the markets that it operates, even though these assets' cash flow generating capacity is expected to be lower over the next several years. While we anticipate PPL's management to manage through this down cycle at PPL Supply by reducing this subsidiary's debt, to the extent that Moody's were to take a negative rating action at PPL Supply given its relatively weak position in its rating category, the probability of a similar rating action occurring at PPL or one of its other subsidiaries has been greatly reduced, given the risk profile transformation that has occurred from the LKE and PPL WEM acquisitions.

What Could Change the Rating - Up

While we view these acquisitions as transforming events which could form the basis for positive rating momentum at PPL, the prospects for the company to be upgraded in the near -term remain somewhat limited in light of the execution risks in integrating these two large acquisitions at the same time coupled with some of the market-based issues currently facing the company's unregulated business. However, to the extent that the integration process at both LKE and PPL WEM meets the company's expectation and PPL continues to take actions to lower overall enterprise risk and leverage over time, PPL's rating could be upgraded.

What Could Change the Rating - Down

Conversely, the prospects for downward rating action in the intermediate term are very limited, as Moody's views PPL as being strongly positioned at the current rating category and fairly resilient to withstand downward pressure in the family given the diversified set of rate regulated operations at the company and the reduced exposure to the commodity business.

Other Considerations

Moody's evaluates PPL's financial performance relative to the Regulated Electric and Gas Utilities rating methodology (the methodology) published in August 2009. As depicted in the grid, PPL's indicated rating under the methodology both a historical and prospective basis is Baa2 as compared to its current Baa3 senior unsecured rating. However, if one factors in a one-notch rating adjustment for PPL being a holding company whose obligations are subordinate to $14.4 billion of senior secured and senior unsecured debt, the indicated rating would be in-line with the actual Baa3 senior unsecured rating.

Rating Factors

PPL Corporation

Regulated Electric and Gas Utilities Industry [1][2]	Current 12/31/2010		Moody's 12-18 month Forward View* As of June 2011	
Factor 1: Regulatory Framework (25%)	**Measure**	**Score**	**Measure**	**Score**
a) Regulatory Framework		Baa		Baa
Factor 2: Ability To Recover Costs And Earn Returns (25%)				
a) Ability To Recover Costs And Earn Returns		Baa		Baa
Factor 3: Diversification (10%)				
a) Market Position (5%)		Baa		Baa
b) Generation and Fuel Diversity (5%)				
Factor 4: Financial Strength, Liquidity And Key Financial Metrics (40%)				
a) Liquidity (10%)		Baa		Baa
b) CFO pre-WC + Interest/ Interest (3 Year Avg) (7.5%)	5.3x	A	2.7-3.5x	Baa

c) CFO pre-WC / Debt (3 Year Avg) (7.5%)	18.5%	Baa	13-16%	Baa
d) CFO pre-WC - Dividends / Debt (3 Year Avg) (7.5%)	14.5%	Baa	8-13%	Baa
e) Debt/Capitalization (3 Year Avg) (7.5%)	55.9%	Ba	52-58%	Ba
Rating:				
a) Indicated Rating from Grid		Baa2		Baa2
b) Actual Rating Assigned		Baa3		Baa3

* THIS REPRESENTS MOODY'S FORWARD VIEW; NOT THE VIEW OF THE ISSUER; AND UNLESS NOTED IN THE TEXT DOES NOT INCORPORATE SIGNIFICANT ACQUISITIONS OR DIVESTITURES

[1] All ratios are calculated using Moody's Standard Adjustments. [2] As of 12/31/2010(L); Source: Moody's Financial Metrics

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This credit rating is an opinion as to the creditworthiness or a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors It would be dangerous for retail investors to make any investment decision based on this credit rating If in doubt you should contact your financial or other professional adviser

Attachment to Question No. 6

Arbough

MOODY'S
INVESTORS SERVICE

Announcement: Moody's affirms PPL's ratings following acqusition announcement; outlook stable

Global Credit Research - 02 Mar 2011

Approximately $ 16.0 Billion of Debt Securities and Credit Facilities Affected.

New York, March 02, 2011 -- Moody's Investors Service affirmed the ratings of PPL Corporation (PPL: Baa3 Issuer Rating) and its subsidiaries following yesterday's announcement that it had reached a definitive agreement to acquire the Central Networks electric distribution business from E.ON UK plc for 4.0 billion pounds Sterling ($6.4 billion), which includes the assumption of 500 million pounds ($800 million) of existing public debt. The rating outlook for PPL and its subsidiaries is stable

"The rating affirmation recognizes that the planned acquisition of Central Networks further de-risks PPL's overall business platform as more than 70% of consolidated results will be provided by predictable, rate regulated businesses from three different jurisdictions, making the company's earnings, cash flow, and dividends less reliant on the company's commodity business", said A.J. Sabatelle, Senior Vice President of Moody's.

The rating action considers the pro-forma consolidated credit profile of PPL, and factors in the increasing proportion of regulated activities, the geographic diversity across these businesses, and the declining exposure to the commodities business as a source of cash flow and earnings. To that end, the rating affirmation acknowledges that the combination of the Central Networks transaction coupled with last year's acquisition of LG&E and KU Energy LLC (LKE: Baa2 Senior Unsecured Debt) and its subsidiaries have transitioned the company from a smaller, more regional commodity sensitive concern to a larger, more geographically diverse company with a more sustainable business model

The rating affirmation considers the relatively conservative manner in which PPL intends to permanently finance the acquisition, including the issuance of $1.7 -- $1.9 billion of PPL common stock and $750 -- $950 million of convertible equity units, which helps to maintain balance sheet strength, and more strongly positions PPL in its current investment grade rating category. We understand that the company intends to permanently finance the remainder of the transaction with debt issued at both the Central Networks operating and holding company levels in a manner which targets a low Baa rating for the consolidated regulated networks business. While this degree of leverage in the capital structure at Central Networks does slightly weaken PPL's consolidated credit metrics, the degree of dependable cash flow expected to be derived from this transaction and from the earlier LKE acquisition makes the organization's overall credit quality more resilient to any potential negative credit events within the family.

Moody's also recognizes the track record that PPL has demonstrated in the UK in operating its existing Western Power Distribution (WPD) business where WPD ranks in the top tier in several different efficiency and performance standards and where those network's tariffs were recently reset for a five-year period. However, our rating affirmation balances this expected performance and the opportunities for potential synergies against the challenges that we believe management may face in successfully integrating two large acquisitions in a fairly compressed timeframe -- the LKE acquisition which closed about four months ago and the Central Networks acquisition which is expected to close next month. This somewhat guarded view considers the substantially larger size of the Central Networks operations relative to WPD and the fact that all UK electric distribution networks have gone through various rounds of cost saving initiatives over the last decade.

With respect to the PPL subsidiaries' ratings, Moody's views the acquisition as being a credit supportive development for these ratings as no incremental debt is being added at any of the affiliates while the transaction provides another source of reliable earnings, cash flow, and dividends to the overall enterprise. In particular, Moody's believes that PPL Energy Supply, LLC (PPL Supply), the company's unregulated power subsidiary, indirectly benefits from the Central Networks and LKE transactions as they should reduce the company's reliance on this commodity driven subsidiary for earnings and dividends, enabling this unregulated operation to potentially utilize any free cash flow for future debt reduction. That being said, PPL Supply remains weakly positioned at its current Baa2 senior unsecured rating and while recently reported 2010 results were strong, future financial performance is expected to weaken particularly in 2012 due to the various challenges affecting all unregulated power companies. As such, while the benefits of the Central Networks and LKE acquisitions help mitigate near-term downward rating pressure at PPL Supply, negative rating pressure remains at this subsidiary.

Importantly, to the extent that a negative rating action is taken at PPL Supply, the probability of a similar rating action occurring at PPL or its subsidiaries has been greatly reduced, given the business and risk profile transformation that will occur from the completion of the Central Networks and LKE transactions

The stable outlook for PPL reflects our view that the planned acquisition of Central Networks will be financed in a balanced manner and that upon completion, PPL's credit quality will have been fortified through the reduction in overall business risk at the company. While we view the Central Networks and LKE acquisitions as transforming events which could form the basis for positive rating momentum at PPL, prospects for the company to be upgraded in the near --term are limited in light of the execution risks in integrating these two large acquisitions at the same time coupled with some of the market-based issues currently facing the company's unregulated business. However, to the extent that the integration process at both Central Networks and LKE meets the company's expectation and PPL continues to take actions that lower overall enterprise risk and leverage over time, PPL's rating could be upgraded. Conversely, the prospects for downward rating action are limited in the intermediate term, as Moody's views PPL as being strongly positioned at the current rating category and fairly resilient to withstand downward pressure in the family given the diversified set of rate regulated operations at the company and the reduced exposure to the commodity business.

The principal methodology used in rating PPL was Rating Methodology: Regulated Electric and Gas Utilities, published August 2009 and available on www.moodys.com in the Rating Methodologies sub-directory under the Research and Ratings tab. Other methodologies and factors that may have been considered in the process of rating these issuers can also be found in the Rating Methodologies sub-directory on Moody's website.

Please see ratings tab on the issuer/entity page on Moodys.com for the last rating action and the rating history.

PPL is a diversified energy holding company headquartered in Allentown, Pennsylvania.

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Attachment to Question No. 6
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Arbough

MOODY'S
INVESTORS SERVICE

Rating Action: Moody's downgrades PPL and PPL Electric, outlook stable

Global Credit Research - 28 Apr 2010

Approximately $1.3 billion of rated instruments affected

New York, April 28, 2010 -- Moody's Investors Service (Moody's) downgraded the long-term unsecured ratings of PPL Corporation (PPL: Issuer Rating to Baa3 from Baa2), and its subsidiaries PPL Electric Utilities Corporation (PPL EU: senior unsecured to Baa2 from Baa1), and PPL Capital Funding, Inc. (PPL Capital: senior unsecured guaranteed by PPL to Baa3 from Baa2); the A3 rating for PPL EU's secured debt, and its Prime-2 rating for commercial paper are affirmed. The outlook for PPL, PPL EU, and PPL Capital is stable. The ratings of PPL's subsidiary PPL Energy Supply (PPL Supply: Baa2 senior unsecured) are affirmed and the outlook remains stable.

The rating actions follow PPL's announced agreement to acquire E.ON U.S. LLC (E.ON U.S.) and its subsidiaries Louisville Gas & Electric Company (LG&E) and Kentucky Utilities Company (KU), and while reflective of the announced transaction, are driven more by weakening financial metrics and the negative outlooks that had been in place for PPL EU and PPL for the past year.

On April 28, 2010, PPL announced that it had reached a definitive agreement with E.ON AG to acquire E.ON U.S, the parent company of LG&E and KU, two regulated utilities with operations principally in Kentucky. The transaction values E.ON U.S. at approximately $7.6 billion, including the assumption of $925 million of existing tax-exempt debt and the repayment of E.ON AG intercompany debt. Permanent financing for the transaction will include a combination of common equity, utility first mortgage bonds, utility holding company bonds, hybrid securities and cash on hand. We anticipate that PPL will arrange the permanent financing in a balanced manner that will be supportive of its Baa3 Issuer Rating.

PPL's Baa3 Issuer Rating considers the additional regulatory scale, diversity and cash flow stability that are likely to result from its planned acquisition of E.ON US. On a pro-forma basis, we anticipate that over 50% of PPL's assets and cash flows would be associated with regulated operations; absent the transaction, we would expect regulated contributions to remain significantly below 50%. The rating also considers the challenges the company is facing as it transitions to a fully competitive market in its Pennsylvania service territory where significant utility investment is needed while its wholesale generation business continues to operate within weakened commodities markets. The rating reflects pro-forma consolidated credit profile and cash flow credit metrics that we anticipate will remain within ranges appropriate for the rating. The Baa3 ratings for PPL and PPL Capital also recognize their structurally subordinate position relative to the Baa2 senior unsecured debt of PPL Supply and PPL EU, and to likely holding company and operating company debt at the Kentucky utilities.

The downgrade for PPL EU reflects our continued expectation that beginning in 2010, the company's cash flow credit metrics will decline dramatically from their recent levels and will remain toward the lower end of the ranges indicated in Moody's August 2009 Rating Methodology for Regulated Electric and Gas Utilities (the Regulated Methodology) rated Baa for the foreseeable future. The expected decline in metrics comes as PPL EU implements market rates for generation while simultaneously incurring increased expenditures for capital investment to support and maintain the reliability of its aging distribution and transmission systems. As a result, PPL EU's debt burden will increase, and cash flow coverage of debt and debt service is expected to be dramatically reduced. For example, for the foreseeable future, the ratio of cash flow from operations excluding changes in working capital (CFO Pre -- WC) to debt, calculated in accordance with Moody's standard analytical adjustments, is expected to remain in the low-to-mid teens, and the ratio of CFO Pre -- WC plus interest to interest is anticipated to remain around three times.

The affirmation of the A3 rating for the senior secured debt at PPL EU reflects its priority position within PPL EU's capital structure and follows Moody's August 2009 implementation of wider notching between the vast majority of ratings for senior secured and senior unsecured debt ratings for investment grade regulated utilities. Issuers with negative outlooks were excluded from the August implementation.

The affirmation of the Baa2 senior unsecured ratings for PPL Supply considers the relatively strong market and competitive position that results from its significant base-load generation portfolio located primarily near load serving entities within the highly liquid and transparent PJM market. The affirmation also recognizes that 2010 is the first year the company is able to sell power produced by its Pennsylvania generation resources at market rates. For 2010 and beyond, we anticipate increased volatility of cash flows, mitigated to some extent by PPL Supply's hedging strategy; however, we also anticipate a strengthening of its cash flow credit metrics commensurate with the company's increased business risk. For example, we anticipate the ratio of CFO Pre-WC to debt (excluding the debt and cash flows associated with its U.K. distribution utilities) to remain above 25%. PPL Supply's published consolidated credit metrics will continue to be impacted by the ownership of its U.K. distribution utilities, which benefit from reasonably stable cash flow, but also employ leverage commensurate with their regulated network activities. We anticipate PPL Supply's consolidated published ratio of CFO Pre-WC to debt will remain above 20%.

The stable outlook for PPL EU reflects our expectation that PPL EU's financial metrics will generally remain within the ranges indicated for electric distribution and transmission utilities rated Baa. The outlook also assumes that PPL EU will finance its significant capital expenditure program in a manner that is consistent with maintaining its current credit profile and that it will continue to successfully manage its regulatory relationships as Pennsylvania continues its statewide transition to market rates.

The stable outlooks for PPL Supply, PPL Capital, and PPL reflect our view that the planned acquisition of E.ON U.S. will be financed in a balanced manner that is consistent with PPL's Baa3 Issuer rating. The stable outlooks also assume that in 2010 and beyond, PPL Supply's low-cost, strategically placed, primarily base load generating assets will generate increased cash flows, and that PPL will continue to seek to mitigate the volatility of these market based cash flow by use of disciplined hedging strategies. In addition, the stable outlooks assume that the transition to the competitive electricity market in Pennsylvania will continue to proceed relatively smoothly and that PPL EU's planned capital expenditures will be financed in a manner that is supportive of its credit quality.

The principal methodology used in rating PPL EU, PPL and PPL Capital was Rating Methodology: Regulated Electric and Gas Utilities, published August 2009 and available on www.moodys.com in the Rating Methodologies sub-directory under the Research and Ratings tab. The principal methodology used in rating PPL Supply was Rating Methodology: Unregulated Utilities and Power Companies, published in August 2009 and also available on www.moodys.com in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating these issuers can also be found in the Rating Methodologies sub-directory on Moody's website.

Moody's last rating action on PPL EU, PPL, PPL Capital and PPL Supply occurred May 11, 2009 the outlooks of PPL EU, PPL and PPL Capital were revised to negative from stable and the ratings of PPL Supply were affirmed with a stable outlook.

PPL is a diversified energy holding company headquartered in Allentown, Pennsylvania. PPL EU is a regulated transmission and distribution utility, PPL Supply is a holding company engaged primarily in non-regulated generation and marketing of power in the U.S. and the regulated delivery of electricity in the U.K.; PPL Capital is a financing subsidiary of PPL - its debt is guaranteed by PPL.

Downgrades:

PPL Corporation

Issuer Rating, Downgraded to Baa3 from Baa2

PPL Capital Funding, Inc.

Junior Subordinated Regular Bond/Debenture, Downgraded to Ba1 from Baa3

Multiple Seniority Shelf, Downgraded to (P)Baa3, (P)Ba1 from (P)Baa2, (P)Baa3

Senior Unsecured Regular Bond/Debenture, Downgraded to Baa3 from Baa2

PPL Electric Utilities Corporation

Issuer Rating, Downgraded to Baa2 from Baa1

Multiple Seniority Shelf, Downgraded to (P)Ba1 from (P)Baa3

Preferred Stock, Downgraded to Ba1 from Baa3

Senior Unsecured Bank Credit Facility, Downgraded to Baa2 from Baa1

Senior Unsecured Revenue Bonds (Lehigh County Industrial Development Authority), Downgraded to Baa2 from Baa1

Outlook Actions.

PPL Corporation

Outlook, Changed To Stable From Negative

PPL Capital Funding, Inc.

Outlook, Changed To Stable From Negative

PPL Electric Utilities Corporation

Outlook, Changed To Stable From Negative

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Attachment to Question No. 6

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Arbough

Moody's
INVESTORS SERVICE
redit Opinion: PPL Corporation

obal Credit Research - 29 Apr 2010

Allentown, Pennsylvania, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Issuer Rating	Baa3
PPL Energy Supply, LLC	
Outlook	Stable
Sr Unsec Bank Credit Facility	Baa2
Senior Unsecured	Baa2
PPL Electric Utilities Corporation	
Outlook	Stable
Issuer Rating	Baa2
First Mortgage Bonds	A3
Senior Secured	A3
Sr Unsec Bank Credit Facility	Baa2
Preference Stock	Ba1
Commercial Paper	P-2

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Key Indicators

[1]
PPL Corporation

ACTUALS	2009	2008	2007	2006
(CFO Pre-W/C + Interest) / Interest Expense [2]	4.4x	3.7x	4.0x	4.3x
(CFO Pre-W/C) / Debt [2]	19.1%	16.4%	21.2%	18.9%
(CFO Pre-W/C - Dividends) / Debt [2]	13.7%	11.5%	15.7%	14.5%
Debt / Book Capitalization	55.0%	58.5%	50.7%	54.4%

[1] All ratios are calculated using Moody's Standard Adjustments [2] CFO pre-W/C is equal to net cash flow from operations less net changes in working capital items

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

ting Drivers

Historically stable cash flow generated by regulated and highly contracted businesses

Increased volatility mitigated by hedging strategy and increased proportion of regulated business

Relative geographic and fuel diversity

Generally supportive regulatory environments - with Pennsylvania still in transition

Structural subordination

Corporate Profile

PPL Corporation (PPL: Baa3 Issuer Rating, stable) is a diversified energy holding company headquartered in Allentown, Pennsylvania. PPL's Pennsylvania regulated businesses are conducted primarily through its utility subsidiary PPL Electric Utilities Corporation (PPL EU: Baa2 senior unsecured, stable). PPL Energy Supply LLC (PPL Supply: Baa2 senior unsecured, stable), is an intermediate holding company for PPL's non-regulated businesses that are engaged in the generation and marketing of power primarily in the northeastern and western power markets of the U.S., and in the delivery of electricity in the U.K.

On April 28, 2010, PPL announced its agreement to acquire E.ON U.S. LLC (E.ON U.S) and its subsidiaries, Louisville Gas and Electric Company (LG&E) and Kentucky Utilities Companies (KU), two regulated utilities operating principally in Kentucky.

SUMMARY RATING RATIONALE

PPL's rating is reflective of the challenges facing the company, as it continues to transition to a fully competitive market in its Pennsylvania service territory where significant utility investment is needed to support its aging infrastructure, while its wholesale generation business continues to operate in weak commodities markets. The rating considers PPL's relatively strong wholesale market and competitive position emanating from PPL Supply's low-cost, strategically placed, primarily base load generating assets. The rating also considers PPL's consolidated credit profile, including the significant proportion of cash flow generated by its merchant business, the volatility of which is balanced by increasing regulated cash flows, and disciplined hedging strategies. The rating reflects an assumption of a modest amount of additional consolidated leverage as a result of PPL's planned acquisition of E.ON U.S. LLC; and also considers the additional regulatory scale, diversity and increase in cash flow stability that is expected to come from that transaction.

DETAILED RATING CONSIDERATIONS

Historically stable cash flow generated by regulated and highly contracted businesses

PPL's operations consist primarily of regulated utility businesses in the U.S and the U.K., and non-regulated merchant generation in the United States. In 2009, PPL EU's cash from operations represented approximately 32% of consolidated total cash flow, while the U.K. operations accounted for approximately 13% with the balance generated primarily PPL Supply's non-regulated merchant generating business in the United States. PPL's cash flows, from both regulated and non-regulated operations, have been relatively stable over the last few years, reflecting primarily the low-cost nature of the company's generating assets and the Provider of Last Resort (POLR) arrangements between its subsidiaries, which mitigated the impact of volatile wholesale prices with capped electric rates in its service regions. The POLR agreements, which helped to stabilize cash flows and effectively reduced overall business risk by providing an offset to PPL's significant non-regulated merchant operations were terminated in December 2009. As a result, we anticipate increased volatility in cash flows generated by the merchant business.

Volatility somewhat mitigated by hedging and by an increasing proportion of regulated business

Anticipated volatility in PPL's cash flows is mitigated to some degree by its hedging strategy and the increasing proportion of regulated operations that would result from its planned acquisition of the Kentucky utilities. PPL generally employs a disciplined, laddered 3-4 year hedging strategy for its generation sales and for its fuel sourcing, which tends to make its cash flows relatively more stable and predictable. PPL's current regulated transmission and delivery businesses in Pennsylvania and the U.K., along with the expected added regulated presence in Kentucky, should provide additional stability and predictability.

Generally supportive regulatory environments - Pennsylvania is still in transition

For PPL's regulated business, Moody's generally characterizes its Pennsylvania regulatory framework as being about average for U.S. utilities in terms of supportiveness of credit quality and ability to recover costs and earn returns on invested capital. PPL has historically received reasonable and timely decisions in its transmission and distribution rate cases, and the Pennsylvania market transition appears to be working relatively smoothly. However, we remain cautious about the significant rate increase for customers in the Pennsylvania service territory and the potential for political intervention. The potential inclusion of the Kentucky utilities in the consolidated family would be viewed positively in terms of overall regulatory supportiveness. LG&E and KU also benefit from numerous alternative rate mechanisms which reduce regulatory lag including, cash returns on construction work in progress, and mechanisms that provide for the recovery of, and return on, environmental investment.

Within the framework of Moody's August 2009 Rating Methodology for Regulated Electric and Gas Utilities (the Methodology), for Factor 1: Regulatory Framework, and for Factor 2: Ability to Recover Costs and Earn Returns, PPL currently maps to a rating factor in the Ba range, reflecting the current significant proportion of the unregulated operations in its business mix and the greater unpredictability surrounding these cash flows. The score for this rating factor would likely move upward when the acquisition of the Kentucky utilities is consummated

Relative geographic and fuel diversity

With approximately 12,000 MWs of wholesale generation resources located primarily within the highly liquid and transparent PJM market along with the strategic positioning of PPL Supply's assets in Montana, we consider PPL's wholesale market and competitive position to be relatively strong. PPL also has generating facilities in Illinois, and New England, as well as the regulated operations in Pennsylvania, the U.K., and potentially Kentucky. PPL benefits from a relatively diverse portfolio of fuel resources, including coal, nuclear, gas, and hydro, albeit with a significant, and likely increasing, exposure to carbon intense fuels.

Within the framework of the Methodology, for Factor 3: Diversification, PPL maps to a rating factor in the Baa range.

Structural subordination

PPL's rating also reflects its structurally subordinate position relative to the Baa2 senior unsecured debt of PPL Supply and PPL EU, and to debt likely to exist at the Kentucky utilities.

Liquidity Profile

As a holding company, PPL's primary source of liquidity is the dividends it receives from its operating subsidiaries. In 2009, PPL received dividends of approximately $1.2 billion, including approximately $940 million from PPL Supply plus approximately $290 million from PPL EU, which was more than sufficient to cover its overhead costs, interest expense at PPL Capital Funding of approximately $40 million, as well as dividends to common shareholders of approximately $520 million. We anticipate 2010 full year funds will again be sufficient to cover overhead costs, interest expenses at PPL Capital Funding and PPL's common stock dividends.

On a consolidated basis in 2009, cash flow from operations of approximately $1.9 billion was sufficient to cover PPL's outlays including approximately $1.2 billion of capital expenditures and approximately $520 million of common stock dividends. In 2010, capital expenditures are projected to be approximately $1.9 billion resulting in total outlays including dividends to modestly exceed cash flow from operations. Moody's anticipates the cash shortfall to be funded via a combination of internal and external sources.

While PPL has no parent level debt outstanding, it does fully guarantee all of the debt at PPL Capital, which has no debt maturities until 2047. At the subsidiary level, PPL EU's nearest debt maturity is November 2013, when $400 million of senior secured notes are due. PPL Supply's nearest debt maturity is $500 million of senior notes due November 2011. At PPL's U.K. subsidiaries, there is no maturing debt until 2017. This debt continues to be non-recourse to PPL Supply or PPL.

PPL's subsidiaries have external liquidity facilities totaling approximately $5 billion in committed facilities to support the short-term liquidity needs that are scheduled to expire between 2010 and 2013, of which approximately $3.7 billion was immediately available as of December 31, 2009. The credit facilities each contain one financial covenant. PPL Supply's credit facilities have a limitation on debt to capitalization ratio to 65%. As of December 31, 2009, the ratio as defined in the agreement was approximately 46%. PPL EU' credit facility limits the ratio of debt to capitalization to 70%. As of December 31, 2009, the ratio as defined in the agreement was approximately 44%. None of these facilities contain a material adverse change (MAC) clause. PPL's overall liquidity is considered satisfactory.

Within the framework of the methodology, for Factor 4: Sub-factor Liquidity, PPL maps to a rating factor in the Baa range.

Rating Outlook

The stable outlook for PPL reflects our view that, in 2010 and beyond, its low-cost, strategically placed, primarily base load generating assets will generate increased cash flows, and that PPL will continue to seek to mitigate the volatility of these market based cash flows by the use of disciplined hedging strategies. The stable outlook also assumes that the company will continue to successfully manage its fuel and other operating costs, that the transition to the competitive electricity market in Pennsylvania will continue to proceed relatively smoothly, and that planned capital expenditures will be financed in a manner that is supportive of its credit quality. The stable outlooks recognize the cash flow stability that should result from PPL's acquisition of E ON U.S. LLC, and assumes the transaction will be funded in a manner that is supportive of PPL's current credit profile.

What Could Change the Rating - Up

An upgrade is unlikely in near to medium term. Ratings could be revised upward if there were to be a sustained improvement in financial metrics, as demonstrated, for example, by a ratio of CFO pre-WC to debt, calculated in accordance with Moody's standard analytical adjustments, in the range of 20% An upgrade of PPL Supply would also likely put upward pressure on the rating of PPL Corp.

What Could Change the Rating - Down

The ratings could be adjusted downward if there is a meaningful increase in business risk beyond the levels currently contemplated, if there is a significant deterioration of plant availability, if the company is unsuccessful in managing the transition to a competitive market, if its planned capital expenditures are funded in a manner inconsistent with its current rating level, or if there were to be adverse regulatory rulings on transmission and distribution rate cases such that financial metrics deteriorate; as demonstrated, for example, by a sustainable ratio of CFO pre-WC to debt, calculated in accordance with Moody's standard analytical adjustments, in the low-to-mid teens level. The ratings could also have downward pressure if the financing for the E.ON. U.S. acquisition is executed in a manner that is inconsistent with PPL's current credit profile.

Rating Factors

PPL Corporation

Regulated Electric and Gas Utilities	Aaa	Aa	A	Baa	Ba	B
Factor 1: Regulatory Framework (25%)					X	
Factor 2: Ability to Recover Costs and Earn Returns (25%)					X	
Factor 3: Diversification (10%)						
a) Market Position (5%)				X		
b) Generation and Fuel Diversity (5%)				X		
Factor 4: Financial Strength, Liquidity & Financial Metrics (40%)						
a) Liquidity (10%)				X		
b) CFO pre-WC + Interest / Ineterest (7.5%)				X		
c) CFO pre-WC / Debt (7.5%)				X		
d) CFO pre-WC - Dividends / Debt (7.5%)				X		
e) Debt / Capitalization or Debt / RAV (7.5%)				X		
Rating:						
a) Methodology Implied Senior Unsecured Rating				Baa3		
b) Actual Senior Unsecured Rating				Baa3		

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MOODY'S
INVESTORS SERVICE

redit Opinion: PPL Electric Utilities Corporation

bal Credit Research - 29 Apr 2010

Pennsylvania, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Issuer Rating	Baa2
First Mortgage Bonds	A3
Senior Secured	A3
Sr Unsec Bank Credit Facility	Baa2
Preference Stock	Ba1
Commercial Paper	P-2
Parent: PPL Corporation	
Outlook	Stable
Issuer Rating	Baa3

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Key Indicators

[1]
PPL Electric Utilities Corporation

ACTUALS	2009	2008	2007	2006
(CFO Pre-W/C + Interest) / Interest Expense [2]	4.9x	5.5x	5.5x	4.5x
(CFO Pre-W/C) / Debt [2]	29.4%	27.8%	34.6%	25.5%
(CFO Pre-W/C - Dividends) / Debt [2]	14.5%	23.0%	27.6%	20.5%
Debt / Book Capitalization	42.9%	49.6%	45.3%	49.6%

[1] All ratios are calculated using Moody's Standard Adjustments [2] CFO pre-W/C is equal to net cash flow from operations less net changes in working capital items

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Rating Drivers

Relatively stable cash flow generated by regulated operations

Regulatory environment that appears to be undergoing an orderly transition

Significant planned capital expenditures

Cash flow credit metrics appropriate for the rating

`orporate Profile

L Electric Utilities Corporation (PPL EU: Baa2 senior unsecured, Prime-2 short term, stable) is a regulated utility subsidiary of PPL Corporation (PPL: Baa3 Issuer Rating, stable), that transmits and distributes electricity to approximately 1.4 million customers in eastern and central Pennsylvania. PPL EU provides electricity to retail customers as a Provider of Last Resort (POLR) under Pennsylvania's Customer Choice Act.

The Pennsylvania power market is in transition. Through the end of 2009, all of PPL EU's power was supplied under a fixed price power purchase agreement with its affiliate PPL Energy Supply, LLC (PPL Supply: Baa2 senior unsecured, stable). Beginning in 2010, however, PPL EU's retail rates for generation are set based on market rates for power, which resulted in significantly higher rates for end users (an approximate 30% increase in 2010). Also beginning in 2010, PPL EU is no longer collecting competition transition revenue, which has resulted in lower cash flow for the utility.

SUMMARY RATING RATIONALE

PPL EU's Baa2 rating is driven by the relatively stable and predictable nature of its regulated transmission and distribution utility cash flows; the reasonably supportive regulatory treatment the company has received from the Pennsylvania Public Utilities Commission (PPUC); and cash flow credit metrics that are expected to remain appropriate for the rating category. The rating also considers the moderate business risk profile of the consolidated PPL corporate family, whose other operations include non-regulated electricity generation and marketing in Pennsylvania as well as other parts of the United States.

DETAILED RATING CONSIDERATIONS

Regulatory environment is generally supportive - however still in transition

Moody's generally categorizes the Pennsylvania regulatory framework as being about average for U.S. utilities in terms of supportiveness of credit quality and ability to recover costs and earn returns. PPL EU has historically received reasonable and ely decisions in its transmission and distribution rate cases, and although the Pennsylvania market remains in the midst of a full nsition to market rates, to date, the process appears to be working relatively smoothly.

Given the magnitude of the rate increase that recently occurred for customers in PPL EU's service territory, (approximately 30%) we remain somewhat cautious about the potential for political intervention, though we recognize this risk has subsided significantly with the passage of time and the reduction in market price for power. In addition, the expiration of generation rate caps applicable to three other large regulated Pennsylvania utilities will not occur until 2011 and some legislative proposals related to rate caps and rate increase mitigation are still lingering. More recently, several lawmakers in Pennsylvania objected to PPL EU's March 2010 distribution rate increase request and asked the PPUC to reject the case, citing that the increase will put a strain on ratepayers

Pennsylvania has been transitioning to a deregulated market for generation since 1998. During this time, PPL EU retained POLR responsibilities in its service territory, and operated under rate caps for generation. Through 2009, PPL EU met its POLR obligation via a PPUC approved fixed price power supply agreement with its affiliate PPL Supply. As of January 1, 2010, the rate cap ended, the POLR agreement was terminated, and the company has now transitioned fully into retail market competition.

Over the past few years, there has been a significant amount of regulatory and legislative concern over the potential for rate shock when the generation caps expire. In PPL EU's territory rates were at one time expected to increase approximately 40%. However, there has also been observable support for the process. In November 2008, legislation was passed establishing guidelines for all delivery utilities to follow when acquiring power supplies beyond 2010 which includes a prescribed mixture of long-term, short-term and spot purchases. PPL EU's procurement process is consistent with these guidelines and the company has generally been successful in managing the market transition and attempting to limit rate shock exposure.

Beginning in 2008, PPL EU conducted a series of electricity purchases through a competitive bidding process. The power purchase plan, approved by the PPUC, included a staggered bidding process involving a number of power blocks awarded by PPL EU to suppliers. For its 2010 power requirement, PPL EU completed six planned auctions, securing 100% of the expected needs. The company has also completed four solicitations for the January 2011 through May 2013 period. The price of power cured in the last auction, completed in April, is about 16% lower than the prices obtained for 2010.

ın an effort mitigate the customer impact of the anticipated 2010 rate increase, PPL EU took proactive steps and implemented two programs in 2008 and 2009. The advance-payment program, approved by PPUC in August 2008, allowed customers to make prepayments toward their 2010 and 2011 electric bills to enable them to pay a portion of the anticipated increase over 39 months, beginning October 1, 2008 Approximately 10% of the customers took advantage of this plan. PPL EU has also implemented a second "opt-in" program, whereby customers could elect to defer any 2010 rate increase in excess of 25% over one to two years. At December 31, 2009, PPL EU had recorded a liability of $36 million for these programs. Given the decline in wholesale power rices (around 16% lower in PPL EU's latest solicitation versus initial 2010 procurements), the risk of additional cash deferrals is now significantly lower.

An additional mitigant to rate shock is the fact that more than 411,000 PPL EU customers have selected an alternate competitive electric supplier, which represents approximately 30% of PPL EU's customer base and about 48% in the total retail load in its service territory. Generation rates for these consumers rates are significantly (generally around 10%) lower than they would have been with PPL EU as their provider. Customer "shopping", however, should have limited impact on the operating results of PPL EU, as cost of power for generation is ultimately passed through to customers without margin.

PPL EU has generally received what appears to be reasonable treatment in its transmission and distribution rate proceedings. Pennsylvania distribution cases have been rendered in less than one year with authorized increases in excess of two thirds of the requested amounts. In March 2010, PPL EU filed a delivery rate case, requesting a $114.7 million revenue increase, based on 11.75% ROE and 48.37% equity ratio, to address distribution infrastructure upgrade investments it made since its last rate case in 2007. Although the requested increase represents a 13.4% increase in distribution rates, PPL EU estimates that, after consideration of the lower prices of power procured for 2011 versus 2010, its customers' all-in rates shock increases by only approximate 2.4%. The company anticipates a PPUC decision by the end of 2010, with new rates effective January 2011.

Transmission rates are determined by the Federal Energy Regulatory Commission (FERC). In October 2008, FERC granted PPL EU's request to establish its transmission rates via a forward-looking formula with annual true-ups, which FERC has encouraged as a means to promote investment in transmission. FERC has also awarded incentive rate treatment for PPL EU's participation in a large PJM approved transmission project. The PPUC allows PPL EU rider recovery of any FERC approved transmission charges within its Pennsylvania retail rates.

Within the framework of Moody's August 2009 Rating Methodology for Regulated Electric and Gas Utilities (the Methodology), for Factor 1: Regulatory Framework, and for Factor 2: Ability to Recover Costs and Earn Returns, PPL EU maps to a rating factor in the Baa range.

Capital expenditure plans remain significant

For the three year period of 2010 to 2012, PPL EU plans to spend about $2 billion in capital expenditures, a significantly larger amount than the approximate $860 million incurred in 2007-2009 time frame. The increased capital budget relates to plans to replace PPL EU's aging transmission and distribution assets, and to fund its PJM-approved transmission project involving the joint construction of a 150-mile, 500-KV line between its Susquehanna substation in eastern Pennsylvania and the Roseland substation in northern New Jersey. PPL EU's share of this transmission investment is estimated at approximately $510 million.

Credit metrics appropriate for current rating

PPL EU's 2009 credit metrics remained strong, as it continued to receive competition transition charge (CTC) revenues while meeting its entire POLR obligation via a fixed power purchase agreements. During this time capital expenditures also remained relatively modest. For the past three years, PPL EU's ratio of cash from operation before changes in working capital (CFO Pre-WC) to debt, as calculated in accordance with Moody's standard adjustments, averaged 30%.

Going forward, as retail market rates for generation are established as a direct pass through of power costs with no additional margin for the utility, and as CTC revenues are eliminated, cash flow from operations will be materially reduced. At the same time, capital spending is expected to increase significantly leading to an increase in debt burden as negative free cash flows are partially debt financed. As a result, we anticipate that PPL EU's ratio of CFO Pre-WC to debt will move into the low-to-mid teens, and remain there on a sustainable basis; and we expect that its ratio of CFO Pre-WC plus interest to interest will remain about three times.

Liquidity Profile

PPL EU has reasonable liquidity supported by relatively stable and predictable cash flows (albeit somewhat less robust and predictable due to transition to market competition), which are also supported by its own credit facilities.

2009, PPL EU's cash flow from operations of approximately $294 million covered approximately 51% of its total cash outlays luding $298 million of capital expenditures and $274 million of dividends to the parent. The shortfall was funded primarily via a portion of $400 million equity infusion from its parent. In the 2010 - 2012 timeframe, when the company is projected to fund approximately $2 billion of capital investments, Moody's expects PPL EU's cash shortfalls to be funded via a combination of internal and external sources of cash, including equity contributions from PPL.

PPL EU's liquidity is supported by a $190 million 5-year credit facility that expires in May 2012. The committed capacity under this facility was originally $200 million but was reduced by $10 million in December 2008, as a result of terminating the commitment of Lehman Brothers Bank, FSB. This credit facility is used primarily as back-stop to PPL EU's $200 million commercial paper program and to issue letters of credit. As of December 31, 2009, the company had no cash borrowings under the facility, no commercial paper outstanding, and $6 million of letters of credit outstanding. PPL EU's credit facility contains one financial covenant, a limitation on the ratio of debt to capitalization of 70%. As of December 31, 2009, the debt to capitalization ratio as defined in the agreement was approximately 44%. The facility does not contain a material adverse change clause.

PPL EU also participates in a $150 million asset-backed commercial paper program through the sale of accounts receivable and unbilled revenue to a wholly owned special purpose vehicle. As of December 31, 2009, there was no borrowing under this agreement. This facility expires in July 2010. The company intends to renew it to maintain its current total committed capacity level.

PPL EU's Prime-2 rating for its short term obligations recognizes the utility's financial profile and cash flow stability, and assumes that the amount of commercial paper and other near term obligations outstanding will be managed within the limits of the company's readily available sources of cash, including its committed bank credit facilities.

PPL EU's closest long-term debt maturity is $400 million of senior secured notes due November 2013.

Within the framework of the Methodology, on Factor 4: Liquidity, PPL EU maps to a rating factor in the Baa range.

Rating Outlook

The stable outlook reflects our expectation that beyond 2009, PPL EU's financial metrics will generally remain within the ranges appropriate for by electric T&D utilities rated Baa. The outlook also assumes that PPL EU will finance its significant capital expenditure program in a manner that is consistent with maintaining its current credit profile and that it will continue to successfully manage its regulatory relationships.

What Could Change the Rating - Up

It is unlikely the rating would be revised upward over the near-to-medium term. The rating could move upward if PPL EU finances its planned capital expenditures in a manner that improves its financial profile ; if for example, PPL EU's ratio of CFO pre-WC to debt, calculated in accordance with Moody's standard analytical adjustments, were to remain in an approximate range of 18-20% on a sustainable basis.

What Could Change the Rating - Down

The rating could be adjusted downward if PPL EU is unsuccessful in managing the transition to competitive markets in a manner that allows the timely recovery of its costs for purchased power, or if there were to be adverse regulatory rulings or unfavorable legislative ramifications such that we would anticipate a sustained deterioration in financial performance. The rating could be adjusted downward if there were to be a further material deterioration in financial metrics; if for example, its ratio of CFO Pre-WC to debt, calculated in accordance with Moody's standard analytical adjustments, were to move below the low-teens for an extended period. The rating could be adjusted downward if there is a meaningful increase in the consolidated business risk profile of PPL

Rating Factors

PPL Electric Utilities Corporation

Regulated Electric and Gas Utilities	Aaa	Aa	A	Baa	Ba	B
Factor 1: Regulatory Framework (25%)				X		
Factor 2: Ability to Recover Costs and Earn Returns (25%)				X		
Factor 3: Diversification (10%)						

a) Market Position (5%)				X		
b) Generation and Fuel Diversity (5%)				NA		
'actor 4: Financial Strength, Liquidity & Financial Metrics (40%)						
Liquidity (10%)				X		
b) CFO pre-WC + Interest / Ineterest (7.5%)			X			
c) CFO pre-WC / Debt (7.5%)		X				
d) CFO pre-WC - Dividends / Debt (7.5%)			X			
e) Debt / Capitalization or Debt / RAV (7.5%)				X		
Rating:						
a) Methodology Implied Senior Unsecured Rating				**Baa1**		
b) Actual Senior Unsecured Rating				**Baa2**		

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Attachment to Question No. 6
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Moody's
INVESTORS SERVICE

Announcement: Moody's affirms PPL ratings

Global Credit Research - 27 Oct 2010

Approximately $1.7 billion of securities affected

New York, October 27, 2010 -- Moody's Investors Service affirmed the ratings of PPL Corporation (PPL: Baa3 Issuer Rating) and its subsidiary, PPL Capital Funding (PPL Funding: Baa3 senior unsecured (debt guaranteed by PPL)) The outlook for PPL and PPL Funding is stable.

The rating affirmations follow PPL's receipt of Federal Energy Regulatory Commission (FERC) approval of its pending acquisition of E.ON U S LLC (Baa2 Issuer Rating) and its subsidiaries, Kentucky Utilities (KU: Baa1 Issuer Rating) and Louisville Electric & Gas (LGE: Baa1 Issuer Rating). PPL also received approval from the Kentucky Public Service Commission, the State Corporation Commission of Virginia and the Tennessee Regulatory Authority. With the receipt of this last regulatory approval from the FERC, we believe there is a very high probability the transaction will close imminently.

The affirmation of PPL's Baa3 Issuer Rating considers the additional regulatory scale, diversity and cash flow stability that will result from its acquisition of E.ON US (to be renamed LG&E and KU Energy LLC (LKE)). Going forward, we anticipate that over 50% of PPL's assets and cash flows will be associated with regulated operations, with about half of those coming from the LKE subsidiaries. The rating considers the challenges the company continues to face as it manages the transition to a fully competitive market in its Pennsylvania service territory while its wholesale generation business continues to operate within weakened commodities markets; however, the rating recognizes the overall risk reduction and stability that comes as a result of its increased regulatory exposure. The Baa3 rating reflects the supportive regulatory relationships that exist at the LKE entities, and assumes these relationships will be maintained under PPL ownership.

PPL's Baa3 Issuer Rating is driven by consolidated credit metrics that are expected to remain within the Baa ranges identified in Moody's August 2009 Rating Methodology for Regulated Electric and Gas Utilities, for example, the consolidated ratio of cash flow excluding changes in working capital (CFO pre-WC) to debt, calculated in accordance with Moody's standard analytical adjustments, is expected to remain in the mid-teens. The ratings for the debt instruments of PPL Funding are based on the guarantees provided by PPL. The Baa3 Issuer/senior unsecured ratings for PPL and PPL Funding also consider their structurally subordinate position relative to the Baa2 or better senior unsecured debt rating assigned to several of PPL's primary operating subsidiaries.

The rating affirmations consider PPL's balanced plan for financing the approximately $6.8 billion necessary to complete the acquisition of LKE. In June 2010, PPL completed the sale of 103.5 million shares of common stock and issued approximately $1.15 billion of hybrid -- equity linked - securities, generating total proceeds of approximately $3.5 billion in permanent capital. Also in June PPL obtained a $6.5 billion bridge loan that could be drawn, if necessary, to complete the transaction. We understand PPL now intends to draw temporarily on PPL Energy Supply's new $4 billion revolving credit facility to obtain approximately $3 billion of additional external financing to close the transaction. It is our understanding that shortly after the purchase is complete, PPL will issue a similar amount of permanent debt financing at a combination of KU, LGE and LKE, proceeds of which will be used to repay the PPL Energy Supply credit facility.

The rating outlook for PPL and PPL Funding is stable, an indication that ratings are not likely to be revised in the near term. Longer term, ratings could be revised upward if there were to be a sustained improvement in financial metrics; as demonstrated, for example, by a consolidated ratio of CFO pre-WC to debt, calculated in accordance with Moody's standard analytical adjustments, in the range of 20%.

The ratings of PPL or PPL Funding could be adjusted downward if there is a meaningful increase in business risk, if there is a significant prolonged deterioration of plant availability, if the company is unsuccessful in managing the full transition to a competitive market, if its planned capital expenditures are funded in a manner inconsistent with maintaining credit metrics that are appropriate for its current rating levels in light of current market conditions, or if there were to be adverse regulatory rulings such that financial metrics deteriorate; as demonstrated, for example, by a PPL consolidated ratio of CFO pre-WC to debt, calculated in accordance with Moody's standard analytical adjustments, in the low teens. In the event PPL is unable to obtain the remaining permanent financing for the transaction, there could be downward pressure on the ratings.

The principal methodology used in rating PPL and PPL Funding was Regulated Electric and Gas Utilities rating methodology published in August 2009. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found on Moody's website.

Please see ratings tab on the issuer/entity page on Moodys.com for the last rating action and the rating history.

PPL is a diversified energy holding company headquartered in Allentown, Pennsylvania. PPL's Pennsylvania regulated transmission and distribution operations are conducted through its subsidiary, PPL Electric Utilities; PPL Energy Supply is a holding company engaged primarily in non-regulated generation and marketing of power in the U.S. and the regulated delivery of electricity in the U.K.; PPL funding is a financing subsidiary of PPL - its debt is guaranteed by PPL.

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This credit rating is an opinion as to the creditworthiness or a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. It would be dangerous for retail investors to make any investment decision based on this credit rating. If in doubt you should contact your financial or other professional adviser.

Attachment to Question No. 6

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Arbough

MOODY'S
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CREDIT ANALYSIS

PPL Corporation

Allentown, Pennsylvania, United States

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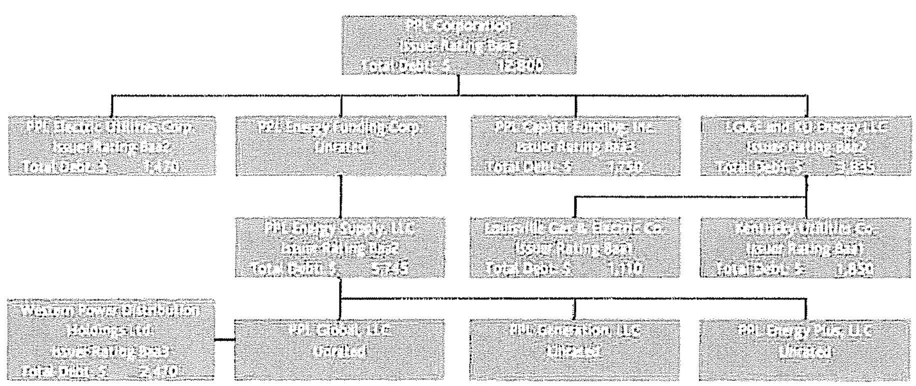
Business Profile

PPL Corporation (PPL: Baa3 Issuer Rating, stable) is a diversified energy holding company headquartered in Allentown, Pennsylvania. PPL conducts its regulated businesses in Pennsylvania through its utility subsidiary PPL Electric Utilities Corporation (PPL EU: Baa2 senior unsecured, stable). PPL's other primary subsidiaries are PPL Energy Supply LLC (PPL Supply: Baa2 senior unsecured, stable) and LG&E and KU Energy LLC (LKE: Baa2 senior unsecured, stable).

PPL Supply is an intermediate holding company engaged in the generation and marketing of power primarily in the northeastern and western power markets of the U.S., and in the regulated delivery of electricity in the U.K. through Western Power Distribution Holdings Ltd. (WPD: Baa3 Issuer Rating, stable outlook).

LKE became a PPL subsidiary November 1, 2010, when PPL acquired E.ON U.S. LLC (since renamed LKE) and its regulated utility subsidiaries Kentucky Utilities Company (KU: Baa1 senior unsecured, stable) and Louisville Gas & Electric (LG&E: Baa1 senior unsecured, stable). KU and LG&E operate primarily in Kentucky, while KU has significantly smaller operations in Virginia and Tennessee. We sometimes refer to these entities as the Kentucky utilities.



* Debt balances are estimated as of November 16, 2010, prior to Moody's standard adjustments.:

Rating Drivers

» Increased proportion of regulated businesses

» Generally supportive regulatory environments

» Volatility and pressure from weak commodities markets

» Financial metrics appropriate for the rating

» Reasonable geographic and fuel diversity

» Significant capital expenditure plan

» Sound liquidity profile

Rating Rationale

Increased Proportion of Regulated Businesses

PPL's operations consist primarily of regulated utility businesses in the U.S and the U.K., and non-regulated merchant generation in the United States. In the recent past, PPL's non-regulated operations comprised the majority of its cash flow and assets. In 2009, PPL EU's cash from operations represented approximately 32% of consolidated total cash flow and 23% of assets, while the U.K. operations accounted for approximately 13% of cash flow and 21% of assets. The balance of 55% and 56%, respectively, was generated by PPL Supply's non-regulated merchant generating business in the United States.

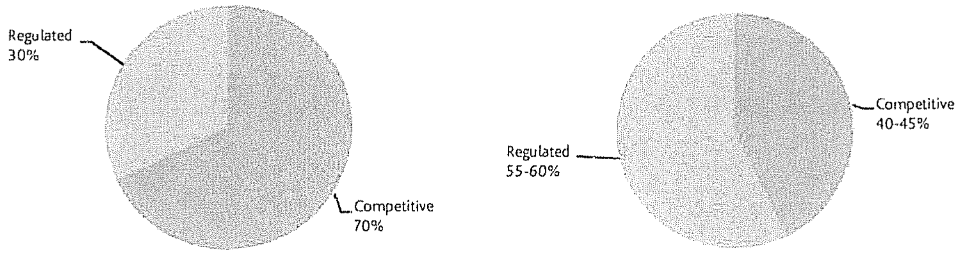
PPL's cash flows, from both regulated and non-regulated operations, have historically been relatively stable, reflecting the low-cost nature of the company's generating assets and the Provider of Last Resort (POLR) arrangements between its Pennsylvania subsidiaries. Under the POLR contracts, which expired in December 2009, prices were set in conjunction with electric rate caps in PPL's Pennsylvania service region. While the POLR agreements helped to stabilize cash flows and effectively reduced overall business risk by providing an offset to the inherent potential volatility of PPL's significant non-regulated merchant operation, the POLR contacts also reduced the amount of cash flow that would otherwise have come from unregulated operations. For the first nine months of 2010, the first year of market rates in Pennsylvania, we estimate that cash flow from PPL Supply's merchant generation operations represented over 80% of consolidated cash from operations.

Going forward, we expect increased volatility and pressure from this commodities sensitive business; however, this risk is mitigated to some degree by PPL Supply's hedging strategy, and on a consolidated basis, by PPL's recent acquisition of regulated operations in Kentucky.

As a result of PPL's acquisition of the Kentucky utilities, we anticipate that over 50% of PPL's assets and cash flows will be associated with regulated operations, with roughly half of that 50% expected to come from LKE subsidiaries which is a strong credit positive. Absent the transaction, the regulated contributions would have remained significantly below 50%. The tables below demonstrate PPL's mix of regulated versus unregulated businesses based on its expected EBITDA before and after this acquisition.

FIGURE 1 & 2
Business Mix
2010E Standalone (1)

2011E Combined



(1) Based on mid-point of 2010 forecast

Source. PPL Corporation: April 29, 2010 Presentation – Value/Balance/Growth Acquisition of E.ON U.S.

Generally Supportive Regulatory Environments

As regulated operations represent a significant proportion of PPL's overall business mix, the companies' regulatory relationships are a very important factor in determining its credit quality and rating. Overall, PPL's regulatory relationships continue to generally be supportive of credit quality. PPL EU's transition to competition in Pennsylvania has gone relatively smoothly, aided by a significant decline in commodities prices, which reduced regulated rate shock and encouraged "shopping" by PPL's POLR customers. PPL also took proactive steps to mitigate the potential shock to its customers, introducing phase-in plans that were approved by its regulator. In its U.K. jurisdiction, results of the 2009 regulatory review were generally supportive of WPD's operations for the next several years. Meanwhile, the LKE subsidiaries have historically benefitted from credit supportive relationships with their principal Kentucky regulator which we expect will be maintained under the new PPL ownership.

PPL EU

Moody's generally categorizes the Pennsylvania regulatory framework as being about average for U.S. utilities in terms of supportiveness of credit quality and ability to recover costs and earn returns. PPL EU has historically received reasonable and timely decisions in its transmission and distribution rate cases. In addition, the transition to market rates within PPL EU's service territory has gone relatively smoothly.

Given the magnitude of the rate increase that recently occurred for customers in PPL EU's service territory (approximately 30% for the generation component), we were somewhat cautious about the potential for political intervention; however, this risk has subsided significantly with the passage of time and the reduction in the market price for power. We note, however, that the expiration of generation rate caps applicable to three other large regulated Pennsylvania utilities will not occur until 2011 and some state legislative proposals related to rate caps and rate increase mitigation are still lingering.

The Road to Competition..Smoothing the Bumps

Pennsylvania has been transitioning to a deregulated market for generation since 1998. During this time, PPL EU retained POLR responsibilities in its service territory, and operated under rate caps for generation. Through 2009, PPL EU met its POLR obligation via a Pennsylvania Public Utility Commission (PPUC) approved fixed price power supply agreement with its affiliate PPL Supply. As of January 1, 2010, the rate cap ended and the POLR agreement was terminated as the company transitioned fully into retail market competition; however, PPL EU continues to be the POLR in its service territory.

Until relatively recently, there was a significant amount of regulatory and legislative concern over the potential for rate shock when the generation caps expired in Pennsylvania. In PPL EU's territory rates were at one time expected to increase approximately 40%. There was however, also considerable legislative and regulatory support for the process with the transition ultimately being eased by lower commodities prices along with proactive steps taken by PPL to mitigate rate shock.

Beginning in early 2008, PPL EU conducted a series of electricity purchases through a competitive bidding process. In November 2008, legislation was passed establishing guidelines for all delivery utilities to follow when acquiring power supplies beyond 2010 which includes a prescribed mixture of long-term, short-term and spot purchases. PPL's power purchase plan, which was approved by the PPUC, included a staggered bidding process involving a number of power blocks awarded by PPL EU to suppliers. For its 2010 power requirement, PPL EU completed six planned auctions, securing 100% of the expected needs. The company has also completed five solicitations for the January 2011 through May 2013 period, securing about 80% of its power supply for the first five months of 2011. The price of power procured in the last auction completed in July was $77.25 per MWh for residential customers, while the average prices for the six 2010 load solicitations was $99.48 per MWh for residential customers.

In an effort mitigate the customer impact of the anticipated 2010 rate increase, PPL EU took proactive steps and implemented two programs in 2008 and 2009. The advance-payment program, approved by PPUC in August 2008, allowed customers to make prepayments toward their 2010 and 2011 electric bills to enable them to pay a portion of the anticipated increase over 39 months, beginning October 1, 2008. Approximately 10% of the customers took advantage of this plan. PPL EU has also implemented a second "opt-in" program, whereby customers could elect to defer any 2010 rate increase in excess of 25% over one to two years. At December 31, 2009, PPL EU had recorded a liability of $36 million for these programs. Given the decline in wholesale power prices (around 22% lower in PPL EU's latest solicitation versus initial 2010 procurements), the risk of additional cash deferrals is now significantly lower.

An additional mitigant to rate shock is the fact that approximately 30% of PPL EU's customers have selected an alternate competitive electric supplier, which represents about 48% of the total retail load in its service territory. Generation rates for these consumers rates are generally around 10% lower than they would have been with PPL EU as their provider. Customer "shopping", however, should have limited impact on the operating results of PPL EU, as cost of power for generation is ultimately passed through to customers without margin.

PPL EU's transmission and distribution rate proceedings have generally been non-contentious. Pennsylvania distribution cases have typically been rendered in less than one year with authorized increases in excess of two thirds of the requested amounts. In its current case, filed March 2010, PPL EU requested a $114.7 million revenue increase, based on 11.75% ROE and 48.37% equity ratio. Although the requested increase represents a 13.4% increase in distribution rates, PPL EU estimated that, after consideration of the lower prices of power procured for 2011 versus 2010, its customers' all-in costs would increase by only approximately 2.4%. Under terms of a settlement agreement reached in August 2010, PPL EU will receive a base rate increase of $77.5 million (approximately two thirds of the originally requested amount). The settlement was signed by PPL EU, the Pennsylvania Office of Consumer Advocate (OCA), and the PUC Office of Trial Staff, and an Administrative Law Judge (ALJ) has recommended the settlement be approved. The company anticipates a PPUC decision by the end of 2010, with new rates effective January 2011.

Transmission rates are determined by the Federal Energy Regulatory Commission (FERC). In October 2008, FERC granted PPL EU's request to establish its transmission rates via a forward-looking formula with annual true-ups, which FERC has encouraged as a means to promote investment in transmission. FERC has also awarded incentive rate treatment for PPL EU's participation in a large PJM approved transmission project. The PPUC allows PPL EU rider recovery of any FERC approved transmission charges within its Pennsylvania retail rates.

KU and LG&E

The inclusion of the Kentucky utilities in the consolidated PPL family is viewed positively in terms of overall regulatory supportiveness. Over 90% of LKE's cash flow is generated by its operations in Kentucky, a regulatory environment Moody's considers to be relatively supportive to long-term credit quality with KU and LG&E's regulatory relationships viewed as above the average for U.S. state regulated utilities.

In Kentucky, rate cases are generally required to be settled within one year, construction work in progress is generally allowed in rate base, and the Kentucky Public Service Commission (KPSC) has approved various tracking mechanisms that provide for timely cost recovery, and return on investment outside of a rate case, which significantly reduces regulatory lag.

In its July 2010 order the KPSC approved electric and gas rate increases for LG&E and KU which totaled approximately 75% of the amounts requested in January 2010. The approved ROE ranges were 9.75% - 10.75%. As part of the KPSC approval of PPL's acquisition, the utilities have agreed to a base rate moratorium through January 2013, and a sharing of any earnings in excess of 10.75%. The agreement has no impact on the utilities' ability to seek rate adjustments through their existing fuel and environmental cost adjustment mechanisms.

Approved tracking mechanisms in LG&E's and KU's electric rates include a Fuel Adjustment Clause (FAC), a Environmental Cost Recovery Surcharge (ECR) and a Demand-Side Management Cost Recovery Mechanism (DSM). The FAC is adjusted monthly and allows the company to adjust rates for the difference between the fuel cost component of base rates and the actual fuel costs. Additional charges (or credits) to customers occur if actual fuel costs exceed (or are below) the embedded cost component. The KPSC requires public hearings at six-month intervals to examine past fuel adjustments.

The ECR provides LG&E and KU recovery of costs associated with complying with the Federal Clean Air Act and any other environmental requirement which applies to coal combustion wastes and byproducts. This is an important factor given that the two Kentucky utilities continue to invest significantly in emission control devices. Proceedings are conducted every six-months to evaluate the operation of the ECR. Their rates also include a DSM provision which includes a rate mechanism that provides for concurrent recovery of DSM costs and provides an incentive for implementing DSM programs.

LG&E's natural gas rates contain a Gas Supply Clause (GSC) that provides for quarterly rate adjustments to reflect the expected cost of gas supply in that quarter. The GSC also includes a mechanism whereby any over (or under) recoveries of gas supply costs from prior quarters is refunded (or recovered) from ratepayers.

WPD

Moody's scores WPD's regulatory environment as above average as compared to most U.S. state regulated utilities because it is well established and very transparent. The electricity distribution sector in Great Britain is regulated by the Office of Gas & Electricity Markets (Ofgem) under the Electricity Act 1989, the Utilities Act 2000 and the Energy Act 2004 and 2008. Ofgem has a track record of taking a sophisticated and iterative approach, including shared financial models. The regulatory framework is based on five-yearly settlements that define the companies' revenue entitlement based on an assumption of efficient costs (which in turn stems from benchmarking against peers as well as independent cost assessment) and a fair return on its capital employed (or RAV) which incorporates the required investments. Under this framework, the regulated electricity distribution network operators (DNOs) are subject to efficiency targets. Thus, a key challenge for management is to ensure that its DNO subsidiaries Western Power Distribution (South Wales) (WPD South Wales) and Western Power Distribution South West (WPD South West) remain well positioned, in terms of relative efficiency and capital structure, to accommodate the outcome of future price reviews.

The Final Proposals announced by Ofgem in December 2009 set the price limits for the DNOs in Great Britain for the five-year regulatory period from 1 April 2010 to 31 March 2015 ('DPCR5'). Over that period, WPD South Wales and WPD South West will be allowed to raise prices (after revenue profiling) by 6.2% and 7.5% per annum above inflation, respectively, mainly to fund substantial increases in network investments. Total expenditure allowed by the regulator was only about 1% lower than the DNOs' combined request. This compares favorably with the total allowance for the whole industry, which was 8.4% lower than requested, and reflects the strong level of cost efficiency at WPD South Wales and WPD South West.

While the headline return allowed by Ofgem of 4.0% (post-tax) is materially lower than in the previous regulatory period ('DPCR4'), Moody's notes that the DNOs have been allowed some additional income for, among other things, DPCR5 cost forecasting under the Information Quality Incentive (IQI) mechanism and historical quality of service (CI & CML). For the WPD Group, such additional revenues could amount close to £80 million (in 2007/08 prices) in aggregate over the price control period. The Final Proposals also provide a number of incentives that could significantly improve returns for the best performing companies in the form of additional revenues and the retention of certain cost efficiency savings.

In addition, revenue risk has been somewhat reduced as the volume revenue driver that existed in the previous regulatory period (where revenue allowance was partly linked to the volume of electricity distributed) has been removed for DPCR5. DNOs continue to have very limited exposure to power prices and continue to benefit from a correction factor aimed at offsetting the potential mismatch between allowed and collected revenues.

Volatility and Pressure from Weak Commodities Markets

With the recent Kentucky utilities acquisition PPL's merchant generation business still comprises a significant percentage of its consolidated operations. Although PPL's consolidated cash flows should be more stable and predictable as a result of the acquisition, PPL Supply remains susceptible to volatility and pressure as a result of its exposure to commodity price cycles.

Through 2009, PPL Supply was selling the majority of its output under fixed price contracts with its affiliate, PPL EU. As a result of this arrangement, PPL Supply's cash flows were relatively predictable, but not as robust as would be expected for a Baa2 rated independent unregulated wholesale generating company.

2010 marks the first year that PPL Supply has been able to sell the majority of its generation supply at market rates, and although market prices have declined from the highs experienced in 2008, the company's three year rolling hedge strategy resulted in year to date cash flow that is much more robust than prior years. As market prices have declined, so have the values for which PPL Supply has been able to hedge its future production. As a result, cash flow in 2011 and 2012 is expected to be significantly lower than what is anticipated for calendar year 2010.

PPL has indicated its strong intent to maintain credit metrics appropriate for its ratings. To the extent PPL Supply's cash flow remains under pressure, it may require management to alter capital expenditure and financing plans for this subsidiary, in order to maintain the current Baa2 senior unsecured rating.

The table below summarizes PPL Supply's hedged position as of October 2010[1]. Although, PPL's expected hedge prices have declined, the values still remain somewhat greater than market prices. For example, at the time the data below was presented, PPL Supply saw PJM around the clock average prices at $41 in 2011 and $43 in 2012 versus an expected average price in the east of $63 in 2011 and $64 in 2012. If market prices remain at these levels, pressure on PPL Supply's cash flows will continue. For 2012, which is less hedged, PPL Supply is more susceptible to additional margin deterioration. Cash flow in these years may be more similar to what was experienced in 2008 and 2009.

TABLE 1
PPL Supply Segment Asset Hedge Positions

	2010	2011	2012
Baseload			
Expected Generation * (Million MWhs)	50.3	51.4	54.7
East	41.7	43.1	46.2
West	8.6	8.3	8.5
Current Hedges (%)	100%	97%	68%
East	100%	98%	63%
West	100%	94%	94%
Average Hedged Price (Energy Only) ($/MWh)	$ 59	$ 56	$ 58
East	$ 60	$ 56	$ 59
West	$ 50	$ 54	$ 54
Expected Average Price (Fully Loaded) ($/MWh)	$ 68	$ 61	$ 62
East **	$ 71	$ 63	$ 64
West	$ 50	$ 54	$ 54
% Hedged through Swaps/Options Energy Transactions	97%	96%	67%
% Hedged through Load-following Transactions	3%	1%	1%
Intermediate / Peaking			
Expected Generation (Million MWhs)	6.7	5.3	5.3
Current Hedges (%)	87%	1%	0%
As of October 20, 2010			

* Represents expected sales based on current business plan assumptions
** Represents energy, capacity, congestion, and other revenues
Source: PPL Corporation: 2010 3rd Quarter Earnings Slide (October 28, 2010)

[1] PPL's longer dated hedges are primarily options based. This strategy is intended to reduce margin requirements, protect downside risk and preserves some upside; however, it also creates some variability in the hedged values. The hedged prices presented represent probabilistic outcomes based on individual hedge parameters and PPL's view of the likely movement of forward market prices. Although PPL generally establishes a floor at prevailing market levels, depending on factors such as time to exercise and market volatility, hedges may be expected to settle at values that are different than the floor or ceiling prices at the time the hedge was put in place.

Financial Metrics Appropriate for the Rating

PPL consolidated credit metrics are expected to remain within the Baa ranges identified in Moody's August 2009 Rating Methodology for Regulated Electric and Gas Utilities. PPL's consolidated ratio of cash flow excluding changes in working capital (CFO pre-WC) to debt, calculated in accordance with Moody's standard analytical adjustments, and including the Kentucky utilities, is expected to remain in the mid-teens, while its interest coverage ratio is expected to stay above the 4 times level. At PPL EU, credit metrics are expected to decline significantly from their current robust levels, with CFO pre-WC to debt moving into the low-to-mid teens. The credit metrics of PPL Supply are calculated on a consolidated basis, incorporating its ownership of WPD. Although WPD provides a source of stable regulated cash flows, it is also more highly leveraged than would be appropriate for a similarly rated merchant generation company. In 2009, WPD contributed approximately 30% of PPL Supply's CFO pre-WC and represented approximately 35% of its long-term debt outstanding as of December 31st. For the twelve months ended September 30, 2010,we estimate the ratio of PPL Supply's CFO pre-WC/debt excluding WPD to be approximately 27%.

TABLE 2
CFO Pre-WC Interest Coverage

	2007	2008	2009	LTM 9/30/2010
PPL Corporation	4.0x	3.7x	4.4x	4.2x
PPL Electric Utilities Corp.	5.5x	5.5x	4.9x	3.8x
PPL Energy Supply, LLC	4.4x	3.3x	3.4x	4.6x
Western Power Distribution Holdings Ltd.	3.2x	3.5x	3.6x	NA

TABLE 3
(CFO Pre-WC - Dividends) / Debt

	2007	2008	2009	LTM 9/30/2010
PPL Corporation	16%	11%	13%	14%
PPL Electric Utilities Corp.	28%	23%	15%	12%
PPL Energy Supply, LLC	9%	4%	0%	9%
Western Power Distribution Holdings Ltd.	12%	15%	13%	NA

TABLE 4
CFO Pre-WC / Debt

	2007	2008	2009	LTM 9/30/2010
PPL Corporation	21%	16%	19%	19%
PPL Electric Utilities Corp.	35%	28%	29%	18%
PPL Energy Supply, LLC	22%	15%	13%	22%
Western Power Distribution Holdings Ltd.	14%	17%	14%	NA

TABLE 5
Debt / Total Capitalization

	2007	2008	2009	LTM 9/30/2010
PPL Corporation	51%	59%	55%	53%
PPL Electric Utilities Corp.	45%	50%	43%	42%
PPL Energy Supply, LLC	46%	54%	54%	41%
Western Power Distribution Holdings Ltd.	76%	66%	72%	NA

TABLE 6

Baa-rated parent companies (sorted by 3-year average)

Company	Unsec. Rating	Outlook	CFO Pre-WC / Debt 5yr Avg	3yr Avg	2009	LTM 2Q10
Exelon Corporation	Baa1	Stable	32.3%	34.1%	36.0%	32.6%
Duke Energy Corporation	Baa2	Stable	24.7%	27.7%	22.5%	21.5%
PG&E Corporation	Baa1	Stable	24.5%	26.7%	26.1%	23.3%
Sempra Energy	Baa1	Stable	24.3%	23.3%	22.0%	20.0%
Entergy Corporation	Baa3	Stable	22.0%	21.9%	21.8%	27.5%
Public Service Enterprise Group	Baa2	Stable	17.6%	20.2%	19.1%	21.3%
Xcel Energy	Baa1	Stable	19.8%	20.0%	20.1%	20.7%
PPL Corporation	**Baa3**	**Stable**	18.6%	18.8%	18.8%	17.5%
Ameren Corporation	Baa3	Stable	18.9%	17.3%	20.8%	22.8%
Edison International	Baa2	Stable	18.8%	17.3%	18.1%	18.7%
SCANA Corporation	Baa2	Negative	17.0%	15.4%	11.9%	16.8%
FirstEnergy Corp.	Baa3	Stable	16.5%	15.2%	15.7%	14.6%
American Electric Power Company	Baa2	Stable	15.4%	15.1%	17.6%	16.5%
Progress Energy	Baa2	Stable	15.4%	15.1%	16.9%	16.0%
MidAmerican Energy Holdings Co.	Baa1	Stable	12.7%	13.7%	16.6%	15.5%
Dominion Resources	Baa2	Stable	14.5%	12.6%	18.1%	12.2%

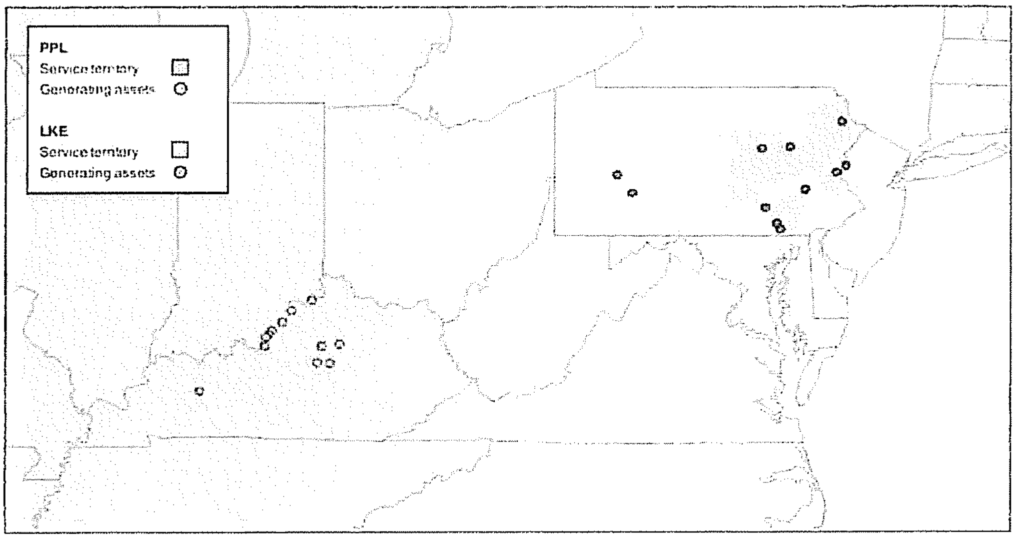
Source: Moody's

Strategically Positioned and Relatively Diverse Generation Portfolio

With approximately 10,700 MWs of wholesale generation resources located primarily within the highly liquid and transparent PJM market along with the strategic positioning of PPL Supply's assets in Montana, we consider PPL's wholesale market and competitive position to be relatively strong. PPL also has generating facilities in New Jersey, Vermont, and New Hampshire.

PPL's regulated operations are conducted in Pennsylvania, the U.K., Kentucky, Tennessee and Virginia, with its regulated generation assets concentrated in Kentucky.

FIGURE 3
U.S. Service Territories



Note: PPL's pre-acquisition territory on the map only includes regulated and unregulated activities in Pennsylvania
Source: PPL Corporation: April 29, 2010 Presentation – Value/Balance/Growth Acquisition of LKE

PPL benefits from a relatively diverse portfolio of fuel resources, including coal, nuclear, gas, and hydro, albeit with a significant exposure to carbon intense fuels, which has been increased as a result of its acquisition of the Kentucky utilities that produce over 90% of their energy from coal.

TABLE 7
PPL Generation Assets

(Pre-Acquisition)	Total System Capacity (MW)*	
By Fuel Type		
Nuclear	2,206	*21%*
Coal	4,179	*39%*
Natural Gas	1,383	*13%*
Natural Gas / Oil	2,137	*20%*
Hydro	776	*7%*
Other	57	*1%*
Total	**10,738**	***100%***
By Location		
Pennsylvania	9,443	*88%*
Montana	1,286	*12%*
New Jersey	5	*0%*
Vermont	3	*0%*
New Hampshire	1	*0%*
Total	**10,738**	***100%***

* Winter rating system capacity at December 31, 2009 Excludes assets that were held for sale or that have been divested in Connecticut, New York, Maine, Pennsylvania, and Illinois

Source. PPL Corporation

TABLE 7
PPL Generation Assets

(Pre-Acquisition)	Total System Capacity (MW)*	
(Assets in Kentucky)		
By Fuel Type		
Nuclear	-	0%
Coal	5,267	70%
Natural Gas	2,164	29%
Hydro	76	1%
Total	**7,507**	**100%**

Source: LKE

Significant Capital Expenditure Plan

For the three year period of 2010 to 2012, PPL plans to invest a total of about $7.2 billion in capital expenditures, comprised of approximately $5.3 billion for its non-Kentucky subsidiaries and $1.9 billion for the LKE subsidiaries. Significant components of the capital budget include plans for approximately 239 MW of incremental capacity at PPL Energy Supply (primarily hydro and nuclear uprates) and PPL EU's replacement of aging transmission and distribution assets along with its PJM-approved transmission project involving the joint construction of a 150-mile, 500-KV line between its Susquehanna substation in eastern Pennsylvania and the Roseland substation in northern New Jersey.

The $1.9 billion plan for the LKE subsidiaries relates to on-going construction of distribution assets, and the redevelopment of the Ohio Falls hydroelectric facility at LG&E, ash pond and landfill projects, and the installation of Flue Gas Desulfurization systems at several of KU's generating units. Continuing regulatory support for the regulated operations' capital projects and PPL management's well-balanced financing strategy will be integral to the company's future credit profile.

TABLE 8
Capital Expenditures: 2010 - 2012

($ Million)	2010	2011	2012	Total 2010-2012
PPL Family (ex LKE)				
Generating facilities	$671	$673	$507	$1,851
Transmission & Distribution	675	853	913	2,441
Environmental	63	19	99	181
Other	115	108	106	329
Sub-Total	**$1,524**	**$1,653**	**$1,625**	**$4,802**
Nuclear Fuel	151	173	171	495
Total	**$1,675**	**$1,826**	**$1,796**	**$5,297**
LG&E and KU Energy	**$610**	**$651**	**$661**	**$1,922**
Total	**$2,285**	**$2,477**	**$2,457**	**$7,219**

Sources: PPL Corp 10-Q (3Q 2010) & E ON US Acquisition Presentation (April 29, 2010)

Sound Liquidity Profile

PPL maintains an adequate liquidity profile, with sufficient credit facilities to support its operations. On a consolidated basis in 2009, cash flow from operations of approximately $1.9 billion was sufficient to cover PPL's outlays including approximately $1.2 billion of capital expenditures and approximately $520 million of common stock dividends. In 2010, cash flow is expected to be well in excess of $2 billion which will be more than sufficient to cover capital expenditures and dividends for the year. In 2011, primarily as result of lower merchant power prices, PPL's consolidated cash flows are anticipated to decline, and are not expected to cover planned capital expenditures (including those at LKE) and common dividends. Shortfalls are expected to be met via a combination of debt and equity financing.

During 2010, PPL's acquisition of LKE required approximately $6.8 billion which was funded via a balanced combination of debt and equity. In June 2010, PPL completed the sale of 103.5 million shares of common stock and issued approximately $1.15 billion of equity linked debt securities, generating total proceeds of approximately $3.5 billion in permanent capital. Also in June PPL obtained a new $4 billion credit facility at PPL Supply, which was executed on October 19th with approximately $3 billion drawn to initially complete the LKE acquisition on November 1st. PPL subsequently issued approximately $1.5 billion of first mortgage bonds at KU, $535 million of first mortgage bonds at LG&E and $875 million of senior unsecured notes at LKE which were used to repay the PPL Supply credit facility. On November 18th, PPL reduced the size of PPL Supply's revolver to $3 billion.

As a holding company, PPL's primary source of liquidity is the dividends it receives from its operating subsidiaries. In 2009, PPL received dividends of approximately $1.2 billion, including approximately $940 million from PPL Supply plus approximately $290 million from PPL EU, which was more than sufficient to cover its overhead costs, interest expense at PPL Capital Funding of approximately $40 million, as well as dividends to common shareholders of approximately $520 million. We anticipate 2010 full year dividend funds will again be sufficient to cover overhead costs, interest expenses at PPL Capital Funding and PPL's common stock dividends. Going forward, we expect total dividends from subsidiaries (including LKE) to be approximately $900 million, sufficient to cover common dividends of approximately $700 million and parent level interest expense of approximately $145 million.

While PPL has no parent level debt outstanding, it does fully guarantee all of the debt at PPL Capital, which has no debt maturities until 2047. At the subsidiary level, PPL EU's nearest debt maturity is November 2013, when $400 million of senior secured notes are due. At LKE, the nearest maturities are $400 million of senior unsecured notes due 2015, and $250 million of first mortgage bonds at each of KU and LGE also due in 2015. PPL Supply's nearest debt maturity is $500 million of senior notes due November 2011. At PPL's U.K. subsidiaries, there is no maturing debt until 2017. The U.K. subsidiary debt continues to be non-recourse to PPL Supply or PPL.

As of September 30, 2010, PPL's subsidiaries had external liquidity facilities totaling approximately $4.6 billion in committed facilities to support their short-term liquidity needs, of which approximately $4.1 billion was immediately available. These facilities were scheduled to expire between 2011 and 2013.

TABLE 9

Liquidity Profile as of September 30, 2010

($ Million / £ Million)	Cash and Cash Equivalents	Credit Facility	Expiraton Date	Total Capacity	Borrowings & LCs	Unused Capacity
PPL Corporation	$4,853	None		NA	NA	NA
PPL Energy Supply, LLC [1][2]	$4,442	5-year Credit Facility	Jun-12	$3,225	$5	$3,220
		3-year Bilateral Credit Facility	Mar-13	$200	$85	$115
		5-year Structured Credit Facility	Mar-11	$300	$143	$157
				$3,725	**$233**	**$3,492**
PPL Electric Utilities Corp. [3]	$297	5-year Credit Facility	May-12	$190	$13	$177
		Asset-backed Credit Facility	Jul-11	$150	$0	$150
WPD Holdings Ltd.	£188	3-year Credit Facility	Jul-12	£210	£0	£210
		5-year Credit Facility	Jan-13	£150	£121	£29
		Uncommitted Credit Facilities		£63	£3	£60
Total [4]				**$4,698**	**$431**	**$4,266**

[1] Credit facility information Includes domestic facilities only Cash-on-hand information includes cash held by WPD Holdings

[2] In October 2010, PPL Energy Supply terminated the $3 2 billion 5-year facility and installed a $4 billion facility PPL Energy Supply subsequently borrowed $3 2 billion from the new revolver to help fund a portion of financings required for E ON U S acquisition

[3] Out of the $340 million facility capacity, the $190 million 5-year facility expiring in May 2012 has been replaced by a new $200 million facility expiringin December 31, 2014, upon the close of E ON U S transaction

[4] USD to UK Pounds conversion rate was approximately 1 496, implied by PPL's disclosure of liquidity figures in both currencies in its 3Q 2010 10-Q

In conjunction with the E.ON U.S. transaction, PPL replaced and extended the majority of its domestic facilities. PPL Supply's previous $3.2 billion 5-year facility was replaced by a new $4 billion facility expiring December 2014, and PPL EU's previous $190 million facility was replaced by a new $200 million syndicated facility also expiring December 2014. PPL also established a $400 million four-year credit facility at each of LG&E and KU.

In addition to the new $4 billion 5-year facility (subsequently reduced to $3 billion), in November 2010, PPL Supply's marketing subsidiary, PPL Energy Plus LLC, put in place an $800 million secured energy marketing and trading facility, guaranteed by PPL Supply, which company will able to use to satisfy collateral posting obligations with counterparties participating in the facility. The facility expires in October 2015.

PPL's credit facilities each contain one financial covenant; a maximum debt to capitalization ratio of 65% at PPL Supply and 70% at LG&E and KU. None of these facilities, however, contain a material adverse change (MAC) clause.

TABLE 10

Domestic Credit Facilities as of November 1, 2010 (Post Acqusition)

Entity	Facility	Expiration Date	Total Facilities
($ millions)			
PPL Energy Supply, LLC	Multi-year Credit Facility	Dec-14	$ 4000 *
	3-year Bilateral Credit Facility	Mar-13	200
	Secured Trading Facility	Sep-15	800
			5,000
PPL Electric Utilities Corp.	Multi-year Credit Facility	Dec-14	200
	Asset-backed Credit Facility	Jul-11	150
Louisville Gas & Electric	Multi-year Credit Facility	Dec-14	400
Kentucky Utilities	Multi-year Credit Facility	Dec-14	400
Total Domestic Credit Facilities			$6,150

* Reduced to $3 billion as of November 18, 2010

Conclusion

PPL Corporation is well positioned at its Baa3 Issuer Rating. The rating and stable outlook is supported by the additional regulatory scale, diversity and cash flow predictability that comes from its acquisition of the Kentucky utilities and our expectation that going forward, over 50% of PPL's assets and cash flows will be associated with regulated operations, a strong credit positive. Regulatory relationships will continue to be a key factor driving ratings, particularly as PPL implements significant capital expenditure programs at all of its utility subsidiaries. PPL's wholesale generating subsidiary, PPL Supply, benefits from a relatively strong market and competitive position stemming from its base-load generation portfolio which is located primarily near load serving entities within the highly liquid and transparent PJM market. However, the company still faces challenges from weakened commodities markets which are likely to put pressure on its credit metrics and may require management to alter capital expenditure and/or financing plans to maintain PPL Supply's current Baa2 senior unsecured rating.

Appendix – Key Financials

PPL Corporation
($ Thousands, as Adjusted)

	2006	2007	2008	2009	LTM3Q10
Interest Expense	$516,236	$576,020	$611,169	$532,483	$668,964
CFO	$1,860,149	$1,562,472	$1,622,326	$1,914,660	$2,354,917
Change in w/c	$161,000	$(178,000)	$(9,000)	$106,000	$189,000
CFO-w/c	$1,699,149	$1,740,472	$1,631,326	$1,808,660	$2,165,917
Change in other A&L	$(5,000)	$(110,000)	$(87,000)	$(3,000)	$(193,000)
FFO	$1,704,149	$1,850,472	$1,718,326	$1,811,660	$2,358,917
Dividends	$(394,816)	$(453,472)	$(489,660)	$(515,660)	$(517,917)
CFO-w/c-dividends	$1,304,333	$1,287,000	$1,141,667	$1,293,000	$1,648,000
RCF (FFO-Div)	$1,309,333	$1,397,000	$1,228,667	$1,296,000	$1,841,000
CapEx	$(1,431,333)	$(1,702,000)	$(1,741,667)	$(1,297,000)	$(1,453,000)
FCF	$34,000	$(593,000)	$(609,000)	$102,000	$384,000
As Rpt STD	$42,000	$92,000	$679,000	$639,000	$181,000
As Rpt Gross Debt	$7,835,000	$7,568,000	$7,838,000	$7,143,000	$8,839,000
As Rpt Total Debt	$7,877,000	$7,660,000	$8,517,000	$7,782,000	$9,020,000
Change in Debt		$(217,000)	$857,000	$(735,000)	$1,238,000
Pension Adjustment	$370,000	$69,000	$904,000	$1,290,000	$1,290,000
Lease Adjustment	$423,730	$417,071	$470,916	$478,430	$478,430
Other Adjustment	$301,000	$51,000	$51,000	$51,000	$751,000
Total Adjustments	$1,094,730	$537,071	$1,425,916	$1,819,430	$2,519,430
Total Adj Debt	$8,971,730	$8,197,071	$9,942,916	$9,601,430	$11,539,430
Minority Interest	$60,000	$19,000	$319,000	$319,000	$268,000
Total Adj Equity	$5,122,000	$5,761,592	$4,987,069	$5,410,592	$7,538,592
Deferred Tax Liability (LT)	$2,331,000	$2,180,408	$1,742,931	$2,143,408	$2,458,408
Total Adj Capitalization	$16,484,730	$16,158,071	$16,991,916	$17,474,430	$21,804,430
(CFO-w/c + Interest) / Interest	4.3x	4 0x	3.7x	4 4x	4.2x
(CFO-w/c) / Debt	18 9%	21 2%	16 4%	18.8%	18.8%
FFO / Debt	19 0%	22.6%	17.3%	18.9%	20.4%
(CFO-w/c - Dividends) / Debt	14 5%	15 7%	11.5%	13.5%	14 3%
RCF / Debt	14.6%	17 0%	12.4%	13.5%	16.0%
Debt / Capitalization	54 4%	50.7%	58.5%	54 9%	52.9%
FCF / Debt	0.4%	-7 2%	-6 1%	1 1%	3.3%

PPL Electric Utilties Corporation
($ Thousands, as Adjusted)

	2006	2007	2008	2009	LTM3Q10
Interest Expense	$160,526	$142,813	$140,324	$143,108	$123,997
CFO	$579,474	$560,188	$640,188	$286,188	$328,188
Change in w/c	$15,000	$(76,000)	$13,000	$(275,000)	$(21,000)
CFO-w/c	$564,474	$636,188	$627,188	$561,188	$349,188
Change in other A&L	$(13,000)	$1,000	$11,000	$1,000	$(58,000)
FFO	$577,474	$635,188	$616,188	$560,188	$407,188
Dividends	$(110,141)	$(129,188)	$(108,188)	$(284,188)	$(126,188)
CFO-w/c-dividends	$454,333	$507,000	$519,000	$277,000	$223,000
RCF (FFO-Div)	$467,333	$506,000	$508,000	$276,000	$281,000
CapEx	$(296,333)	$(286,000)	$(275,000)	$(298,000)	$(363,000)
FCF	$173,000	$145,000	$257,000	$(296,000)	$(161,000)
As Rpt STD	$42,000	$41,000	$95,000	$ -	$ -
As Rpt Gross Debt	$1,978,000	$1,674,000	$1,769,000	$1,472,000	$1,472,000
As Rpt Total Debt	$2,020,000	$1,715,000	$1,864,000	$1,472,000	$1,472,000
Change in Debt		$(305,000)	$149,000	$(392,000)	$ -
Pension Adjustment	$ -	$ -	$264,600	$309,400	$309,400
Lease Adjustment	$66,000	$ -	$ -	$ -	$ -
Other Adjustment	$125,000	$125,000	$125,000	$125,000	$125,000
Total Adjustments	$191,000	$125,000	$389,600	$434,400	$434,400
Total Adj Debt	$2,211,000	$1,840,000	$2,253,600	$1,906,400	$1,906,400
Minority Interest	$ -	$ -	$ -	$ -	$ -
Total Adj Equity	$1,434,000	$1,461,000	$1,521,000	$1,771,000	$1,815,000
Deferred Tax Liability (LT)	$814,000	$763,000	$767,000	$769,000	$811,000
Total Adj Capitalization	$4,459,000	$4,064,000	$4,541,600	$4,446,400	$4,532,400
(CFO-w/c + Interest) / Interest	4.5x	5.5x	5.5x	4.9x	3.8x
(CFO-w/c) / Debt	25.5%	34.6%	27.8%	29.4%	18.3%
FFO / Debt	26.1%	34.5%	27.3%	29.4%	21.4%
(CFO-w/c - Dividends) / Debt	20.5%	27.6%	23.0%	14.5%	11.7%
RCF / Debt	21.1%	27.5%	22.5%	14.5%	14.7%
Debt / Capitalization	49.6%	45.3%	49.6%	42.9%	42.1%
FCF / Debt	7.8%	7.9%	11.4%	-15.5%	-8.4%

PPL Energy Supply, LLC
($ Thousands, as Adjusted)

	2006	2007	2008	2009	LTM3Q10
Interest Expense	$307,216	$363,000	$445,317	$389,640	$452,027
CFO	$1,331,667	$1,115,000	$1,088,966	$1,481,072	$1,907,072
Change in w/c	$140,000	$(124,000)	$78,000	$533,000	$299,000
CFO-w/c	$1,191,667	$1,239,000	$1,010,966	$948,072	$1,608,072
Change in other A&L	$(14,000)	$(85,000)	$(170,701)	$(261,928)	$(250,928)
FFO	$1,205,667	$1,324,000	$1,181,667	$1,210,000	$1,859,000
Dividends *	$(712,000)	$(759,000)	$(750,000)	$(943,000)	$(968,000)
CFO-w/c-dividends	$479,667	$480,000	$260,966	$5,072	$640,072
RCF (FFO-Div)	$493,667	$565,000	$431,667	$267,000	$891,000
CapEx	$(1,037,667)	$(1,379,000)	$(1,431,667)	$(968,000)	$(1,056,000)
FCF	$(418,000)	$(1,023,000)	$(1,092,701)	$(429,928)	$(116,928)
As Rpt STD	$-	$51,000	$584,000	$639,000	$181,000
As Rpt Gross Debt	$5,376,000	$5,070,000	$5,196,000	$5,031,000	$5,562,000
As Rpt Total Debt	$5,376,000	$5,121,000	$5,780,000	$5,670,000	$5,743,000
Change in Debt		$(255,000)	$659,000	$(110,000)	$73,000
Pension Adjustment	$246,000	$-	$639,400	$980,600	$980,600
Lease Adjustment	$423,730	$417,071	$470,916	$478,430	$478,430
Other Adjustment	$-	$-	$-	$-	$-
Total Adjustments	$669,730	$417,071	$1,110,316	$1,459,030	$1,459,030
Total Adj Debt	$6,045,730	$5,538,071	$6,890,316	$7,129,030	$7,202,030
Minority Interest	$60,000	$19,000	$18,000	$18,000	$18,000
Total Adj Equity	$4,518,320	$5,162,282	$4,755,304	$4,529,345	$8,578,345
Deferred Tax Liability (LT)	$1,358,680	$1,402,718	$1,100,696	$1,504,655	$1,784,655
Total Adj Capitalization	$11,982,730	$12,122,071	$12,764,316	$13,181,030	$17,583,030
(CFO-w/c + Interest) / Interest	4.9x	4.4x	3.3x	3.4x	4.6x
(CFO-w/c) / Debt	19.7%	22.4%	14.7%	13.3%	22.3%
FFO / Debt	19.9%	23.9%	17.1%	17.0%	25.8%
(CFO-w/c - Dividends) / Debt	7.9%	8.7%	3.8%	0.1%	8.9%
RCF / Debt	8.2%	10.2%	6.3%	3.7%	12.4%
Debt / Capitalization	50.5%	45.7%	54.0%	54.1%	41.0%
FCF / Debt	-6.9%	-18.5%	-15.9%	-6.0%	-1.6%

* Dividends in 2007 adjusted for special dividends to PPL Corp. associated with Latin American asset sales.

Western Power Distribution Holdings
(£ Thousands, as Adjusted)

	2006	2007	2008	2009
Net Interest Expense	£92,180	£85,988	£79,642	£85,242
Capital Charges	£107,200	£121,400	£122,404	£148,429
CFO	£232,533	£282,333	£289,033	£267,233
Change in w/c	£5,300	£74,900	£59,200	£28,600
CFO-w/c	£227,233	£207,433	£229,833	£238,633
Change in other A&L	£-	£-	£-	£-
FFO	£227,233	£207,433	£229,833	£238,633
Dividends	£(15,000)	£(33,500)	£(30,000)	£(18,800)
CFO-w/c-dividends	£212,233	£173,933	£199,833	£219,833
RCF (FFO-Div)	£212,233	£173,933	£199,833	£219,833
CapEx	£(180,033)	£(208,633)	£(211,733)	£(221,133)
FCF	£37,500	£40,200	£47,300	£27,300
As Rpt STD	£8,600	£8,800	£10,300	£9,100
As Rpt Gross Debt	£1,063,400	£1,211,400	£1,129,500	£1,300,600
As Rpt Total Debt	£1,072,000	£1,220,200	£1,139,800	£1,309,700
Change in Debt		£148,200	£(80,400)	£169,900
Pension Adjustment	£172,900	£160,800	£90,300	£329,400
Lease Adjustment	£12,000	£15,600	£17,400	£19,200
Other Adjustment	£91,300	£89,400	£74,200	£(9,500)
Total Adjustments	£276,200	£265,800	£181,900	£339,100
Total Adj Debt	£1,348,200	£1,486,000	£1,321,700	£1,648,800
Minority Interest	£-	£-	£-	£-
Total Adj Equity	£77,300	£150,000	£342,300	£362,800
Deferred Tax Liability (LT)	£308,900	£322,800	£325,600	£264,500
Total Adj Capitalization	$ 1,734,400	$ 1,958,800	$ 1,989,600	$ 2,276,100
Adj Net Debt	£1,343,800	£1,330,500	£1,252,000	£1,644,400
RAV (Regulatory Asset Value)	£1,587,200	£1,669,600	£1,694,900	£1,772,900
(CFO-w/c + Interest) / Interest	3.5x	3.4x	3.9x	3.8x
(CFO-w/c) / Debt	16.9%	14.0%	17.4%	14.5%
FFO / Debt	16.9%	14.0%	17.4%	14.5%
(CFO-w/c - Dividends) / Debt	15.7%	11.7%	15.1%	13.3%
RCF / Debt	15.7%	11.7%	15.1%	13.3%
Debt / Capitalization	77.7%	75.9%	66.4%	72.4%
Adjusted ICR	2.3x	2.0x	2.3x	2.1x
Net Debt / RAV	84.7%	79.7%	73.9%	92.8%
FFO / Net Debt	16.9%	15.6%	18.4%	14.5%
RCF / Capex	1.2x	0.8x	0.9x	1.0x

Louisville Gas and Electric Company

($ Thousands, as Adjusted)

	2006	2007	2008	2009	LTM3Q10
Interest Expense	$45,688	$52,467	$68,509	$52,716	$49,981
CFO	$337,333	$191,333	$193,000	$324,000	$215,000
Change in w/c	$88,000	$(46,000)	$(72,000)	$53,000	$(113,000)
CFO-w/c	$249,333	$237,333	$265,000	$271,000	$328,000
Change in other A&L	$(14,000)	$(38,000)	$47,000	$(16,000)	$(5,000)
FFO	$263,333	$275,333	$218,000	$287,000	$333,000
Dividends	$(99,000)	$(69,000)	$(40,000)	$(80,000)	$(55,000)
CFO-w/c-dividends	$150,333	$168,333	$225,000	$191,000	$273,000
RCF (FFO-Div)	$164,333	$206,333	$178,000	$207,000	$278,000
CapEx	$(149,333)	$(206,333)	$(247,000)	$(190,000)	$(171,000)
FCF	$89,000	$(84,000)	$(94,000)	$54,000	$(11,000)
As Rpt STD	$68,000	$78,000	$222,000	$170,000	$122,000
As Rpt Gross Debt	$820,000	$984,000	$896,000	$896,000	$896,000
As Rpt Total Debt	$888,000	$1,062,000	$1,118,000	$1,066,000	$1,018,000
Change in Debt		$174,000	$56,000	$(52,000)	$(48,000)
Pension Adjustment	$52,000	$13,000	$143,000	$116,000	$116,000
Lease Adjustment	$30,000	$30,000	$36,000	$36,000	$36,000
Other Adjustment	$-	$-	$-	$-	$-
Total Adjustments	$82,000	$43,000	$179,000	$152,000	$152,000
Total Adj Debt	$970,000	$1,105,000	$1,297,000	$1,218,000	$1,170,000
Minority Interest	$-	$-	$-	$-	$-
Total Adj Equity	$1,164,000	$1,161,000	$1,234,000	$1,253,000	$1,315,000
Deferred Tax Liability (LT)	$333,000	$342,000	$360,000	$373,000	$416,000
Total Adj Capitalization	$2,467,000	$2,608,000	$2,891,000	$2,844,000	$2,901,000
(CFO-w/c + Interest) / Interest	6.5x	5.5x	4.9x	6.1x	7.6x
(CFO-w/c) / Debt	25.7%	21.5%	20.4%	22.2%	28.0%
FFO / Debt	27.1%	24.9%	16.8%	23.6%	28.5%
(CFO-w/c - Dividends) / Debt	15.5%	15.2%	17.3%	15.7%	23.3%
RCF / Debt	16.9%	18.7%	13.7%	17.0%	23.8%
Debt / Capitalization	39.3%	42.4%	44.9%	42.8%	40.3%
FCF / Debt	9.2%	-7.6%	-7.2%	4.4%	-0.9%

Kentucky Utilities Company

($ Thousands, as Adjusted)

	2006	2007	2008	2009	LTM3Q10
Interest Expense	$43,905	$59,232	$83,044	$83,950	$85,835
CFO	$227,000	$318,000	$298,000	$266,667	$376,667
Change in w/c	$(46,000)	$(1,000)	$(10,000)	$(87,000)	$(72,000)
CFO-w/c	$273,000	$319,000	$308,000	$353,667	$448,667
Change in other A&L	$(25,000)	$(6,000)	$(5,000)	$7,000	$104,000
FFO	$298,000	$325,000	$313,000	$346,667	$344,667
Dividends	$-	$-	$-	$-	$(50,000)
CFO-w/c-dividends	$273,000	$319,000	$308,000	$353,667	$398,667
RCF (FFO-Div)	$298,000	$325,000	$313,000	$346,667	$294,667
CapEx	$(351,000)	$(749,000)	$(692,000)	$(522,667)	$(362,667)
FCF	$(124,000)	$(431,000)	$(394,000)	$(256,000)	$(36,000)
As Rpt STD	$97,000	$23,000	$16,000	$45,000	$61,000
As Rpt Gross Debt	$843,000	$1,264,000	$1,532,000	$1,682,000	$1,682,000
As Rpt Total Debt	$940,000	$1,287,000	$1,548,000	$1,727,000	$1,743,000
Change in Debt		$347,000	$261,000	$179,000	$16,000
Pension Adjustment	$50,000	$20,000	$123,000	$97,000	$97,000
Lease Adjustment	$36,000	$36,000	$54,000	$60,000	$60,000
Other Adjustment	$-	$-	$-	$-	$-
Total Adjustments	$86,000	$56,000	$177,000	$157,000	$157,000
Total Adj Debt	$1,026,000	$1,343,000	$1,725,000	$1,884,000	$1,900,000
Minority Interest	$-	$-	$-	$-	$-
Total Adj Equity	$1,193,000	$1,435,000	$1,744,000	$1,952,000	$2,029,000
Deferred Tax Liability (LT)	$289,000	$285,000	$279,000	$336,000	$378,000
Total Adj Capitalization	$2,508,000	$3,063,000	$3,748,000	$4,172,000	$4,307,000
(CFO-w/c + Interest) / Interest	7.2x	6.4x	4.7x	5.2x	6.2x
(CFO-w/c) / Debt	26.6%	23.8%	17.9%	18.8%	23.6%
FFO / Debt	29.0%	24.2%	18.1%	18.4%	18.1%
(CFO-w/c - Dividends) / Debt	26.6%	23.8%	17.9%	18.8%	21.0%
RCF / Debt	29.0%	24.2%	18.1%	18.4%	15.5%
Debt / Capitalization	40.9%	43.8%	46.0%	45.2%	44.1%
FCF / Debt	-12.1%	-32.1%	-22.8%	-13.6%	-1.9%

Moody's Related Research

Industry Outlook:

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Rating Methodologies:

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» Unregulated Utilities and Power Companies, August 2009 (118508)

» Regulated Electric and Gas Networks, August 2009 (118786)

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» Cost Recovery Provisions Key to Investor Owned Utility Ratings and Credit Quality, June 2010 (122304)

» Liquidity: A Key Component to Investor-Owned Utility Ratings and Credit Quality, September 2010 (127546)

» Evaluating the Leverage of Unregulated Power Companies, October 2009 (120835)

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Report Number: 129251

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MOODY'S
INVESTORS SERVICE

Attachment to Question No. 6

Arbough

MOODY'S
INVESTORS SERVICE

Rating Action: Moody's downgrades the Issuer Ratings for E.ON U.S. and its subsidiaries

Global Credit Research - 25 Oct 2010

New York, October 25, 2010 -- Moody's Investors Service today downgraded the Issuer Rating of E.ON U.S. LLC (E.ON U.S.) to Baa2 from A3 and the Issuer Ratings of its two utility subsidiaries, Kentucky Utilities Company (KU) and Louisville Gas and Electric Company (LG&E), to Baa1 from A2. Moody's also downgraded KU and LG&E's short-term ratings for variable rate demand debt to Prime-2 from Prime-1. These rating actions conclude the review for possible downgrade that commenced on April 29, 2010. The rating outlooks for E.ON U.S., KU and LG&E are stable.

Separately, Moody's confirmed KU and LG&E's outstanding tax-exempt debt at A2. The rating confirmation considers that, in the case of LG&E, the formerly unsecured debt has been secured with first mortgage bonds provided to the trustee and, while KU's bonds are currently unsecured, the utility intends to secure them in a similar manner over the next week. It is Moody's policy to generally rate first mortgage bonds of investment-grade rated utilities two alpha-numeric ratings higher than its Issuer Rating or senior unsecured debt rating.

RATINGS RATIONALE

The downgrade of E.ON U.S., KU and LG&E's Issuer Ratings follows receipt of several regulatory approvals, most notably from the Kentucky Public Service Commission (KPSC), relating to the proposed sale of E.ON U.S. by E.ON AG (E.ON: A2 senior unsecured) to PPL Corp. (PPL: Baa3 senior unsecured) for approximately $7.625 billion.

While approval from the FERC remains outstanding, we believe there is a high probability that it will be received and that the transaction will close in a matter of weeks. Upon closing of the transaction, E.ON U.S. will become a subsidiary of PPL and will be renamed LG&E and KU Energy LLC (LKE), with KU and LG&E remaining as distinct and separate operating entities. In the unlikely scenario that the merger is not consummated, the Issuer Ratings for E.ON U.S., LG&E and KU would likely revert back to their respective prior assigned levels.

"E.ON's ownership of E.ON U.S., KU and LG&E was an important factor supporting their prior respective Issuer Ratings" said Moody's Vice President Scott Solomon. "Specifically, E.ON's size, scale and credit profile provided liquidity and financial flexibility in the form of significant inter-company funding along with a liberal dividend policy that strengthened the related company's respective financial position and provided ratings lift".

Today's downgrades were triggered by the expected near-term transfer of ownership and the elimination of any ratings lift. E.ON U.S., KU and LG&E's ratings, however, are well positioned within their newly assigned rating categories and reflective of sound financial metrics and a generally supportive regulatory environment that provides for above-average cost recovery. Fluctuations in KU and LG&E's cost of fuel and purchased power, for instance, are recoverable with minimal regulatory lag while investments and costs borne by the utilities in order to remain compliant with the Clean Air Act are recoverable through an environmental surcharge mechanism.

KU and LG&E's ratio of consolidated cash flow before changes in working capital (CFO pre W/C) to debt and CFO pre-W/C interest coverage for the twelve months ended June 30, 2010, were each approximately 20% and 5.6 times, respectively. Financial metrics for both utilities are expected to trend modestly upward over the near-term due in large part to rate increases that became effective in August 2010. That being said, both utilities are expected to increase their respective dividend payments under PPL ownership. E.ON U.S. is expected to generate consolidated CFO pre-W/C to debt metrics in the mid-to-upper teens and CFO pre-W/C interest coverage above 4 times, placing it firmly in the mid-Baa rating category.

KU and LG&E, combined, had approximately $2.6 billion of long-term debt outstanding at December 31, 2009. Of this amount, approximately 70% was intercompany debt provided by E.ON affiliates (the remaining 30% is tax-exempt debt that will remain outstanding). While the absolute amount of debt at KU and LGE is not expected to be impacted by the proposed acquisition, PPL anticipates ultimately refinancing the intercompany debt with first mortgage bond debt offerings at KU and LG&E and senior unsecured debt at LKE (the renamed E.ON U.S.)

Moody's Issuer Ratings are an opinion of the ability of an entity to honor its senior unsecured financial obligations. Specific debt issues may be rated differently and are considered unrated unless rated by Moody's. That being said, it is Moody's expectation that any debt offering by LKE would likely be rated Baa2.

The KPSC's approval of the acquisition included two commitments affecting rates. The first places a moratorium on any base rate increases by KU and LG&E until 1/1/13. The second provision establishes a mechanism under which earnings at the utilities in excess of a 10.75% ROE will be shared equally between ratepayers and shareholders. The agreement has no impact on the utilities' ability to seek rate adjustments through their existing fuel and environmental cost adjustment mechanisms.

The stable outlook considers the modest expected improvement in financial metrics over the near-term and the supportive regulatory environment in which the utilities operate.

Upward pressure may materialize for KU and LG&E if they achieve financial metrics such as CFO pre-WC to debt in excess of 25% and retained cash flow to debt of greater than 17% on a sustainable basis. LKE's rating may be upgraded if it achieves consolidated CFO pre-WC to debt in excess of 19% on a sustainable basis.

KU, LG&E and LKE's ratings could be downgraded should the utilities encounter unexpected problems integrating with PPL or if unexpected changes are made to the regulatory compact that currently provides for timely recovery of costs. Financial metrics that may trigger downward rating pressure include, for KU and LG&E, ratios of CFO pre-WC to debt of below 16% or, in the case of LKE, below 13%.

The principal methodology used in rating E. ON U.S. LLC was Regulated Electric and Gas Utilities rating methodology published in August 2009. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found on Moody's website.

E.ON U.S. LLC is headquartered in Louisville, Kentucky.

REGULATORY DISCLOSURES

Information sources used to prepare the credit rating are the following: parties involved in the ratings, parties not involved in the ratings, public information, confidential and proprietary Moody's Investors Service's information, confidential and proprietary Moody's Analytics' information.

Moody's Investors Service considers the quality of information available on the issuer or obligation satisfactory for the purposes of maintaining a credit rating.

MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process.

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Attachment to Question No. 6

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February 8, 2010

PPL Corp.

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PPL Corp.

Major Rating Factors

Corporate Credit Rating

BBB/Negative/NR

Strengths:

- Stable cash flow generation through hedging activities,
- The 2010 request for proposals averaged a high $99 per MWh,
- Well above the $54 per MWh full requirements prices,
- Regulatory support for the rate mitigation for 2010,
- Some operating diversity in the merchant generation fleet.

Weaknesses:

- Weaker business risk profile after the expiration of a long-term contract with affiliate PPLEU,
- Lower wholesale power and natural gas prices and higher volatility in energy and commodity prices over the past year,
- Lingering regulatory uncertainty over transition to competitive markets in Pennsylvania,
- Negative free cash flow in 2009, and
- Unanticipated trading operations that resulted in a MTM loss in 2008 raised concerns about risk appetite, tolerance levels and efficacy of risk management.

Rationale

The ratings on PPL Corp. predominantly reflect the business and financial risk profile of supply subsidiary PPL Energy Supply LLC (PPL Energy). Given the legal ring-fencing provisions in place, Standard & Poor's analyzes PPL Electric Utilities Corp. (PPLEU) and Western Power Distribution Holdings Ltd. (WPD) as equity investments, with dividends to PPL as their primary contribution to the consolidated entity. The lower-risk dividends from these two companies, which contribute about 20% to PPL's cash flow, temper the merchant risk from PPL Energy.

The expiration of the long-term PPLEU's POLR supply contract, which hitherto provided cash flow stability, at the end of 2009, has increased volatility of realized margins and PPL's liquidity requirements for collateral. As a result, PPL's and PPL Energy's business risk profiles are "satisfactory" compared with the "strong" position that the company enjoyed under the nine-year POLR supply plan with affiliate PPLEU (business positions of merchant generators are rated from excellent to vulnerable). While PPL's cash flow is expected to improve because the company has contracted much of its 2010 and 2011 generation at price levels that are substantially higher than the capped prices in 2009, the negative outlook reflects execution risks associated with PPL's ability to achieve stronger financial metrics and counter the higher business risk that will come attendant with its greater merchant exposure.

During the past two to three years, PPL Energy has actively reduced its merchant exposure. Because there was uncertainty surrounding the shape and form of PPLEU's post-transition supply procurement, PPL Energy has progressively entered forward swaps/options energy transactions for physical and financial delivery with utilities/financial counterparties. Unlike the contract with PPLEU, these block sales of power have no load following obligations. From a credit standpoint, we view these contracts as less risky because load following contracts can result in larger liquidity requirements, should prices move adversely from the prices contracted. Furthermore, these contracts expose PPL Energy's margins to market risks, including, but not limited to, load shaping, fuel, and volume risks.

PPL Energy's generation is currently about 99% hedged in 2010. Also, the bulk of total projected margin is under contract through 2011 with more than 88% of generation hedged in that year. Yet, the company is exposed to the vicissitudes of the wholesale merchant markets because its fleet is essentially a price taker. The hedged percentage drops off to about 55% in 2012 and points to the need for PPL Energy to constantly enter into new contracts to mitigate cash flow volatility. While PPL Energy has hedged a high proportion of its economic generation at expected average prices of $68-$70 per MWh, and at margins consistent with its business plans, these forward contracts were partly entered into when market prices were still high. Margins will likely erode, should the economic slowdown linger (forward prices are already lower) and as contracts roll off and can only be renewed at lower price levels.

Despite major regulatory risks having ebbed, PPL's business profile is somewhat tempered by uncertainty about the future of competitive markets in Pennsylvania. The Pennsylvania legislation and the Pennsylvania Public Utilities Commission (PPUC) have generally been supportive of deregulation, and there have been no significant opposition to the transition to markets or to the implementation of new rates. Still, the increase in supply costs for PPLEU's POLR requirement results in a 27% increase in overall rates--an increase that we view as material. The increase in PPLEU's rates is all the more conspicuous, in our view, because the rates will increase disproportionately compared with supply cost increases of other utilities that are also coming off their transition plans.

Recognizing the regulatory risk posed by a rate shock, in 2008, PPLEU filed a rate smoothing plan that offers customers a phase-in plan to blend into higher rates in 2010 by making additional payments during October 2008 through 2009. The plan was approved by the PPUC, which we believe has mitigated regulatory risks to an extent as it results in relatively moderate (5%-8%) annual increments to customer bills during 2008-2012, instead of a one-time increase in 2010. As a result of such deferral plans, we believe the transition to market presents a diminished probability of major adverse legislative or regulatory outcomes.

The low price embedded in the rates in 2009 were expected to pressure margins as they reflect a historic cost structure that is adjusted by an inflationary factor but does not reflect current costs. Yet, we expect financial metrics to improve in 2009 compared with the 2008 levels as operational issues have been resolved and coal prices have declined since the highs in 2008. We estimate PPL's (including PPLEU and WPD as equity investments) adjusted funds from operation (FFO) to debt to improve to about 24.7% from about 16% in 2008. While FFO to debt has improved, it remains low compared with the expectation of 30%-35%: measures that are more consistent with the company's "satisfactory" business risk profile. Ratings are not affected because we expect a significant improvement in the company's financial measures as it exits its capped supply transition period, but our negative outlook captures the current weak financial ratios. Supporting the financial measures, however, is the expectation of a modest free cash flow positive position in 2009.

Short-term credit factors

Standard & Poor's views PPL's financial flexibility as adequate, in light of expected debt maturities and available credit facilities. PPL Energy, excluding WPD, has strong liquidity, with $4.11 billion in credit facilities, $3.2 billion of which matures beyond 2011. As of Dec. 31, 2009, there was about $947 million in LOCs and draws under these facilities, leaving about $3.15 billion available. Debt maturities at PPL Capital Funding and PPL Energy should be manageable over the next few years, with only a $500 million maturity at PPL Energy in 2011 and about $735 million in 2013. Non-discretionary capital expenditure in 2010 aggregates approximately $550 million, which includes environmental expenditure at Brunner Island and replacement of components at Martin's Creek and Montour. Still, discretionary spending at the hydro units at Holtwood and Montana (Project Rainbow) project could be substantial.

Outlook

The negative outlook on PPL reflects its weak financial measures. An outlook revision to stable will be predicated on PPL's financial risk profile improving in 2010, with FFO to debt reaching a range of 31%-33%. Although the forward curve is in contango, recent around-the-clock prices in the PJM have been in the low-$50 area per MWh for 2011 and 2012, and lower than PPL's average hedged price of about $60 per MWh. To maintain ratings, PPL will need to maneuver through potential longer-term depressed market conditions and generate a steady level of cash flow consistent with its debt burden that also allows internal funding of its investment program in a manner that preserves credit quality. The ratings could be lowered if FFO to debt levels do not improve to levels that approach 30%, especially if the company does not achieve a positive free cash flow position.

Business Description

PPL is an Allentown, Pa.-based energy company that owns both regulated and unregulated businesses. The U.S.-based regulated businesses consist of PPLEU, an electricity distribution company for 1.4 million customers in central and eastern Pennsylvania. Other regulated businesses, such as a gas distribution company in Pennsylvania, were divested in 2008.

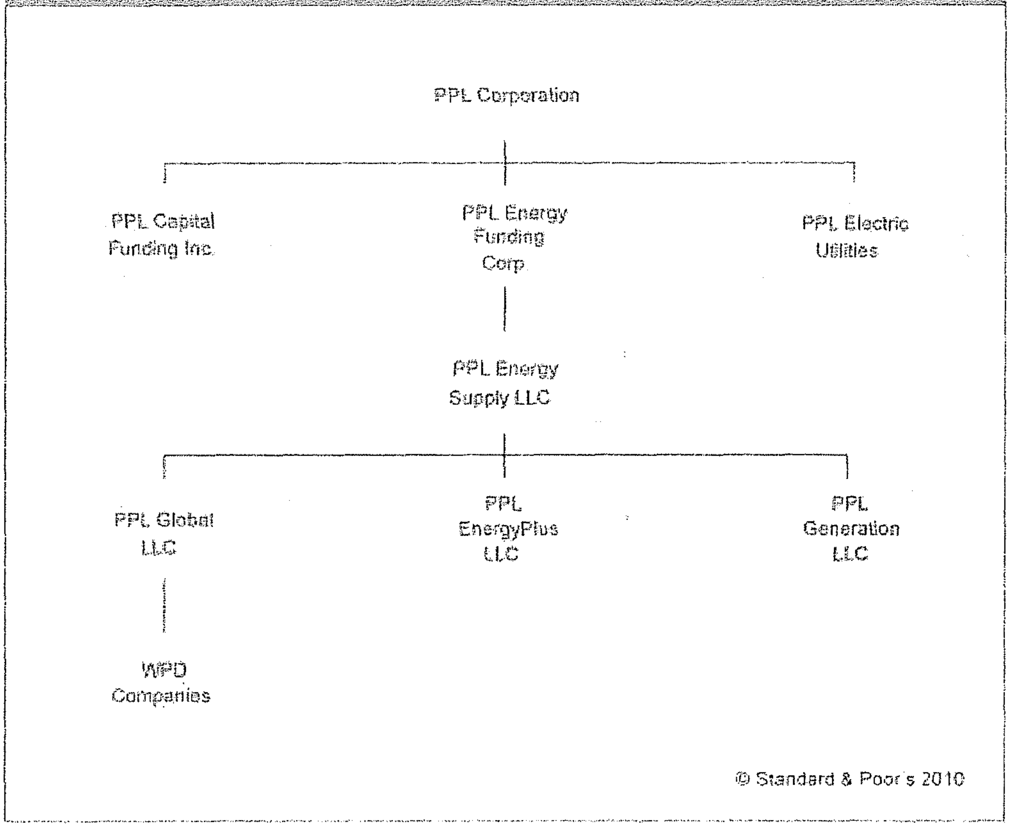
PPL also owns PPL Energy, an intermediate holding company for both regulated and unregulated operations. The regulated operations of PPL Energy are housed under PPL Global, which provides electric delivery service in the U.K. PPL Global's significant investment is in WPD, a U.K.-based electricity transmission and distribution (T&D) subsidiary providing service to 2.6 million users. WPD companies accounted for 27,700 GWh of electricity deliveries. In 2007, PPL Global divested its significant international investments in Chile and Bolivia for about $850 million.

PPL Energy's unregulated operations include PPL Energy Plus LLC, an electricity and gas marketer for owned generation and purchased power, PPL Generation LLC, which owns and operates PPL's 10,433 MW merchant generation fleet, and PPL Montana LLC, a project-financed subsidiary with about 1,287 MW of merchant generation assets in the Mid-Columbia market. Compared with 2009, PPL's generation reflects the loss of about 60 MW from scrubber installation (de-rating from internal usage) and the closure of two 150 MW old fossil plants. However, about 175 MW of planned uprate projects are currently underway for completion by 2011.

PPL Energy operates predominantly base-load coal and nuclear merchant generation assets in the PJM (9,587 MW, inclusive of the Ironwood toll), PJM West (585 MW), Mid-Columbia (1,286 MW), and New England Power Pool (260 MW). The GenCo has agreed to sell its interest in its New York assets at Shoreham and Edgewood (159 MW) and its nine hydroelectric facilities in Maine (51 MW).

The chart below presents the various entities in the PPL family of companies.

PPL Current Structure



Rating Methodology

The ratings on PPL primarily reflect PPL Energy's business risk profile but also the quality of cash flow of the distributions/dividends that arrive from PPLEU and WPD. Due to various degrees of legal and structural insulation, we treat PPLEU and WPD as equity investments in our analysis. Only the predictability of the expected dividend streams is incorporated into PPL's business risk analysis. On average, these regulated distributions have historically provided about 20% of total cash flow through 2009, but are expected to provide about 15% in future years. The dividends from PPLEU and WPD are assessed for their stability given that all available cash flow is first used to satisfy their own needs before any cash is up-streamed to the parent.

On account of legal ring-fencing provisions in place, PPLEU is rated on a stand-alone basis. However, due to significant business interrelations, we view its default risk as insulated, but not isolated, from the effects of parent PPL. Consequently, Standard & Poor's has determined that the utility can be rated at most two notches above PPL, but only if the utility's stand-alone credit quality merits such separation. Our approach also deconsolidates WPD given the existence of ring-fencing and the fact that the company is domiciled in the U.K. under the regulatory jurisdiction of the Office of Gas and Electricity Markets (OFGEM). OFGEM has emphasized that its regulatory oversight is designed to protect the credit quality of a regulated utility from unregulated parents.

While PPL Montana is project financed and its debt is non-recourse to the parent, PPL has managed PPL Montana as part of its core operations and has provided a financial support through the availability of a $100 million line of credit. As a result, we consider a measure of parental support in addition to PPL Montana's stand-alone credit profile in determining that entity's credit ratings.

Business Risk Profile

Under the plan approved by the PPUC in 1998, PPLEU restructured into an electricity T&D company, with the generation assets housed under PPL Energy, a separate unregulated affiliate. The PPUC required PPLEU to operate as the provider-of-last-resort (POLR) supplier until 2010, with the cost of power passed through to ratepayers. To provide time to transition to market, the restructuring plan also required PPL Energy to enter a long-term supply arrangement to serve PPLEU's POLR load.

PPLEU's POLR obligation hitherto provided stability to cash flow through the end of 2009.

PPL's business risk profile is largely predicated on PPL Energy's business risk profile because of the dominance of PPL Energy's cash flow in the parent's overall cash flow. PPL Energy's cash flow contribution had averaged 70% of PPL's over the past few years. WPD and PPLEU are included only as equity investments in this calculation.

Because of the full requirements contract with PPLEU at capped prices through 2009 (see table 1 below), PPL Energy experienced relatively low variability in cash flow. The POLR contract with PPLEU provided the GenCo with price certainty on about 40,000 GWh, or about 70%, of its expected economic production of about 55,000 GWh. The low-operating risk, the long-term nature of the supply contract, and the GenCo's position as the incumbent utility provider allowed us to assign a "strong" business risk profile to PPL between 2001 and 2009.

Table 1

Annual Capped POLR Supply Prices

	2002	2003	2004	2005	2006	2007	2008	2009
$/MWh	42.30	42.70	44.10	44.10	47.80	48.40	49.10	50.20

While cash flows have increased post transition, so too have merchant risks.

In 2009, we revised the business profile risk of the company to "satisfactory" from "strong" in expectation of the inevitable increase in cash flow volatility in realized margins as PPL Energy's entire generation becomes merchant. We expect the increase in PPL's business risk to be offset to a large extent by an improvement in the company's financial risk profile as a result of higher realized margins in 2010 and beyond. The full requirements contract went into effect back in 2001 as part of the restructuring. Because a historic cost basis was used as a reference, the annual capped prices were not related to actual market prices during the transition period. Although the prices had annual cap adjustments, these increments were pre-determined and not adjusted based on actual escalations in costs.

Power costs and volatility have since increased and the full requirements capped prices have plummeted, especially in the 2006-2008 period. However, wholesale around-the-clock prices were in the range of $60-69 per MWh in 2007 and have declined to about $50 per MWh by first quarter 2010. Full requirements prices can add an incremental 60%-80% premium over wholesale prices. While wholesale merchant net revenues have been eroded in 2010 because of lower demand and natural gas price, compared with the high-price period in 2007 and 2008, full requirement prices are still in the $85-$90 per MWh range (see table 2 below).

During the past two to three years, PPL Energy has actively reduced its merchant exposure. Because there was uncertainty surrounding the shape and form of PPLEU's post-transition supply procurement, PPL Energy has progressively entered forward swaps/options energy transactions for physical and financial delivery with utilities/financial counterparties. Unlike the contract with PPLEU these block sales of power have no load following obligations and are less risky.

PPL Energy's generation is currently about 99% hedged in 2010. Also, the bulk of total projected margin is under contract through 2011 with more than 88% of generation hedged in that year. However, the hedged percentage drops off to about 55% in 2012 and may force PPL Energy to constantly enter into new contracts to mitigate cash flow volatility. While PPL Energy has hedged a high proportion of its economic generation at expected average prices between $68 and $70 per MWh, and at margins consistent with its business plans, these forward contracts were partly entered into when market prices were still high. Margins will likely erode, should the recessionary slowdown linger (forward prices are already lower) and as contracts roll off and can only be renewed at lower price levels.

PPLEU's native load still offers incumbent opportunity.

PPL Energy's current strategy is to enter into short- to medium-term block power contracts for the output of its merchant generation. However, with a number of financial institutions withdrawing from the power markets, it's unlikely, or at best unclear, that PPL Energy will be able to continue hedging its generation through swaps/options transactions in 2012 and beyond.

PPLEU's load still offers PPL Energy the opportunity to hedge its generation in load following contracts. The results of PPLEU's 2010 request for proposal (RFP) prices--six for 850 MW each--have determined a full requirements price (see table 2) averaging about $99 per MWh: significantly higher than the rates embedded in the erstwhile POLR contract. To be clear, these volumes are not contracted with PPL Energy. Rather, PPL Energy Plus (the marketing arm of the PPL group) won some, but not a significant part of the RFPs in which other supply providers also participated. Yet, the results provide anecdotal evidence that PPL Energy has opportunities to hedge its generation at prices significantly higher than the $54 per MWh it received in 2009.

Table 2

PPLEU's RFP Prices

	PPLEU RFP solicitation outcomes								
Supply period	2010	2010	2010	2010	2010	2010	2011	2011	2011
RFP date	July 7, 2010	Oct. 7, 2010	March 8, 2010	Sept. 8, 2010	March 9, 2010	Oct. 9, 2010	Aug. 8, 2010	Oct. 9, 2010	Jan. 10, 2010
(S/MWh)									
ATC price	62.5	63.9	68.9	71.5	53	51	57.2	57.7	50.9
Full requirements premium	35.5	41.1	40	40.8	33.8	31	31.5	38.3	37.8
Auction result	98	105	108.9	112.3	86.8	82	88.6	96	88.7
Full requirements premium (%)	56.7	64.4	58.0	57.1	63.8	60.8	55.0	66.3	74.3

Full requirements premium includes gross receipt taxes and line losses

Portions of PPL Energy's projected output (450 MW) are also committed to NorthWestern until mid-2014, and to various requirements contracts with other transmission and distribution companies. PPL Energy also has existing requirements contracts with the New Jersey Basic Generation Service through 2012. It has also won requirements contracts in the auction markets in Ohio, Maryland, and Delaware for various volumes and periods through 2012.

From a credit standpoint, we view block sales as less risky compared with full requirements obligations because load following contracts can result in larger liquidity requirements, should prices fall from the prices contracted. Furthermore, these contracts expose PPL Energy's margins to market risks, including, but not limited to, load shaping, fuel, and volume risks. Not having to service load following obligations in the current environment is viewed as favorable. For instance, almost 21% of PPLEU's native load is currently shopping, significantly up from the stable 3%-4% level through the transition period when customers paid considerably lower rates.

Lingering regulatory uncertainty in Pennsylvania.

Despite easing of major regulatory risks, PPL's business profile is somewhat tempered by uncertainty about the future of competitive markets in Pennsylvania. The Pennsylvania legislation and the PPUC have generally been supportive of deregulation, and there have been no significant opposition to the transition to markets or to the implementation of new rates. Still, risks could arise from the meaningful increase in customer rates in 2010 over 2009.

In May 2007, PPLEU received approval from the PPUC for six regularly scheduled RFPs, which were held twice a year in March and September 2007-2009, for its 2010 POLR supply requirements. We viewed the phased RFPs as credit supportive for PPLEU and PPL Energy, as each RFP would establish a portion of the supply prices and was expected to mitigate the potential for a rate shock in 2010 by blending in supply prices over time. Conversely, the three-year procurement period also provided PPL with adequate time to adjust its capital structure if supply prices had declined.

The RFP supply procurement proceeded on schedule and four RFPs were completed before the impact of the financial crisis and the ensuing economic slowdown harmed the power markets. Wholesale power prices declined dramatically compared to the prices prevailing around June 2008, when most commodity markets peaked. Table shows our calculations of the blended load following pricing in PPLEU's RFPs and an estimate of the pricing that can be expected currently in the forward markets.

Table 3

Residential And Small Customer (Load Following Component Example)*

Full requirements price	2009 ($/MWh)	2010 ($/MWh)	2010 (% of total)	Prevailing forward markets ($/MWh)
ATC energy		60	67	50
Load shape/congestion		6	7	4.2
Capacity price¶		15	17	15
Volumetric risk		4.3	5	4
Customer migration risk		1	1	0.7
Ancillary		3	3	3
Credit risk		0.5	1	1.2
Net full requirements/load following§	48.1	90	100	78
Line losses	4.1	5.4		5
4.4% gross receipt tax adder	2.1	4		3.4
Full requirements price	54.3	99.1		86.5

*Illustration is the average of the six RFPs completed for 2010. ¶Based on $150 per MW-day and a load factor of 50%. §2009 full requirements price is all inclusive based on the negotiated POLR contract price. Source: PPL Presentations and S&P estimates.

We believe that the material decline in wholesale prices compared with the average price established through the

RFPs poses lingering regulatory risks. Expiring competitive transition charges (CTC) in 2009 of about $11 per MWh soften the impact of the increasing supply component on the overall customer charge in 2010. Still, the increase in supply costs for PPLEU's POLR requirement results in a 27% hike (see table 4) in overall rates--an increase that we view as significant. The increase in PPLEU's rates is all the more conspicuous, in our view, because PPLEU's rates will rise disproportionately compared with supply cost hikes of other utilities that are also coming off their transition plans. This is because PPL's transition to market was ahead of other Pennsylvania utilities by a year (2010, while most others are 2011). As a result, PPLEU's post-transition supply procurement started before the credit crisis, during which prices were still high.

Table 4

Residential Customer (1,000 kWh Per Month)	2009	2010	Year-over-year increase (%)
($/MWh)			
Distribution	34.8	32.1	
Transmission	7.5	5.4	
Energy and capacity*	54.3	99.1¶	82.5
CTC	10.8	-	
ITC	0	-	
STAS, state taxes	0	0	
Total bill	107.5	136.6	27.1

*Ancillaries included in energy and capacity charge ¶Based on six solicitations

Recognizing the regulatory risk posed by a rate shock, in 2008, PPLEU filed a rate smoothing plan that offers customers a phase-in plan to blend into higher rates in 2010 by making additional payments during October 2008 through 2009. The plan was approved by the PPUC, which we believe has mitigated regulatory risks to an extent as it results in relatively moderate (5%-8%) annual increments to customer bills during 2008-2012, instead of a one-time increase in 2010. As a result of such deferral plans, we believe the transition to market presents a diminished probability of major adverse legislative or regulatory outcomes.

Supply procurement after 2010 has also been addressed, which we view favorably. The PPUC has approved the company's electricity purchase plan for 2011, 2012, and the first five months of 2013 in six auctions. The procurement format includes the purchase of electricity supply for 2011 to mid-2013 four times a year, beginning in the third quarter of 2009 (August-July cycle). The procurement plan will solicit contracts for 12 and 24 months increments and spot purchase with a predominant proportion of residential and small commercial customer needs contracted from fixed–price contracts. The price established in three concluded RFPs (table 2) have been higher than our expectations.

Legacy low-cost generation assets are favorable but fuel costs have been on the rise.

While risks for gross margin erosion exist from the recessionary environment, and form low natural gas prices, in the long term, we expect PPL Energy's low-cost, base-load generation assets to benefit from a combination of increasing load factors and as gas increasingly sets the marginal cost of power in both the PJM and Mid-Columbia markets. We estimate that almost 6,000 MW of PPL's eastern base load generation has a dispatch cost (including emission and variable O&M) below $28 per MWh.

To ensure a measure of cash flow stability, the company also hedges fuel requirements, on a rolling basis, to match its forward sales. Uranium is fully contracted through the 2015-2016 with more than 10 suppliers. PPL Energy requires about 9 million tons of coal in the East, split about 7.5 million tons for the wholly-owned Montour and Brunner Island units and 1.5 million tons for Keystone and Conemaugh (which is procured by the operator, Reliant Energy). Eastern coal requirement is almost entirely hedged for 2010 at levels that match up power sales hedges through 2012, although exposure to coal prices increases after 2010. The company maintains strong sourcing availability and coal is supplied from five diverse regions and through 12 different contracts. In 2007, PPL Energy also signed a contract that will provide one-third of its eastern coal requirement through 2018 and provide fuel supply stability.

Still, the percentage of supply to wholly-owned plants at fixed base prices has declined from 100% in past years to about 93% in 2010 and is expected to be about just 28% and 5% for 2011 and 2012, respectively. The rest will be subject to price collars (with a maximum price to limit exposure). Additionally, there is no ability to hedge any costs associated with new mining regulations of mines, which are added to base price. Owning to extreme volatility and a sharp spike in coal prices during 2008, PPL Energy's coal costs exceeded estimates. While coal prices have declined from record highs, the company remains exposed to volatility in prices.

Supply and pricing in the West is not a significant risk as both Colstrip and Corette are either mine mouth facilities or located in close proximity to coal supplies. Supply volumes are also hedged to a high level through 2012.

Operating performance has been satisfactory with some exceptions.

PPL Energy's strategy relies significantly on the operating performance of its merchant generation assets, as out-of-service units expose PPL Energy to open market purchases to meet its contractual obligations. Consequently, the company requires considerable capital expenditures to ensure efficient and reliable operation. PPL Energy's generation assets have generally demonstrated good reliability and availability, with equivalent availability of about 90%. However, in 2008, PPL Energy experienced lower coal plant availability due to the collapse of the substructure surrounding the Montour Unit 1 cooling tower and tube leaks at Brunner Island from superheater performance issues. The Montour unit 1 cooling tower substructure has since been replaced and the Brunner superheater project was also accelerated and completed by first half 2009.

The fleet's generation capacity has increased modestly. In July 2008, PPL Energy acquired the 665 MW AES Ironwood toll in PJM. The first phase of nuclear uprates at Susquehanna unit 1 was completed in 2008, while unit 2 uprate of about 145 MW was completed in 2009. However, the fleet loses about 60 MW from derating after the scrubbers are fully installed.

We view PPL as a forerunner among its peers on environmental compliance. In anticipation of stricter emissions standards, PPL Energy spent about half of its $2.8 billion capital expenditure during 2006-2008 on emissions control equipment for its larger coal-fired units, Brunner Island and Montour (at $360-$390 per kW on about 3,000 MW). The scrubbers at the Montour units were commissioned in 2008, as was the scrubber at Brunner unit 3. The scrubbers at Brunner units 1 and 2 were completed on schedule and budget by the second quarter of 2009. With the Keystone scrubber being commissioned in 2010, all units will be scrubbed. However, Brunner Unit 3 and Conemaugh units 1 and 2 still need SCRs.

WPD's performance was strong, while PPL Montana met our expectation despite operating hiccups.

WPD has two major operating subsidiaries, Western Power Distribution (South West) and Western Power Distribution (South Wales) that distribute electricity to more than 2.6 million customers. The distribution companies have strong business risk profiles that benefit from transparent regulation, a large and mostly residential customer base that provides for revenue and cash flow stability, and their positions as monopoly distributors of electricity. Margins have improved due to market stability, consistent growth, and favorable customer mix.

An established regulatory environment underpins predictable cash flows during the 2005-2010 regulatory period. In late 2004, the companies received a favorable rate determination for the next five-year rate cycle. The utilities receive revenue recovery on a formula of "RPI minus X": RPI is the retail price index (a measure of inflation) and "X" is an efficiency factor. Like all U.K. distribution network operators, however, WPD is exposed to the risk of the regulatory reset every five years. The regulatory risk was underscored in the Office of Gas and Electricity Markets' (OFGEM) August 2009 initial proposals for the 2010-2015 period. The proposed cost of capital is lower than that allowed in other recent regulatory settlements. In addition, the total expenditure allowance is also lower than requested in the companies' final business plans. If implemented as proposed, the reset could harm WPD's financial risk profile.

WPD's operating performance is solid, as illustrated by the two operating companies' outperformance of the key service targets in the latest regulatory assessment (August 2009) by OFGEM. WPD's capital expenditure was in line with regulatory targets in 2009. Despite the favorable regulatory outcome so far, WPD's financial metrics and its subsidiaries are expected to remain low but stable. PPL's strategy is to receive dividends from WPD while providing a minimal level of support.

PPL Montana supplied NorthWestern Inc. with 450 MW at an average of $32 per MWh through July 2007. The below-market nature of the contract paved the way for an extension. While pricing for the supply is materially higher and started at about $45 per MWh and will increase to about $53 per MWh by 2014, the volumes under contract will be lower. Under the term of the contract, PPL Montana is providing varying supply, from a high of 325 MW, on peak, in 2007, down to 200 MW on peak in 2014. Still, with the leveraged lease down to $200 million, the level of debt supports PPL Montana's rating (please see full report on RatingsDirect published Jan. 26, 2010).

Profitability

PPL's profitability is largely driven by the PPL Energy's supply portfolio's performance, which is projected to increase to about 85% of cash flow after 2010. PPL Energy endeavors to ensure margin and cash flow stability by entering into short- to intermediate-term contracts for the expected output of its plants, while hedging a large portion of the expected fuel to be used. We expect 2010 and 2011 to have relatively low variability but with increasing open exposure in 2012. Risks are significantly higher in 2013 and beyond because of potential carbon risks. The forward strip is not liquid and forward prices are still weak.

Financial Risk Profile

Accounting

Due to various degrees of legal and structural insulation, PPL Electric Utilities and WPD are treated as equity investments in Standard & Poor's analysis. As a result, we analyze PPL's credit measures after deconsolidating PPLEU and WPD from PPL, resulting in the removal of nearly $1.57 billion of PPLEU's debt and about $1.94 billion of debt at the WPD companies.

As of Sept. 30, 2009, PPL had $392 million associated with the retirement of long-lived assets as a liability in its consolidated balance sheet as required under SFAS 143 (accounting for asset retirement obligations). Of that amount, $328 million relate to accrued nuclear decommissioning expenses for PPL Energy's 90% interest in the Susquehanna station. The aggregate fair value of the related nuclear plant decommissioning trust fund was $425 million as of Sept. 30, 2009.

PPL Energy's subsidiary, PPL Montana, leases a 50% interest in Colstrip units 1 and 2 and a 30% interest in unit 3 under four 36-year, non-cancellable operating leases. These operating leases are not recorded on PPL Energy's balance sheet, and as a result, Standard & Poor's capitalizes these leases resulting in the addition of about $200 million of off-balance-sheet debt equivalent.

In addition, in June 2008, PPL Energy Plus agreed to acquire the 664 MW AES Ironwood long-term tolling agreement. We impute a $325 million debt related to this tolling agreement.

Corporate governance/Risk tolerance/Financial policies

Standard & Poor's views PPL's financial policy as somewhat aggressive from a bondholder's perspective due to management's emphasis on shareholder returns in the recent past. In 2007-2008, despite its substantial capital expenditure program that resulted in a negative free cash flow, management chose to use about $713 million of the $850 million in sale proceeds from the Latin American divestitures for buying back stock even as the increase in capital spending to address environmental needs necessitated the use of external debt financing. Because of the decline in power prices, we do not expect any share repurchase through the forecast period (2013).

Cash flow adequacy

In 2008, PPL's financial performance and cash flow generation deteriorated from a combination of higher-than-expected coal costs, impact on cash flow from lower coal plant availability due to a major outage at Montour tube leaks at Brunner Island, and from mark-to-model loss on proprietary trading, and marketing losses on forward off-peak energy purchases for 2009-2012.

We expected financial metrics to improve somewhat in 2009 as the issues mentioned above were resolved but did not expect a significant upward momentum because rates were still capped. With coal cost declining and the operational issues resolved, PPL's (including PPLEU and WPD as equity investments) adjusted FFO to debt improved to about 24.7% from about 16% in 2008. While FFO to debt has improved, it remains low compared to the expectation of 30%-35%: measures that are more consistent with the company's business risk profile of "satisfactory". Yet, ratings were not affected because we expect a significant improvement in the company's financials as it exits its capped supply transition period. Our negative outlook reflects the weak financial metrics. Supporting the financial measures, however, is the expectation of a modest free cash flow positive position in 2009 for PPL.

The company expects an improvement in its financial ratios in 2010 largely from the repricing of its generation portfolio after the end of the rate cap period with PPLEU. From a credit perspective, not only has PPL Energy hedged a large portion of its generation through 2012, it has removed much of the variability in cash flow associated with volumetric risks from changing demand under full requirements load obligations. We view the decision not to pursue load following deals as favorable under the prevailing lower price environment. For instance, because of the significant decline in market prices, about 21%, or about 300,000, of PPLEU's customers are currently shopping, up from a fairly stable 4% through much of the capped period. However, PPL's generation does carry basis risk between the delivery hub and the generation busbar. PPL's hedges through block sales using hedges and swaps incorporate the value for capacity, energy and ancillary services, but leave out the riskier load following premium associated with full requirements contracts. The company has also indicated that a large proportion of the hedges are collars, which provide upside should commodity prices recover. The hedge price incorporates the cost of options, which are currently at their floor value due to depressed market prices.

With almost all and 88% of economic generation hedged for 2010 and 2011, respectively, we expect an improvement in credit measures and adjusted FFO to debt could reach 30%-32%. While these financial ratios are on the lower end of the 'BBB' rating, a positive free cash flow position (after dividends and capital expenditures) will be considered adequate to maintain these ratings.

Still, PPL will need to maneuver through potentially longer-term depressed market conditions and generate a steady level of cash flow consistent with its debt burden that also allows internal funding of its investment program in a manner that preserves credit quality. Although the forward curve is in contango, recent around-the-clock prices in the PJM have been in the low-$50 per MWh area for 2011 and 2012, and lower than PPL's average hedged price of about $60 per MWh (energy only). We estimate that on an open EBITDA basis, PPL's generation would make $2.1 billion - $2.2 billion in gross margin in 2012 based on the current forward curve. Yet, should prices move down by 2 standard deviations (5th percentile) we expect gross margins to decline to $1.85 billion - $1.95 billion because of the exposure of about 45% of the fleet's economic generation to market prices.

Liquidity and liability management

PPL's ability to buttress performance in 2009 is most notable in its liquidity management. Below are some of the liquidity enhancing steps taken by the company:

- Limiting of spending on the Bell Bend project to the construction and operating license application (COLAS) related costs.
- The return of $300 million in collateral held by PPLEU relating to the expiration of the long-term contract.
- A one time dividend of $200 million from the after tax completion transition charges (CTC) revenues received by PPLEU during 2009.
- A $200 million distribution received from the recapitalization of subsidiary WPD.

Standard & Poor's views PPL's financial flexibility as adequate due to expected debt maturities and available credit facilities. PPL Energy, excluding WPD, has strong liquidity, with $4.11 billion in credit facilities, $3.2 billion of which matures beyond 2011. As of Dec 31, 2009, there was about $947 million in LOCs and draws under these facilities, leaving about $3.15 billion available. Debt maturities at PPL Capital Funding and PPL Energy should be manageable over the next few years, with only a $500 million maturity at PPL Energy in 2011 and about $735 million in 2013.

Based on Standard & Poor's liquidity adequacy ratio, which captures the effects of an adverse credit and market event on a company's primary liquidity sources, PPL's coverage has improved to more than 3.5x, in large part due to declining power prices. The computation assumes a downside scenario in which PPL would have to post enough collateral to cover its entire negative mark-to-market exposure, while accounting for an adverse movement in power and gas prices.

While liquidity is adequate for the moment, there has been a broader reduction in market liquidity due to prevailing credit conditions. As all generation is now on market, PPL Energy's liquidity requirements for collateral could increase with rising market prices. Thus, PPL Energy's ability to hedge margins will be constrained by its ability to increase overall liquidity levels.

Non-discretionary capital expenditure in 2010 will be approximately $550 million, which includes environmental expenditure at Brunner Island and replacement of components at Martin's Creek and Montour. Still, discretionary spending at the hydro units at Holtwood and Montana (Project Rainbow) project could be substantial.

Capital structure/Asset protection

Adjusted debt to capital remains on the edge for the current rating at about 60% as of the end of 2009. Any improvement in debt leverage will likely be the result of retained earnings and not from decrease in debt levels, as PPL will rely on debt financing for a portion of its planned capital-spending program.

Ratings Detail (As Of February 8, 2010)*	
PPL Corp.	
Corporate Credit Rating	BBB/Negative/NR
Junior Subordinated (1 Issue)	BB+
Preference Stock (1 Issue)	BB+
Senior Unsecured (1 Issue)	BBB
Senior Unsecured (3 Issues)	BBB-
Corporate Credit Ratings History	
27-Jan-2009	BBB/Negative/NR
13-May-2004	BBB/Stable/NR
06-Sep-2002	BBB/Negative/NR
Financial Risk Profile	Significant
Related Entities	
PPL Electric Utilities Corp.	
Issuer Credit Rating	A-/Negative/A-2
Commercial Paper	
Local Currency	A-2
Preference Stock (1 Issue)	BBB
Preferred Stock (8 Issues)	BBB
Senior Secured (13 Issues)	A-
Senior Secured (2 Issues)	A/Developing
PPL Energy Supply LLC	
Issuer Credit Rating	BBB/Negative/NR
Senior Unsecured (9 Issues)	BBB
PPL Montana LLC	
Senior Secured (1 Issue)	BBB-/Stable
Western Power Distribution Holdings Ltd.	
Issuer Credit Rating	BBB-/Negative/A-3
Senior Unsecured (2 Issues)	BBB-
Western Power Distribution (South Wales) PLC	
Issuer Credit Rating	BBB+/Negative/A-2
Senior Unsecured (2 Issues)	BBB+
Western Power Distribution (South West) PLC	
Issuer Credit Rating	BBB+/Negative/A-2
Senior Unsecured (3 Issues)	BBB+

Ratings Detail (As Of February 8, 2010) (cont.)

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

Attachment to Question No. 6
18 of 24
Arbough

March 2, 2011

Research Update:

PPL Corp. Is Lowered To 'BBB' And Placed On CreditWatch Negative After Acquisition Announcement

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Research Update:

PPL Corp. Is Lowered To 'BBB' And Placed On CreditWatch Negative After Acquisition Announcement

Overview

- We lowered our ratings on diversified energy company PPL Corp. (PPL) and its affiliates PPL Energy Supply (PPL Energy), LG&E and KU Energy LLC (LKE), Louisville Gas & Electric Co. (LG&E), and Kentucky Utilities Co. (KU) to 'BBB' from 'BBB+'.
- We lowered the rating on PPL subsidiary PPL Electric Utilities (PPLEU) to 'BBB' from 'A-'.
- At the same, time we placed all the 'BBB' ratings on CreditWatch with negative implications.
- The short-term ratings on Kentucky Utilities, Louisville Gas & Electric, and PPLEU are 'A-3'.
- The downgrades and CreditWatch listing follow PPL's proposed acquisition of E.ON UK's Central Networks West PLC (CNW) and Central Networks East PLC (CNE).

Rating Action

On March 2, 2011, Standard & Poor's Ratings Services lowered the corporate credit ratings on PPL Corp. (PPL) and its affiliates PPL Energy Supply (PPL Energy), LG&E and KU Energy LLC (LKE), Louisville Gas & Electric Co. (LG&E), and Kentucky Utilities Co. (KU) to 'BBB' from 'BBB+' and placed these ratings on CreditWatch with negative implications. We also lowered the rating on PPL subsidiary PPL Electric Utilities (PPLEU) to 'BBB' from 'A-'. The ratings actions follow PPL's planned acquisition of E.ON UK's Central Networks West PLC (CNW) and Central Networks East PLC (CNE), two distribution networks in the United Kingdom. The CreditWatch listing is directly related to the execution of the financing plan for the acquisition, which includes a commitment by the company for a substantial issuance of equity. Resolution of the CreditWatch will depend on the ability of the company to complete its financing activities consistent with our expectations for the 'BBB' ratings. Allentown, Pa.-based PPL has about $12.7 billion of long-term debt, including $1.63 billion of junior subordinated notes.

The CreditWatch listing will remain until demonstrated progress on the permanent financing plan has been executed in line with our expectations. The acquisition requires large permanent financing that has attendant execution risks, and we will monitor PPL's ability to finalize this permanent financing. We could remove the CreditWatch listing and assign a stable outlook if financing is consistent with our expectation. We could lower the ratings if PPL is unable to fully execute its permanent financing plan in a credit-supportive manner consistent with our expectations for 'BBB' ratings.

Rationale

PPL's purchase price of E.ON UK's Central Networks utilities includes the assumption of $800 million of public debt and cash of $5.6 billion (excluding related transaction expenses and fees) that will be funded through a combination of cash, common equity issuance at PPL, unsecured debt at CNW and CNE, and unsecured debt at an intermediate holding company (generically called UK Holdings) that will own CNW and CNE. In addition, PPL will issue equity units at PPL Capital Funding, which will likely receive high equity credit under our rating criteria. This acquisition will raise PPL's regulated cash flows to approximately 75% from the current level of 60%. Before PPL bought the Kentucky utilities, its regulated cash flows comprised less than 30%. The ratings change reflects our revisions, in accordance with our criteria, of PPL's business risk profile to excellent from strong and the company's financial risk profile to aggressive from significant.

Our revision of the business profile to excellent reflects the addition of fully regulated distribution utilities that have credit-supportive U.K. regulation and no commodity exposure, since power for retail customers is procured by nonaffiliated retail suppliers. The Central Networks utilities are contiguous to PPL's existing U.K. utilities. After the acquisition of CNE and CNW, we expect U.K. operations to be about 30% of PPL's consolidated cash flow. With this transaction, we are viewing all of PPL's utility assets as part of a consolidated entity, whereas previously we considered only the quality of the utility's dividends to its parent. The stability of CNE and CNW along with existing utility assets in the U.K., Kentucky, and Pennsylvania, which we assess as excellent, will more than offset the business risk profile, which we assess as satisfactory, of PPL Energy's merchant generation, resulting in an excellent business profile. We expect the merchant generation business to comprise less than 25% of pro forma consolidated cash flows.

Our revision of the financial risk profile to aggressive reflects in part the company's financial policies toward acquisitions, including funding with aggressive levels of hybrid securities. Furthermore, due to the company's strategy to focus on fully regulated operations and also expand its U.K. presence, we are incorporating consolidated financial measures for PPL in our analysis. When reviewing the financial metrics, we are now including all cash flows and debt obligations from the U.K. utilities and PPLEU in PPL's financial measures. We expect consolidated financial measures, including ratios of debt to EBITDA, funds from operations (FFO) to total debt, and debt to capital, to range in the aggressive category of our financial risk profile. Debt to EBITDA should range between 4x and 5x, while we expect the percentage of FFO to debt to be in the mid-teens. These measures will support ratings at the 'BBB' level on successful completion of the permanent financing.

Short-term credit factors

Standard & Poor's currently views PPL's liquidity as strong under its corporate liquidity methodology, which categorizes liquidity in five standard descriptors. Our assessment of liquidity as strong supports PPL's 'BBB' issuer credit rating. Projected sources of liquidity--mainly operating cash flow and available bank lines--exceed projected uses--mainly necessary capital expenditures, debt maturities, and common dividends--by more than 1.5x. The ratio of sources over uses would be positive even after a 50% EBITDA decline. Additional factors that support the liquidity are PPL's ability to absorb high-impact, low-probability events with limited need for refinancing, its flexibility to lower capital spending, its sound bank relationships, its solid standing in credit markets, and its generally prudent risk management.

CreditWatch

The CreditWatch listing will remain until demonstrated progress on the permanent financing plan has been executed in line with our expectations. The acquisition requires large permanent financing that has attendant execution risks, and we will monitor PPL's ability to finalize this permanent financing. We could remove the CreditWatch listing and assign a stable outlook if financing is consistent with our expectation. We could lower the ratings if PPL is unable to fully execute its permanent financing plan in a credit-supportive manner consistent with our expectations for 'BBB' ratings.

Related Criteria And Research

- "Criteria Methodology: Business Risk/Financial Risk Matrix Expanded," May 27, 2009
- "2008 Corporate Criteria: Analytical Methodology," April 15, 2008
- "2008 Corporate Criteria: Ratios And Adjustments," April 15, 2008

Ratings List

Downgraded; CreditWatch Action

	To	From
PPL Corp.		
Corporate Credit Rating	BBB/Watch Neg/--	BBB+/Stable/--
PPL Capital Funding Inc.		
Senior Unsecured	BBB-/Watch Neg	BBB
Junior Subordinated	BB+/Watch Neg	BBB-
PPL Energy Supply LLC		
Corporate Credit Rating	BBB/Watch Neg/--	BBB+/Stable/--
Senior Unsecured	BBB/Watch Neg	BBB+
PPL Electric Utilities Corp.		
Corporate Credit Rating	BBB/Watch Neg/A-3	A-/Stable/A-2

Senior Secured	BBB+/Watch Neg	A-
Recovery Rating	1	1
Preference Stock	BB+/Watch Neg	BBB
Commercial Paper	A-3/Watch Neg	A-2
LG&E and KU Energy LLC		
Corporate Credit Rating	BBB/Watch Neg/--	BBB+/Stable/--
Senior Unsecured	BBB-/Watch Neg	BBB
Louisville Gas & Electric Co.		
Corporate Credit Rating	BBB/Watch Neg/--	BBB+/Stable/--
Senior Secured	A-/Watch Neg	A
Recovery Rating	1+	1+
Kentucky Utilities Co.		
Corporate Credit Rating	BBB/Watch Neg/A-3	BBB+/Stable/A-2
Senior Secured	A-/Watch Neg	A
Recovery Rating	1+	1+

Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

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April 28, 2010

Research Update:

PPL Corp. 'BBB' Credit Rating Placed On Watch Positive On Planned Acquisition Of E.ON U.S. LLC

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Research Update:

PPL Corp. 'BBB' Credit Rating Placed On Watch Positive On Planned Acquisition Of E.ON U.S. LLC

Overview

- We placed the 'BBB' corporate credit ratings on diversified energy company, PPL Corp. (PPL), and affiliate PPL Energy Supply LLC (PPL Energy) on CreditWatch with positive implications.
- The CreditWatch listing follows PPL's proposed acquisition of E.ON U.S. LLC, the parent company of Kentucky Utilities Co. (KU) and Louisville Gas & Electric Co (LGE).
- We affirmed the 'A-' corporate credit rating on utility affiliate PPL Electric Utilities (PPLEU).
- The transaction requires approvals by state regulators in Kentucky, Virginia, and Tennessee, and by the Federal Energy Regulatory Commission.

Rating Action

On April 28, 2010, Standard & Poor's Ratings Services placed its 'BBB' corporate credit ratings on PPL and affiliate PPL Energy on CreditWatch with positive implications following the planned acquisition of E.ON U.S. The CreditWatch listing indicates that we could either raise or affirm the ratings following the completion of our review. At the same time, we are affirming the 'A-' corporate credit ratings on PPLEU. The outlook on PPLEU is negative. We are also affirming the 'BBB+' corporate credit ratings on KU and LGE (see separate research update).

Allentown, Pa.-based PPL has about $4.7 billion of long-term debt at the end of 2009, excluding debt at PPLEU and the Western Power Distribution (WPD) group of companies.

Rationale

PPL will fund the all-cash $7.625 billion (excluding $250 million in related transaction expenses/fees) acquisition through a combination of cash on hand, common equity issuance at PPL, first-mortgage bonds at KU and LGE, and unsecured debt at Kentucky Holdings, KU's intermediate holding company. In addition, PPL will issue equity units at PPL Capital Funding, which will likely receive high equity credit under our rating criteria. The enterprise value includes the assumption of $925 million of tax-exempt pollution control revenue bonds at KU and LGE. We consider the acquisition as large for the company, but note that the transaction will include significant amount of equity financing and utilize about $435 million of tax benefits.

Our CreditWatch listing factors the inclusion of KU and LGE's business risk profiles into PPL's portfolio. The acquisition would include these two fully regulated vertically-integrated electric utilities serving customers in Louisville and its surrounding area. The strengths of these utilities include relatively predictable utility operations and associated cash flows, constructive regulatory environment, and competitive rates. The offsetting factor is the reliance on mostly all coal-fired generation, but the assets are up to date for current environmental requirements and have a significant proportion of future capital spending through 2014 approved in rates.

The inclusion of the two utilities businesses will rebalance PPL's portfolio towards a greater regulated mix. With regulated operations contributing 60%-65% of the overall cash flow after the acquisition compared with about 30% in 2009, the "excellent" business risk profile of the utility businesses will more than offset the "satisfactory" business risk profile of the generation business. This will result in a pro forma "strong" consolidated business risk profile. We expect consolidated debt to EBITDA and debt to capital ratios to range in the "significant" financial risk profile category. Projected FFO to debt at 23.5%-25% will likely support ratings at the higher end of the 'BBB' category on successful completion of the acquisition.

Current ratings on PPL predominantly reflect PPL Energy's business and financial risk profiles. Given the legal ring-fencing provisions in place, Standard & Poor's analyzes PPLEU and WPD as equity investments, with dividends to PPL as their primary contribution to the consolidated entity. The lower-risk dividends from these two companies, which contribute about 20% to PPL's cash flow, temper the merchant risk from PPL Energy.

The expiration of PPLEU's long-term provider-of-last-resort (POLR) supply contract, which hitherto provided cash flow stability, has increased volatility of realized margins and PPL's liquidity requirements for collateral. As a result, PPL's and PPL Energy's business risk profiles are "satisfactory" compared with the "strong" position that the company enjoyed under the nine-year POLR supply plan with PPLEU. While PPL's cash flow is expected to improve because the company has contracted much of its 2010 and 2011 generation at price levels that are substantially higher than the capped prices in 2009, existing ratings also reflect a backwardated EBITDA profile and execution risks associated with PPL's ability to achieve stronger financial metrics and counter the higher business risk that will come attendant with its greater merchant exposure.

Short-term credit factors

Standard & Poor's views PPL's financial flexibility as adequate, in light of expected debt maturities and available credit facilities. PPL Energy, excluding WPD, has strong liquidity, with $4.11 billion in credit facilities, $3.2 billion of which matures beyond 2011. As of Dec. 31, 2009, there was about $947 million in LOCs and draws under these facilities, leaving about $3.15 billion available. Debt maturities at PPL Capital Funding and PPL Energy should be manageable during the next few years, with only a $500 million maturity at PPL Energy in 2011 and about $735 million in 2013. Non-discretionary capital expenditure in 2010 aggregates approximately $550 million, which includes environmental expenditure at Brunner Island and replacement of components at Martin's Creek and Montour. Still, discretionary spending at the hydro units at Holtwood and Montana (Project Rainbow) project could be substantial.

CreditWatch

The CreditWatch listing will remain until transaction closing, with periodic updates. At financial close, we could raise the ratings on PPL and PPL Energy by one notch if financing is consistent with our expectation. However, material changes to the expected financial risk profile and cash flow generation capability of the pro forma company could stem this upward momentum. The acquisition requires large permanent financing that has attendant execution risks. We will monitor PPL's ability to finalize permanent financing, which will also influence the CreditWatch listing.

Related Research And Research

Criteria Methodology: Business Risk/Financial Risk Matrix Expanded

Ratings List

Ratings Affirmed; CreditWatch Action	To	From
PPL Corp.		
PPL Energy Supply LLC		
Corporate Credit Rating	BBB/Watch Pos/--	BBB/Negative/--
PPL Capital Funding Inc.		
Senior Unsecured	BBB-/Watch Pos	BBB-
Junior Subordinated	BB+/Watch Pos	BB+
PPL Capital Funding Trust I		
Preference Stock	BB+/Watch Pos	BB+
PPL Energy Supply LLC		
Senior Unsecured	BBB/Watch Pos	BBB
Ratings Affirmed		
PPL Electric Utilities Corp.		
Corporate Credit Rating	A-/Negative/A-2	
PPL Capital Trust		
Preferred Stock	BBB	
PPL Electric Utilities Corp.		
Senior Secured	A-	

Recovery Rating	1
Preferred Stock	BBB
Preference Stock	BBB
Commercial Paper	A-2

1

Complete ratings information is available to RatingsDirect on the Global Credit Portal subscribers at www.globalcreditportal.com and RatingsDirect subscribers at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

Attachment to Question No. 6

Arbough

STANDARD &POOR'S **Global Credit Portal** RatingsDirect

Research

Summary:

PPL Corp.

28-Jul-2010

Credit Rating: BBB/Watch Pos/NR

Rationale

Standard & Poor's 'BBB' corporate credit ratings on PPL and affiliate PPL Energy are on CreditWatch with positive implications following the planned acquisition of E.ON U.S. LLC. The CreditWatch listing indicates that we could either raise or affirm the ratings after we complete our review.

Allentown, Pa.-based PPL had about $4.7 billion of long-term debt at the end of 2009, excluding debt at PPL Electric Utilities Corp. (PPLEU) and the Western Power Distribution (WPD) group of companies.

When PPL announced the E.ON transaction in April 2010, it had proposed to fund the all-cash $7.625 billion (excluding $250 million in related transaction expenses/fees) acquisition through a combination of cash on hand, common equity issuance at PPL, first-mortgage bonds at Kentucky Utilities Co. (KU) and Louisville Gas & Electric Co. (LGE), unsecured debt at Kentucky Holdings, and issuance of equity units at PPL Capital Funding. PPL will issue equity units at PPL Capital Funding. These units will receive high equity credit under our rating criteria. The enterprise value also includes assumption of $925 million of tax-exempt pollution control revenue bonds at KU and LGE. We consider the acquisition as large for the company, but note that the transaction includes a significant amount of equity financing and has about $435 million of tax benefits.

In June 2010, PPL successfully raised about $2.4 billion of common equity and placed $1.12 billion worth of equity units. We view PPL's ability to raise almost $3.5 billion in equity and equity-like funds to partly finance the acquisition as supportive of credit quality.

Our CreditWatch listing factors the inclusion of KU and LGE's business risk profiles into PPL's portfolio. The acquisition would include these two fully regulated vertically-integrated electric utilities serving customers in Louisville and its surrounding area. The strengths of these utilities include relatively predictable utility operations and associated cash flows, a constructive regulatory environment, and competitive rates. The offsetting factor is the reliance on mostly all coal-fired generation, but the assets are up to date for current environmental requirements and have a significant proportion of future capital spending through 2014 approved in rates.

The inclusion of the two utilities businesses will rebalance PPL's portfolio toward a greater regulated mix. With regulated operations contributing 60% to 65% of the overall cash flow after the acquisition compared with about 30% in 2009, the "excellent" business risk profile of the utility businesses will more than offset the "satisfactory" business risk profile of the generation business. This will result in a pro forma "strong" consolidated business risk profile. We expect consolidated debt to EBITDA and debt to capital ratios to range in the "significant" financial risk profile category. Projected funds from operations (FFO) to debt at 23.5% to 25% will likely support ratings at the higher end of the 'BBB' category on successful completion of the acquisition.

PPL has made a host of commitments to the Kentucky Public Service Commission (PSC), including agreeing to retain the LGE/KU headquarters in Louisville for another 15 years, promising no merger-related job cuts and agreeing to keep the utilities' current management. Still, we believe that the transaction has risks. While PPL has asserted that the transaction is not predicated on merger synergies, the PSC has asked the company to explain why it has not undertaken a detailed analysis of potential merger synergies. The PSC is also exploring whether PPL's operations in Pennsylvania exposes KU to market risks associated with operating in restructured electricity markets. Hearings on the merger are scheduled in September 2010 and a final order expected by late September. We also note that LGE and KU have related rate cases pending with the PSC.

Current ratings on PPL mostly reflect PPL Energy's business and financial risk profiles. Given the legal ring-fencing provisions in place, Standard & Poor's analyzes PPLEU and WPD as equity investments, with dividends to PPL as their primary contribution to the consolidated entity. The lower-risk dividends from these two companies, which contribute about 20% to PPL's cash flow, temper the merchant risk from PPL Energy.

The expiration of PPLEU's long-term provider-of-last-resort (POLR) supply contract, which hitherto provided cash flow stability, has increased volatility of realized margins and PPL's liquidity requirements for collateral. As a result, PPL's and PPL Energy's business risk profiles are "satisfactory" compared with the "strong" position that the company enjoyed under the nine-year POLR supply plan with PPLEU. While PPL's cash flow is expected to improve because the company has contracted much of its 2010 and 2011 generation at price levels that are substantially higher than the capped prices in 2009, existing ratings also reflect a backwardated EBITDA profile and execution risks associated with PPL's ability to achieve stronger financial metrics and counter the higher business risk that will come attendant with its greater merchant exposure.

Short-term credit factors

Standard & Poor's views PPL's financial flexibility as adequate, in light of expected debt maturities and available credit facilities. PPL Energy, excluding WPD, has strong liquidity, with $4.11 billion in credit facilities, $3.2 billion of which matures beyond 2011. As of Dec. 31, 2009, there was about $947 million in letters of credit and draws under these facilities, leaving about $3.15 billion available. Debt maturities at PPL Capital Funding and PPL Energy should be manageable during the next few years, with only a $500 million maturity at PPL Energy in 2011 and about $735 million in 2013.

Nondiscretionary capital expenditures in 2010 total about $550 million, which includes environmental spending at the Brunner Island plant and replacement of components at the Martin's Creek and Montour plants. Still, discretionary spending at the hydro units at Holtwood and Montana (Project Rainbow) project could be substantial.

CreditWatch

The CreditWatch listing will remain until the transaction closes, with periodic updates. At financial close, we could raise the ratings on PPL and PPL Energy by one notch. However, material changes to the cash flow generation capability of the pro forma company or its expected financial risk profile could stem this upward momentum.

Related Criteria And Research

Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, published May 27, 2009.

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Attachment to Question No. 6

Arbough

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October 27, 2010

Research Update:

PPL Corp. Upgraded To 'BBB+' And Off CreditWatch On Expected Closing Of E.ON Acquisition

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Research Update:

PPL Corp. Upgraded To 'BBB+' And Off CreditWatch On Expected Closing Of E.ON Acquisition

Overview

- We resolved the CreditWatch listing on diversified energy company PPL Corp. and affiliate PPL Energy Supply LLC (PPL Energy) on the expected Nov. 1, 2010, acquisition of E.ON U.S. LLC and its utility subsidiaries, Louisville Gas & Electric Co. (LG&E) and Kentucky Utilities Co. (KU), for $7.625 billion.
- We are upgrading PPL and PPL Energy to 'BBB+' from 'BBB' to reflect the pro forma consolidated company's expected stronger credit profile due to a reconfigured business strategy that we expect will garner at least two-thirds of the projected operating cash flows from fully regulated utilities. The outlooks are stable.
- We are revising the outlook on utility affiliate PPL Electric Utilities (PPLEU) to stable from negative and affirming the 'A-' corporate credit rating.
- We are affirming the 'BBB+' corporate credit ratings on E.ON, LG&E, and KU. The outlooks are stable.
- We are raising the issue rating to 'A/A-2' from 'BBB+' and assigning a '1+' recovery rating on LG&E's approximately $575 million of outstanding tax-exempt pollution control bonds to reflect the addition of first mortgage bonds as collateral and their secured status.

Rating Action

On Oct. 27, 2010, Standard & Poor's Ratings Services raised the corporate credit ratings on PPL and PPL Energy to 'BBB+' from 'BBB'. At the same time, we removed the ratings from CreditWatch with positive implications, where we put them on April 28, 2010, following the acquisition announcement. The outlooks are stable. We affirmed the 'A-' rating on PPLEU and revised the outlook to stable from negative. In addition, we affirmed the 'BBB+' ratings on LG&E and KU, and their parent, E.ON U.S. The outlooks are stable. Also, we raised the ratings on LG&E's approximately $575 million of tax-exempt pollution control revenue bonds to 'A' from 'BBB+' to reflect the addition of first mortgage bonds as collateral for the duration of the bonds. For these newly collateralized bonds, we are assigning a recovery rating of '1+', reflecting our highest expectation of full recovery of principal (100% recovery) in a default scenario. Following the closing of acquisition, E.ON U.S. will change its name to LG&E and KU Energy LLC.

The upgrade reflects our opinion of an improved credit profile of the consolidated company following the acquisition closing. The inclusion of regulated LG&E and KU into the PPL portfolio is expected to contribute at least two-thirds of overall operating cash flow compared with existing majority of cash flow coming from unregulated operations. In our opinion, the excellent business risk profiles of the regulated utilities will more than offset PPL Energy's satisfactory business risk profile. This results in a pro forma strong consolidated business risk profile. We expect consolidated debt to EBITDA and debt to capital ratios to range in the significant financial risk profile category.

Rationale

For the $6.7 billion cash portion of the $7.625 billion acquisition (excluding $250 million in related transaction expenses/fees), PPL will use cash on hand, approximately $2 billion of LG&E and KU debt, and $800-$900 million of senior unsecured debt at LG&E and KU Energy LLC (intermediate holding company) that will ultimately be issued. In order to complete the acquisition, PPL will draw down its PPL Energy credit facility by about $3 billion after which it is expected to conduct permanent financing that will be used to repay the short-term outstanding debt. PPL has also issued $2.4 billion of common equity and PPL Capital Funding issued $1.1 billion of equity units that receive high equity credit under our rating criteria.

Allentown, Pa.-based PPL has about $4.7 billion of long-term debt excluding debt at PPLEU and the Western Power Distribution (WPD) group of companies. Excluding PPLEU and WPD debt, pro forma PPL debt is expected to be about $9 billion.

LG&E and KU are fully regulated vertically-integrated electric utilities serving customers in Louisville and its surrounding area. The strengths of these utilities include relatively predictable utility operations and associated cash flows, constructive regulatory environment, and competitive rates. The offsetting factor is the reliance on a fleet of mostly coal-fired generation, but the assets are up to date for current environmental requirements and have a significant proportion of future capital spending through 2014 approved in rates.

For PPL Energy, the expiration of PPLEU's long-term provider-of-last-resort (POLR) supply contract, which hitherto provided cash flow stability, has increased volatility of realized margins and liquidity requirements for collateral. While PPL Energy's cash flow is expected to improve because it has contracted much of its 2010 and 2011 generation at substantially higher prices than in 2009, Ratings also reflect a backward-dated EBITDA profile and execution risks associated with PPL Energy's ability to achieve stronger financial metrics and counter the higher business risk that will come attendant with its greater merchant exposure. Market fundamentals also have weakened. The expected tightening of reserve margins in the PJM Interconnection has not materialized because of the economic slowdown. Some drop in demand has depressed RPM prices (rest of RTO price) as well as auctions/RFPs of neighboring utilities (FirstEnergy, Allegheny). We consider PPL's financial risk profile to be significant, with adjusted financial measures expected to be in line for the rating. We expect that financial measures will continue at current levels as full cost recovery following the acquisition. We expect consolidated debt to EBITDA and debt to capital ratios to range in the significant financial risk profile category. Projected FFO to debt in the 22%-23% range is expected to support ratings at the higher end of the 'BBB' category.

Short-term credit factors

The short-term rating on PPL and affiliates is 'A-2'. Standard & Poor's views PPL's liquidity as strong under its corporate liquidity methodology, which categorizes liquidity in five standard descriptors. Projected sources of liquidity, mainly operating cash flow and available bank lines, exceed projected uses, mainly necessary capital expenditures, debt maturities, and common dividends, by more than 1.5x. Sources over uses would be positive even after a 50% EBITDA decline. Additional factors that support the liquidity are PPL's ability to absorb high-impact, low-probability events with limited need for refinancing, its flexibility to lower capital spending, its sound bank relationships, its solid standing in credit markets, and generally prudent risk management. We will assess the pro forma liquidity of newly combined company once bank credit facilities and other short-term financing have been finalized.

Outlook

The stable outlook on PPL and its subsidiaries, and those of LG&E and KU, reflect our expectation that management will maintain a strong business profile by focusing on its regulated utilities and not increase unregulated operations beyond current levels. The outlook also reflects expectations that cash flow protection and debt leverage measures will be in line for the rating. Specifically, our baseline forecast includes FFO to total debt of about 23%, debt to EBITDA under 4x, and debt leverage to total capital of about 52%, consistent with our expectations for the 'BBB+' rating. Given the company's mostly regulated focus, we expect that PPL will avoid any meaningful rise in business risk by reaching constructive regulatory outcomes and not expand its unregulated operations. We could lower the ratings if unregulated cash flow expectations lag due to weaker demand for power in the PJM market or forecasted financial measures are not sustained at expected levels. Although unlikely over the intermediate term, we could raise ratings if the business risk profile moves further towards excellent and financial measures exceed our base line forecast on a consistent basis, including FFO to total debt in excess of 23%, debt to EBITDA below 4x, and debt to total capital around 50%.

Related Criteria And Research

- 2008 Corporate Criteria: Analytical Methodology
- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded
- 2008 Corporate Criteria: Ratios And Adjustments
- Methodology And Assumptions: Standard & Poor's Standardizes Liquidity Descriptors For Global Corporate Issuers

Ratings List

Upgraded; CreditWatch/Outlook Action

	To	From
PPL Corp.		
PPL Energy Supply LLC		
Corporate Credit Rating	BBB+/Stable/--	BBB/Watch Pos/--
PPL Capital Funding Inc.		
Senior Unsecured	BBB	BBB-/Watch Pos
Junior Subordinated	BBB-	BB+/Watch Pos
PPL Capital Funding Trust I		
Preference Stock	BBB-	BB+/Watch Pos
PPL Energy Supply LLC		
Senior Unsecured	BBB+	BBB/Watch Pos

Ratings Affirmed/Outlook Action

PPL Electric Utilities Corp.		
Corporate Credit Rating	A-/Stable/A-2	A-/Negative/A-2
Senior Secured	A-	
Recovery Rating	1	
Preference Stock	BBB	
Commercial Paper	A-2	

Ratings Affirmed

E.ON U.S. LLC	
Louisville Gas & Electric Co.	
Kentucky Utilities Co.	
Corporate credit rating	BBB+/Stable/--

Upgraded	To	From
Louisville Gas & Electric Co.		
$575M tax-exempt pollution control bonds	A/A-2	BBB

Rating Assigned

Louisville Gas & Electric Co.	
Recovery rating	1+

Complete ratings information is available to RatingsDirect subscribers on the Global Credit Portal at www.globalcreditportal.com and RatingsDirect subscribers at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

Attachment to Question No. 6

Arbough

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Global Credit Portal
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November 15, 2010

PPL Corp.

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PPL Corp.

Major Rating Factors

Corporate Credit Rating

BBB+/Stable/NR

Strengths:

- Regulated utilities produce recurring operating cash flow;
- Low-cost coal and nuclear generation;
- Operating diversity in merchant generation fleet; and,
- Merchant generation has been contributing stable cash flow due to hedging activities.

Weaknesses:

- More than one-third of consolidated cash flow from riskier unregulated operations;
- Exposure to potentially stricter environmental standards, especially regarding carbon dioxide; and
- Cash flow erosion from lower power prices.

Rationale

The ratings on PPL Corporation reflect the regulated cash flows of vertically integrated utility subsidiaries Kentucky Utilities Co. (KU) and Louisville Gas & Electric Co. (LG&E), along with dividend payments from PPL Electric Utilities Corp. (PPLEU) and Western Power Distribution Holdings Ltd. (WPD), both of which we, for our analysis, consider as equity investments of PPL. When determining PPL's credit quality, we consider the predictability of PPLEU's and WPD's dividend contributions to PPL since the utilities are considered to be insulated from the rest of PPL through structural enhancements that restrict, to some extent, the utilities' business and financial activities. In conjunction with these regulated cash flows is the higher business risk of unregulated generation owned through PPL Energy Supply LLC (PPL Energy). After incorporating these various affiliates, we consider PPL's business risk profile to be 'strong'. Allentown, Pa.-based PPL has about $9 billion of long-term debt excluding that of WPD and PPLEU.

PPL's strong business risk profile reflects 'excellent' business risk profiles for the vertically integrated utilities KU and LG&E, and electric T&D utility PPLEU and WPD's electric distribution utilities. PPL Energy's business risk profile is considered 'satisfactory', reflecting the merchant status of the generation portfolio. LG&E and KU, subsidiaries of PPL's intermediate holding company LG&E and KU Energy LLC, serve electric and natural gas customers scattered throughout Kentucky, including Louisville and Lexington. The strengths of these utilities include relatively predictable utility operations with steady cash flows, constructive cost recovery, and relatively low rates derived from low-cost coal-fired generation. Although generation is mostly coal-fired, the plants meet current environmental requirements and have a significant amount of capital spending through 2014 that should be recoverable through rates. PPLEU is a low-risk regulated electric T&D utility that serves about 1.4 million customers in central and eastern Pennsylvania. Residential and commercial customers comprise about 80% of the utility's sales. PPLEU's credit profile benefits from an automatic adjustment mechanism for recovery of future transmission-related costs and a rate rider that provides for the pass through of power costs to ratepayers outside a base rate proceeding. The future of competitive power markets in Pennsylvania continues to temper the utility's business profile. PPLEU's insulation does not isolate it from PPL's credit quality, and lower ratings on PPL could result in lower ratings on PPLEU. WPD is a United Kingdom-based holding company that serves 2.6 million customers through electric distribution subsidiaries Western Power Distribution (South West) PLC and Western Power Distribution (South Wales) PLC.

PPL Energy is the intermediate holding company for WPD and roughly 11,500 MW of unregulated generation that consists of well-located low-cost nuclear and coal plants. With the expiration at the end of 2009 of a long-term supply contract with affiliate PPLEU, PPL Energy's cash flow is expected to improve since most of its 2010 and 2011 generation is under contract at substantially higher prices. However, there is increased margin volatility and greater collateral requirements that require more liquidity. Credit quality is negatively affected from lingering uncertainty surrounding the competitive generation market in Pennsylvania. Potential systemic negative drivers include low natural gas prices that would affect the dark spread between coal and natural gas fired generation assets and a significantly more restrictive environmental standard than currently expected. We consider PPL's financial risk profile to be 'significant' and expect adjusted financial measures to be in line for the rating. For our forecasts of PPL, we consider PPLEU and WPD as equity investments and remove all their outstanding debt when we deconsolidate these two affiliates from PPL. Projected funds from operation (FFO) to debt in the 22%-23% range and debt to total capital of about 52% would support ratings at the higher end of the 'BBB' category. Projected debt to EBITDA around 4x would further support the rating. Projected free operating cash flow is expected to be positive, but with net cash flow (FFO less dividends) projected to be less than capital spending levels, external financing would be necessary. FFO interest coverage is projected to exceed 5x.

Short-term credit factors

Standard & Poor's views PPL's liquidity as 'strong' under its corporate liquidity methodology, which categorizes liquidity in five standard descriptors. 'Strong' liquidity supports PPL's 'BBB+' issuer credit rating. Projected sources of liquidity, mainly operating cash flow and available bank lines, exceed projected uses, mainly necessary capital expenditures, debt maturities, and common dividends, by more than 1.5x. Sources over uses would be positive even after a 50% EBITDA decline. Additional factors that support the liquidity are PPL's ability to absorb high-impact, low-probability events with limited need for refinancing, its flexibility to lower capital spending, its sound bank relationships, its solid standing in credit markets, and generally prudent risk management. Debt maturities at PPL's funding entity PPL Capital Funding and PPL Energy should be manageable during the next few years, with a $500 million maturity at PPL Energy in 2011 and about $735 million in 2013. For PPLEU, the only significant maturity through 2014 is a $400 million issuance due in 2013.

Outlook

The stable outlook on PPL and its affiliates reflect our expectation that management will maintain a strong business profile by focusing on its regulated utilities and not increasing unregulated operations beyond current levels. The outlook also reflects expectations that cash flow protection and debt leverage measures will be in line for the rating. Specifically, our baseline forecast includes FFO to total debt of about 23%, debt to EBITDA under 4x, and debt leverage to total capital of about 52%, consistent with our expectations for the 'BBB+' rating. Given the company's mostly regulated focus, we expect that PPL will avoid any meaningful rise in business risk by reaching constructive regulatory outcomes and not expanding its unregulated operations. We could lower the ratings if unregulated cash flow expectations lag due to weaker demand for power in the PJM market, or forecasted financial measures are not sustainable at expected levels. Although unlikely over the intermediate term, we could raise ratings if the business risk profile is considered 'excellent' and financial measures exceed our base line forecast on a consistent basis, including FFO to total debt in excess of 23%, debt to EBITDA below 4x, and debt to total capital around 50%.

Table 1.

PPL Corp. -- Peer Comparison*

Industry Sector: Energy

	PPL Corp.	Allegheny Energy Inc.	FirstEnergy Corp.	Public Service Enterprise Group Inc.
Rating as of Nov 8, 2010	BBB+/Stable/--	BBB-/Stable/--	BBB-/Stable/--	BBB/Stable/A-2
	--Average of past three fiscal years--			
(Mil. $)				
Revenues	3,174 5	3,260 6	13,095 3	12,061 4
Net income from cont oper	351 1	400 2	1,219 0	1,380 4
Funds from operations (FFO)	992 0	793 3	2,506 1	2,231 4
Capital expenditures	999 8	976 9	2,652 6	1,599 3
Cash and short-term investments	464 7	302 5	516 0	337.4
Debt	4,834 9	4,288 6	16,572 5	8,389.1
Preferred stock	250.0	0 0	0 0	80 0
Equity	2,758 6	2,844 1	8,605 7	7,719.8
Debt and equity	7,593 5	7,132 7	25,178 2	16,108 8
Adjusted ratios				
EBIT interest coverage (x)	2 8	3 2	2 5	5 8
FFO int. cov (X)	4 8	3 8	3 1	5.4
FFO/debt (%)	20 5	18.5	15 1	26 6
Discretionary cash flow/debt (%)	(7 9)	(6 6)	(5 4)	0 6
Net cash flow / capex (%)	48 6	73.4	69 9	99 5
Total debt/debt plus equity (%)	63 7	60 1	65 8	52 1
Return on common equity (%)	11 8	13 7	13 2	18 6
Common dividend payout ratio (un-adj) (%)	139 7	19 0	53 5	46 5

*Fully adjusted (including postretirement obligations)

Table 2.

PPL Corp. -- Financial Summary*

Industry Sector: Energy

	--Fiscal year ended Dec. 31--				
	2009	**2008**	**2007**	**2006**	**2005**
Rating history	BBB/Negative/--	BBB/Stable/--	BBB/Stable/--	BBB/Stable/--	BBB/Stable/--
(Mil. $)					
Revenues	3,548 2	3,787 6	2,187 7	2,847 6	2,298 9
Net income from continuing operations	30 2	466 3	556 7	436 5	316 1
Funds from operations (FFO)	1,274 7	720 8	980 4	913 7	699 6
Capital expenditures	704 8	1,260 2	1,034 2	781 9	449 4
Cash and short-term investments	311 3	765 4	317 5	800 6	254 1
Debt	5,110 2	5,572 6	3,822 0	3,469 8	3,670 1
Preferred stock	250 0	250 0	250 0	0	0
Equity	2,875 4	2,726 6	2,673 9	2,903 0	2,317 2

Table 2.

PPL Corp. -- Financial Summary* (cont.)					
Debt and equity	7,985.6	8,299.2	6,495.8	6,372.8	5,987.4
Adjusted ratios					
EBIT interest coverage (x)	1.2	3.5	3.8	3.6	2.5
FFO int. cov. (x)	5.9	3.6	5.0	4.8	4.5
FFO/debt (%)	24.9	12.9	25.7	26.3	19.1
Discretionary cash flow/debt (%)	10.0	(18.1)	(17.1)	(4.8)	(1.0)
Net Cash Flow / Capex (%)	105.1	16.9	48.8	64.5	99.0
Debt/debt and equity (%)	64.0	67.1	58.8	54.4	61.3
Return on common equity (%)	(0.5)	16.8	19.1	15.8	13.1
Common dividend payout ratio (un-adj.) (%)	1,723.7	105.3	82.5	93.7	0

*Fully adjusted (including postretirement obligations)

Table 3.

Reconciliation Of PPL Corp. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)*

--Fiscal year ended Dec. 31, 2009--

PPL Corp. reported amounts

	Debt	Shareholders' equity	Operating income (before D&A)	Operating income (before D&A)	Operating income (after D&A)	Interest expense	Cash flow from operations	Cash flow from operations	Dividends paid	Capital expenditures
Reported	4,198.5	2,607.4	458.3	458.3	232.2	190.5	1,365.5	1,365.5	517.0	703.8
Standard & Poor's adjustments										
Operating leases	773.5	--	112.5	41.2	41.2	41.2	71.3	71.3	--	43.0
Intermediate hybrids reported as debt	(250.0)	250.0	--	--	--	(16.8)	16.8	16.8	16.8	--
Postretirement benefit obligations	324.8	--	32.8	32.8	32.8	0.4	17.5	17.5	--	--
Accrued interest not included in reported debt	63.4	--	--	--	--	--	--	--	--	--
Capitalized interest	--	--	--	--	--	42.0	(42.0)	(42.0)	--	(42.0)
Share-based compensation expense	--	--	--	23.0	--	--	--	--	--	--
Reclassification of nonoperating income (expenses)	--	--	--	--	(9.0)	--	--	--	--	--
Reclassification of working-capital cash flow changes	--	--	--	--	--	--	--	(475.8)	--	--
Minority interests	--	18.0	--	--	--	--	--	--	--	--

Table 3.

Reconciliation Of PPL Corp. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)* (cont.)										
US decommissioning fund contributions	--	--	--	--	--	--	(26 0)	(26 0)	--	--
Other	--	--	--	--	--	--	347 5	347 5	--	--
Total adjustments	911 7	268 0	145 3	97 0	65 0	66 9	385 0	(90 8)	16 8	1 0

Standard & Poor's adjusted amounts

	Debt	Equity	Operating income (before D&A)	EBITDA	EBIT	Interest expense	Cash flow from operations	Funds from operations	Dividends paid	Capital expenditures
Adjusted	5,110 2	2,875 4	603 6	555 3	297 2	257 4	1,750 5	1,274 7	533 8	704 8

*PPL Corp reported amounts shown are taken from the company's financial statements but might include adjustments made by data providers or reclassifications made by Standard & Poor's analysts. Please note that two reported amounts (operating income before D&A and cash flow from operations) are used to derive more than one Standard & Poor's-adjusted amount (operating income before D&A and EBITDA, and cash flow from operations and funds from operations, respectively). Consequently, the first section in some tables may feature duplicate descriptions and amounts

Related Criteria And Research

- 2008 Corporate Criteria: Analytical Methodology
- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded
- 2008 Corporate Criteria: Ratios And Adjustments
- Methodology And Assumptions: Standard & Poor's Standardizes Liquidity Descriptors For Global Corporate Issuers

Ratings Detail (As Of November 15, 2010)*	
PPL Corp.	
Corporate Credit Rating	BBB+/Stable/NR
Junior Subordinated (2 Issues)	BBB-
Preference Stock (1 Issue)	BBB-
Senior Unsecured (3 Issues)	BBB
Corporate Credit Ratings History	
27-Oct-2010	BBB+/Stable/NR
28-Apr-2010	BBB/Watch Pos/NR
27-Jan-2009	BBB/Negative/NR
Business Risk Profile	Strong
Financial Risk Profile	Significant
Related Entities	
Kentucky Utilities Co.	
Issuer Credit Rating	BBB+/Stable/A-2
Senior Secured (3 Issues)	A
Senior Secured (7 Issues)	A/A-2
LG&E and KU Energy LLC	
Issuer Credit Rating	BBB+/Stable/--

Ratings Detail (As Of November 15, 2010)* (cont.)	
Senior Unsecured (2 Issues)	BBB
Louisville Gas & Electric Co.	
Issuer Credit Rating	BBB+/Stable/NR
Senior Secured (2 Issues)	A
Senior Secured (11 Issues)	A/A-2
Senior Unsecured (1 Issue)	A/A-2
PPL Electric Utilities Corp.	
Issuer Credit Rating	A-/Stable/A-2
Commercial Paper	
Local Currency	A-2
Preference Stock (1 Issue)	BBB
Senior Secured (6 Issues)	A-
Senior Secured (2 Issues)	A/Developing
PPL Energy Supply LLC	
Issuer Credit Rating	BBB+/Stable/NR
Senior Unsecured (12 Issues)	BBB+
PPL Montana LLC	
Senior Secured (1 Issue)	BBB-/Stable
Western Power Distribution Holdings Ltd.	
Issuer Credit Rating	BBB-/Stable/A-3
Senior Unsecured (2 Issues)	BBB-
Western Power Distribution (South Wales) PLC	
Issuer Credit Rating	BBB+/Stable/A-2
Senior Unsecured (3 Issues)	BBB+
Western Power Distribution (South West) PLC	
Issuer Credit Rating	BBB+/Stable/A-2
Senior Unsecured (4 Issues)	BBB+

*Unless otherwise noted, all ratings in this report are global scale ratings Standard & Poor s credit ratings on the global scale are comparable across countries Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country

Attachment to Question No. 6

Arbough

STANDARD &POOR'S

Global Credit Portal
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April 15, 2011

Research Update:
PPL Corp. And U.K. Affiliates Are Taken Off CreditWatch, Ratings Are Affirmed

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Research Update:

PPL Corp. And U.K. Affiliates Are Taken Off CreditWatch, Ratings Are Affirmed

Overview

- We resolved the CreditWatch with negative implications and affirmed the 'BBB' ratings on diversified energy company PPL Corp. and its affiliates PPL Electric Utilities (PPLEU), PPL Energy Supply (PPL Energy), LG&E and KU Energy LLC (LKE), Louisville Gas & Electric Co. (LG&E), and Kentucky Utilities Co. (KU). The outlook on the ratings is stable.
- At the same time, we resolved the CreditWatch listing and affirmed the 'BBB' ratings on PPL's U.K. affiliates: PPL WW Holdings Ltd. (intermediate holding company formerly known as Western Power Distribution Holdings Ltd.) and PPL WW's distribution network operators (DNOs) Western Power Distribution (South Wales) and Western Power Distribution (South West); and the new intermediate holding company PPL WEM Holdings PLC and its DNOs Western Power Distribution (West Midlands) and Western Power Distribution (East Midlands). The outlook on all the ratings is stable.
- We raised the short-term ratings on KU, LG&E, PPLEU, Western Power Distribution (East Midlands), Western Power Distribution (West Midlands), PPL WEM, PPL WW, Western Power Distribution (South Wales), and Western Power Distribution (South West) to 'A-2' from 'A-3', and we removed the CreditWatch listing.
- The ratings actions and CreditWatch actions come as the result of PPL's recently completed common stock and equity offerings.

Rating Action

On April 15, 2011, Standard & Poor's Ratings Services affirmed its 'BBB' corporate credit ratings on PPL Corp. and its affiliates PPL Electric Utilities (PPLEU), PPL Energy Supply (PPL Energy), LG&E and KU Energy LLC (LKE), Louisville Gas & Electric Co. (LG&E), and Kentucky Utilities Co. (KU). At the same time, we removed the ratings from CreditWatch with negative implications, where we put them on March 2, 2011, following the acquisition announcement. (See "PPL Corp. Is Lowered To 'BBB' And Placed On CreditWatch Negative After Acquisition Announcement," published March 2, 2011.) We also resolved the CreditWatch listings and affirmed the 'BBB' ratings on PPL's U.K. affiliates: PPL WW Holdings Ltd. (intermediate holding company formerly known as Western Power Distribution Holdings Ltd.) and PPL WW's distribution network operators (DNOs) Western Power Distribution (South Wales) and Western Power Distribution (South West); and the new intermediate holding company PPL WEM Holdings PLC and its DNOs Western Power Distribution (West Midlands) and Western Power Distribution (East Midlands). The outlook on all the ratings is stable. We raised the short-term ratings on KU, LG&E, PPLEU, Western Power Distribution (WPD) (East Midlands), WPD (West Midlands), PPL WEM, PPL WW, WPD

(South Wales), and WPD (South West) to 'A-2' from 'A-3'.

Allentown, Pa.-based PPL has about $12.7 billion of long-term debt, including $1.63 billion of junior subordinated notes. Including all junior subordinated notes, we estimate pro forma debt to be roughly $16.6 billion.

The ratings affirmations and removal of the CreditWatch listings follow PPL's recently completed offerings of 92 million shares (after exercise of the overallotment option) of PPL common stock (roughly $2.3 billion of gross proceeds), and 19.55 million (after exercise of the overallotment option) of equity units (roughly $978 million of gross proceeds), to which we assign high equity content.

PPL completed the equity financing as part of the permanent financing plan for the completed acquisition of E.ON U.K.'s Central Networks West PLC and Central Networks East PLC. The CreditWatch listing was directly related to the execution of the financing plan for the acquisition, which included the company's commitment of a substantial issuance of equity. PPL will use proceeds from both issuances to repay a portion of a £3.6 billion 364-day bridge facility that funded the acquisition April 1. The company will repay the remaining balance on the bridge loan with proceeds from future permanent debt issuances as indicated by PPL.

Rationale

For the cash portion of its acquisition of E.ON U.K.'s Central Networks, PPL issued the common stock and equity units and expects to issue unsecured debt at intermediate holding company PPL WEM Holdings PLC and its two new operating subsidiaries, WPD (West Midlands) and WPD (East Midlands). PPL's regulated cash flows should rise to approximately 75% from 60% before it completes the acquisition. Before PPL bought the Kentucky utilities, its regulated cash flows comprised less than 30%. Due to the potential cash flow contribution to the consolidated PPL family from the enlarged U.K. operations, we believe that the U.K. group is now a core part of PPL's strategy. Therefore, we matched the ratings on all these entities with our rating on PPL. We rate PPL WW's senior unsecured debt one notch lower than its long-term rating to reflect structural subordination. We would take the same approach to rating any debt PPL WEM issues. For more information on the rating methodology for the U.K. group, please see "U.K. OpCos WPD West And East Midlands Downgraded To 'BBB/A-3' On New Owner; New HoldCo Rated 'BBB/A-3'; On Watch Neg," published April 12, 2011.

Our assessment of the business profile as excellent reflects the addition of fully regulated distribution utilities that have credit-supportive U.K. regulation and no commodity exposure, since power for retail customers is procured by nonaffiliated retail suppliers. The new DNOs are contiguous to the U.K. utilities PPL's already owns. We expect U.K. operations to be about 30% of PPL's consolidated cash flow. The stability of U.K. cash flows, which are wires-only distribution utilities, along with existing utility assets in Kentucky and Pennsylvania, all of which we assess as excellent, will more than offset the business risk profile of PPL Energy's merchant generation, which we assess as satisfactory, resulting in an excellent business profile overall. We expect the merchant generation business to comprise less than 25% of pro forma consolidated cash flows.

We consider the financial risk profile to be aggressive, which reflects in part the company's financial policies toward acquisitions, including funding with aggressive levels of hybrid securities. The consolidated financial measures include all cash flows and debt obligations from the U.K. utilities and PPLEU in PPL's financial measures. We expect consolidated financial measures, including ratios of debt to EBITDA, funds from operations (FFO) to total debt, and debt to capital, to range into the aggressive category of our financial risk profile. Debt to EBITDA should range between 4x and 5x, while we expect the percentage of FFO to debt to be in the mid-teens. These measures will support ratings at the 'BBB' level on successful completion of all the permanent financing.

Liquidity

Standard & Poor's currently believes PPL's liquidity is adequate under its corporate liquidity methodology, which categorizes liquidity in five standard descriptors. (See "Standard & Poor's Standardizes Liquidity Descriptors for Global Corporate Issuers," published July 2, 2010.) Our assessment of PPL's liquidity supports our 'BBB' issuer credit rating on the company. Its projected sources of liquidity--mainly operating cash flow and available bank lines--exceed its projected uses--mainly necessary capital expenditures, debt maturities, and common dividends--by about 1.2x over the next 12 to 18 months. We expect net sources to remain positive, even if EBITDA declines more than 15%. Compliance with financial covenants could survive a 15% drop in EBITDA, in our view. Further supporting our liquidity assessment is PPL's ability to absorb high-impact, low-probability events with limited need for refinancing, its flexibility to lower capital spending, its sound bank relationships, its solid standing in credit markets, and its generally prudent risk management.

Outlook

The stable outlook on our ratings on PPL and its all rated subsidiaries reflects our expectation that management will maintain an excellent business profile by focusing on its regulated utilities and will not increase unregulated operations beyond current levels. The outlook also reflects our expectations that cash flow protection and debt leverage measures will be in line for the rating. Specifically, our baseline forecast includes FFO to total debt of around 15%, debt to EBITDA between 4x and 5x, and debt leverage to total capital under 60%, consistent with our expectations for the 'BBB' rating. Given the company's mostly regulated focus, we expect that PPL will avoid any meaningful rise in business risk by reaching constructive regulatory outcomes and limit its unregulated operations to existing levels. We could lower the ratings if PPL cannot sustain consolidated financial measures of FFO to total debt of at least 12%, debt to EBITDA below 5x, and debt leverage under 62%. This could occur if market power prices continue to remain weak due to ongoing depressed demand. Although unlikely over the intermediate term, we could raise ratings if the business profile further strengthens and if financial measures exceed our base line forecast on a consistent basis, including FFO to total debt in excess of 20%, debt to EBITDA below 4x, and debt to total capital around 50%.

Related Criteria And Research

- U.K. OpCos WPD West And East Midlands Downgraded To 'BBB/A-3' On New Owner; New HoldCo Rated 'BBB/A-3'; On Watch Neg, April 12, 2011
- U.K.-Based WPD Operating Cos Downgraded To 'BBB/A-3' And Placed On Watch Neg After Same Action On U.S. Parent PPL, March 3, 2011
- Standard & Poor's Standardizes Liquidity Descriptors for Global Corporate Issuers, July 2, 2010
- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, May 27, 2009
- Corporate Ratings Criteria 2008: Analytical Methodology, April 15, 2008
- Corporate Ratings Criteria 2008: Ratios And Adjustments, April 15, 2008

Ratings List

Ratings Affirmed; CreditWatch Action; Upgraded

	To	From
PPL Corp.		
PPL Energy Supply LLC		
LG&E and KU Energy LLC		
Corporate Credit Rating	BBB/Stable/--	BBB/Watch Neg/--
Kentucky Utilities Co.		
Western Power Distribution (South West) PLC		
Western Power Distribution (South Wales) PLC		
WPD West Midlands PLC		
WPD East Midlands PLC		
PPL WW Holdings Ltd.		
PPL WEM Holdings PLC		
PPL Electric Utilities Corp.		
Louisville Gas & Electric Co.		
Corporate Credit Rating	BBB/Stable/A-2	BBB/Watch Neg/A-3
Kentucky Utilities Co.		
Senior Secured	A-	A-/Watch Neg
Recovery Rating	1+	
LG&E and KU Energy LLC		
Senior Unsecured	BBB-	BBB-/Watch Neg
Louisville Gas & Electric Co.		
Senior Secured	A-	A-/Watch Neg
Recovery Rating	1+	

PPL Capital Funding Inc.		
Senior Unsecured	BBB-	BBB-/Watch Neg
Junior Subordinated	BB+	BB+/Watch Neg
PPL Electric Utilities Corp.		
Senior Secured	BBB+	BBB+/Watch Neg
Recovery Rating	1	
Preference Stock	BB+	BB+/Watch Neg
PPL Energy Supply LLC		
Senior Unsecured	BBB	BBB/Watch Neg
PPL WEM Holdings PLC		
Senior Unsecured	BBB-	BBB-/Watch Neg
PPL WW Holdings Ltd.		
Senior Unsecured	BBB-	BBB-/Watch Neg
WPD East Midlands PLC		
Senior Unsecured	BBB	BBB/Watch Neg
WPD West Midlands PLC		
Senior Unsecured	BBB	BBB/Watch Neg
Western Power Distribution (South Wales) PLC		
Senior Unsecured	BBB	BBB/Watch Neg
Western Power Distribution (South West) PLC		
Senior Unsecured	BBB	BBB/Watch Neg

Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

Attachment to Question No. 6

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Arbough

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Global Credit Portal
RatingsDirect®

March 22, 2011

PPL Corp.

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PPL Corp.

Major Rating Factors

Corporate Credit Rating
BBB/Watch Neg/NR

Strengths:

- Regulated utilities generate steady operating cash flow;
- Low-cost coal and nuclear generation;
- Operating diversity in merchant generation power plants; and,
- Rolling hedging strategy for merchant generation results in stable cash flow.

Weaknesses:

- Materially riskier unregulated operations;
- Acquisitive, with aggressive use of hybrid securities for partial funding;
- Exposure to pending environmental standards, especially regarding carbon dioxide; and
- Cash flow erosion from lower power prices.

Rationale

The ratings on PPL Corp. and affiliates Kentucky Utilities Co. (KU), Louisville Gas & Electric Co. (LG&E), LG&E and KU Energy LLC (LKE), PPL Electric Utilities Corp. (PPLEU), PPL Energy Supply LLC (PPL Energy), Western Power Distribution (South West) PLC, and Western Power Distribution (South Wales) PLC are on CreditWatch with negative implications. Affiliate Western Power Distribution Holdings Ltd. is on CreditWatch with developing implications. The CreditWatch listings followed PPL's planned acquisition of E.ON UK's Central Networks West PLC (CNW) and Central Networks East PLC (CNE), two distribution networks in the U.K. The CreditWatch listing directly relates to the execution of the financing plan for the acquisition, which includes a commitment by the company for a substantial issuance of equity. Resolution of the CreditWatch will depend on the company's ability to complete its financing activities consistent with our expectations for the 'BBB' ratings.

Allentown, Pa.-based PPL has about $13.4 billion of debt, including $1.63 billion of junior subordinated notes.

PPL's purchase price of Central Networks utilities includes the assumption of $800 million of public debt and cash of $5.6 billion (excluding related transaction expenses and fees) that it will fund initially through a bridge loan and ultimately through a combination of cash, common equity issuance at PPL, unsecured debt at CNW and CNE, and unsecured debt at an intermediate holding company (generically UK Holdings) that will own CNW and CNE. In addition, PPL will issue equity units at PPL Capital Funding, which will likely receive high equity credit under our rating criteria. This acquisition will raise PPL's regulated cash flows to about 75% from the current 60%. Before PPL bought the Kentucky utilities, its regulated cash flows were less than 30%. The ratings change reflects our revisions, in accordance with our criteria, of PPL's business risk profile to excellent from strong and the company's financial risk profile to aggressive from significant.

The excellent business profile reflects the addition of fully regulated distribution utilities that have credit-supportive U.K. regulation and no commodity exposure, since power for retail customers is procured by nonaffiliated retail suppliers. The Central Networks utilities are contiguous to PPL's existing U.K. utilities. After the acquisition of CNE and CNW, we expect U.K. operations to be about 30% of PPL's consolidated cash flow. With this transaction, we are viewing all of PPL's utility assets as part of a consolidated entity, whereas previously we considered only the quality of the utility's dividends to its parent. The stability of CNE and CNW, along with existing utility assets in the U.K., Kentucky, and Pennsylvania, which we assess as excellent, will more than offset the satisfactory business risk profile of PPL Energy's merchant generation, resulting in a consolidated business profile of excellent. We expect the merchant generation business to contribute less than 25% of pro forma consolidated cash flows.

Our revision of the financial risk profile to aggressive reflects in part the company's financial policies toward acquisitions, including funding with aggressive levels of hybrid securities. Furthermore, due to the company's strategy of focusing on fully regulated operations and also expanding its U.K. presence, we are incorporating consolidated financial measures for PPL in our analysis. When reviewing the financial metrics, we are now including all cash flows and debt obligations from the U.K. utilities and PPLEU in PPL's financial measures. We expect consolidated financial measures, including ratios of debt to EBITDA, funds from operations (FFO) to total debt, and debt to capital, to range in the aggressive category of our financial risk profile. Debt to EBITDA should range between 4x and 5x, while we expect the percentage of FFO to debt to be in the mid-teens. These measures will support ratings at the 'BBB' level when the company successfully completes its permanent financing.

Short-term credit factors

Standard & Poor's currently views PPL's liquidity as strong under its corporate liquidity methodology, which categorizes liquidity in five standard descriptors. Our assessment of liquidity as strong supports PPL's 'BBB' issuer credit rating. Projected sources of liquidity--mainly operating cash flow and available bank lines--exceed projected uses--mainly necessary capital expenditures, debt maturities, and common dividends--by more than 1.5x. The ratio of sources over uses would be positive even after a 50% EBITDA decline. Additional factors that support the liquidity are PPL's ability to absorb high-impact, low-probability events with limited need for refinancing, its flexibility to lower capital spending, its sound bank relationships, its solid standing in credit markets, and its generally prudent risk management.

CreditWatch

The CreditWatch listing will remain until the company demonstrates progress on the permanent financing plan in line with our expectations. The acquisition requires large permanent financing that has attendant execution risks, and we will monitor PPL's ability to finalize this permanent financing. We could remove the CreditWatch listing and assign a stable outlook if financing is consistent with our expectation. We could lower the ratings if PPL can't fully execute its permanent financing plan in a credit-supportive manner consistent with our expectations for 'BBB' ratings.

Related Criteria And Research

- 2008 Corporate Criteria: Analytical Methodology
- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded
- 2008 Corporate Criteria: Ratios And Adjustments
- Methodology And Assumptions: Standard & Poor's Standardizes Liquidity Descriptors For Global Corporate Issuers

Table 1

PPL Corp. -- Peer Comparison*

Industry Sector: Energy

	PPL Corp.	FirstEnergy Corp.	Public Service Enterprise Group Inc.	Ameren Corp.
Rating as of March 17, 2011	BBB/Watch Neg/--	BBB-/Stable/--	BBB/Stable/A-2	BBB-/Stable/A-3
	--Average of past three fiscal years--			
(Mil. $)				
Revenues	5,285 6	13,266 0	11,995 5	7,522 3
Net income from cont. oper	483 9	1,044 0	1,466 6	452 0
Funds from operations (FFO)	1,560 7	2,675 2	2,494 4	1,836 9
Capital expenditures	1,177 4	2,352 5	1,874 5	1,668 3
Cash and short-term investments	721 6	812 7	290 2	419 7
Debt	8,598 5	17,675 4	8,875 7	9,223 1
Preferred stock	333 3	0 0	53 3	88 7
Equity	4,776 7	8,451 0	8,533 8	7,619 0
Debt and equity	13,375 2	26,126 4	17,409 5	16,842 1
Adjusted ratios				
EBIT interest coverage (x)	2 7	2 4	6 2	3 0
FFO int. cov (X)	4 8	3 2	6 0	4 6
FFO/debt (%)	18 2	15 1	28 1	19 9
Discretionary cash flow/debt (%)	(1 2)	(2 5)	1 0	(2 8)
Net cash flow / capex (%)	86 6	85 2	97 1	85 0
Total debt/debt plus equity (%)	64 3	67 7	51 0	54 8
Return on common equity (%)	12 7	10 9	17 5	5 6
Common dividend payout ratio (un-adj) (%)	111 4	64 2	46 0	95 0

*Fully adjusted (including postretirement obligations)

Table 2

PPL Corp. -- Financial Summary*

Industry Sector: Energy

	--Fiscal year ended Dec. 31--				
	2010	**2009**	**2008**	**2007**	**2006**
Rating history	BBB+/Stable/--	BBB/Negative/--	BBB/Stable/--	BBB/Stable/--	BBB/Stable/--
(Mil. $)					
Revenues	8,521 0	3,548 2	3,787 6	2,187 7	2,847 6
Operating income (bef D&A)	2,565 0	603 6	1,260 4	1,121 9	1,016 3
Operating income (after D&A)	1,944 9	306 2	1,018 2	934 4	795 3
Net income from continuing operations	955 0	30 2	466 3	556 7	436 5
Funds from operations (FFO)	2,686 6	1,274 7	720 8	980 4	913 7
Capital expenditures	1,567 0	704 8	1,260 2	1,034 2	781 9
Free operating cash flow	763 6	1,045 7	(503 3)	(178 1)	242 2
Discretionary cash flow	180 8	511 9	(1,011 0)	(653 8)	(166 8)
Cash and short-term investments	1,088 0	311 3	765 4	317 5	800 6
Debt	15,112 8	5,110 2	5,572 6	3,822 0	3,469 8

Table 2

PPL Corp. -- Financial Summary* (cont.)					
Preferred stock	500.0	250.0	250.0	250.0	0.0
Equity	8,728.0	2,875.4	2,726.6	2,673.9	2,903.0
Debt and equity	23,840.8	7,985.6	8,299.2	6,495.8	6,372.8
Adjusted ratios					
EBIT interest coverage (x)	3.0	1.2	3.5	3.8	3.6
EBIT interest coverage (x)¶	3.0	1.2	1.6	3.8	3.6
EBITDA interest coverage (x)	3.8	2.2	4.4	4.5	4.4
FFO int. cov. (x)	4.8	5.9	3.6	5.0	4.8
FFO/debt (%)	17.8	24.9	12.9	25.7	26.3
Free operating cash flow/debt (%)	5.1	20.5	(9.0)	(4.7)	7.0
Discretionary cash flow/debt (%)	1.2	10.0	(18.1)	(17.1)	(4.8)
Net cash flow / capex (%)	134.3	105.1	16.9	48.8	64.5
Debt/debt and equity (%)	63.4	64.0	67.1	58.8	54.4
Return on common equity (%)	17.0	(0.5)	16.8	19.1	15.8
Common dividend payout ratio (un-adj.) (%)	63.4	1,723.7	105.3	82.5	93.7

*Fully adjusted (including postretirement obligations). ¶Postretirement obligations using actual returns.

Table 3

Reconciliation Of PPL Corp. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)*

	--Fiscal year ended Dec. 31, 2010--						
PPL Corp. reported amounts							
	Debt	**Shareholders' equity**	**Operating income (before D&A)**	**Operating income (before D&A)**	**Operating income (after D&A)**	**Interest expense**	**Cash flow from operations**
Reported	13,357.0	8,478.0	2,422.0	2,422.0	1,866.0	593.0	2,033.0
Standard & Poor's adjustments							
Operating leases	662.0	--	115.0	50.9	50.9	50.9	64.1
Intermediate hybrids reported as debt	(250.0)	250.0	--	--	--	(16.8)	16.8
Postretirement benefit obligations	1,177.8	--	28.0	28.0	28.0	--	243.8
Accrued interest not included in reported debt	166.0	--	--	--	--	--	--
Capitalized interest	--	--	--	--	--	30.0	(30.0)
Share-based compensation expense	--	--	--	26.0	--	--	--
Reclassification of working-capital cash flow changes	--	--	--	--	--	--	--
US decommissioning fund contributions	--	--	--	--	--	--	(14.0)
Other	--	--	--	--	--	--	17.0
Total adjustments	1,755.8	250.0	143.0	104.9	78.9	64.2	297.6

Table 3

Reconciliation Of PPL Corp. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)* (cont.)

Standard & Poor's adjusted amounts

	Debt	Equity	Operating income (before D&A)	EBITDA	EBIT	Interest expense	Cash flow from operations
Adjusted	15,112.8	8,728.0	2,565.0	2,526.9	1,944.9	657.2	2,330.6

*PPL Corp. reported amounts shown are taken from the company's financial statements but might include adjustments made by data providers or reclassifications made by Standard & Poor's analysts. Please note that two reported amounts (operating income before D&A and cash flow from operations) are used to derive more than one Standard & Poor's-adjusted amount (operating income before D&A and EBITDA, and cash flow from operations and funds from operations, respectively). Consequently, the first section in some tables may feature duplicate descriptions and amounts.

Ratings Detail (As Of March 22, 2011)*

PPL Corp.	
Corporate Credit Rating	BBB/Watch Neg/NR
Junior Subordinated (2 Issues)	BB+/Watch Neg
Senior Unsecured (3 Issues)	BBB-/Watch Neg
Corporate Credit Ratings History	
02-Mar-2011	BBB/Watch Neg/NR
27-Oct-2010	BBB+/Stable/NR
28-Apr-2010	BBB/Watch Pos/NR
27-Jan-2009	BBB/Negative/NR
Business Risk Profile	Excellent
Financial Risk Profile	Aggressive
Related Entities	
Kentucky Utilities Co.	
Issuer Credit Rating	BBB/Watch Neg/A-3
Senior Secured (5 Issues)	A-/A-3
Senior Secured (2 Issues)	A-/NR
Senior Secured (3 Issues)	A-/Watch Neg
LG&E and KU Energy LLC	
Issuer Credit Rating	BBB/Watch Neg/--
Senior Unsecured (2 Issues)	BBB-/Watch Neg
Louisville Gas & Electric Co.	
Issuer Credit Rating	BBB/Watch Neg/A-3
Senior Secured (11 Issues)	A-/A-3
Senior Secured (1 Issue)	A-/NR
Senior Secured (2 Issues)	A-/Watch Neg
PPL Electric Utilities Corp.	
Issuer Credit Rating	BBB/Watch Neg/A-3
Commercial Paper	
Local Currency	A-3/Watch Neg
Preference Stock (1 Issue)	BB+/Watch Neg
Senior Secured (8 Issues)	BBB+/Watch Neg
PPL Energy Supply LLC	
Issuer Credit Rating	BBB/Watch Neg/NR

Ratings Detail (As Of March 22, 2011) (cont.)	
Senior Unsecured (12 Issues)	BBB/Watch Neg
PPL Montana LLC	
Senior Secured (1 Issue)	BBB-/Positive
Western Power Distribution Holdings Ltd.	
Issuer Credit Rating	BBB-/Watch Dev/A-3
Senior Unsecured (2 Issues)	BBB-/Watch Neg
Western Power Distribution (South Wales) PLC	
Issuer Credit Rating	BBB/Watch Neg/A-3
Senior Unsecured (3 Issues)	BBB/Watch Neg
Western Power Distribution (South West) PLC	
Issuer Credit Rating	BBB/Watch Neg/A-3
Senior Unsecured (4 Issues)	BBB/Watch Neg

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country