and KU's requested10% authorized return on equity. On August 8, 2016, the KPSC issued an order approving the majority of the settlement's terms and provisions, but establishing a 9.8% authorized return on equity for these projects. Recovery of costs will ›mmence with bills rendered on and after August 31, 2016.

Gas Franchise(LKE and LG&E)

LG&E's existing gas franchise agreement for the Louisville/Jefferson County service area expired on March 31, 2016. Pursuant to Kentucky law, upon expiration of a franchise, LG&E retains a revocable license to own and operate its facilities and to provide service. LG&E submitted a bid for a new franchise agreement on June 9, 2016 and is awaiting action from the Louisville/Jefferson County Metro Council. On July 28, 2016, Metro Council introduced an ordinance to award the bid to LG&E and assigned the ordinance to committee for review and recommendation. In the interim, LG&E continues to provide gas service to customers in this service area at existing rates, but without collecting or remitting a franchise fee. LG&E cannot predict the outcome of this matter but does not anticipate that it will have a material effect on its financial condition or results of operation.

Pennsylvania Activities*(PPL and PPL Electric)*

Act 129

Act 129 requires Pennsylvania Electric Distribution Companies (EDCs) to meet specified goals for reduction in customer electricity usage and peak demand by specified dates. EDCs not meeting the requirements of Act 129 are subject to significant penalties. In November 2015, PPL Electric filed with the PUC its Act 129 Phase III Energy Efficiency and Conservation Plan for the period June 1, 2016 through May 31, 2021. In January 2016, PPL Electric and the other parties reached a settlement of all major issues in the case and filed that settlement with the Administrative Law Judge. In June 2016, the PUC issued a final order approving PPL Electric's Phase III Plan as modified by the settlement, allowing PPL Electric to recover a maximum $313 million in program cost over the five-year period June 1, 2016 through May 31, 2021 through the Act 129 compliance rider.

ct 129 also requires Default Service Providers (DSP) to provide electricity generation supply service to customers pursuant to a PUC-approved default service procurement plan through auctions, requests for proposal and bilateral contracts at the sole discretion of the DSP. Act 129 requires a mix of spot market purchases, short-term contracts and long-term contracts (4 to 20 years), with long-term contracts limited to 25% of load unless otherwise approved by the PUC. A DSP is able to recover the costs associated with its default service procurement plan.

PPL Electric has received PUC approval of biannual DSP procurement plans for all periods required under Act 129. In January 2016, PPL Electric filed a Petition for Approval of a new DSP procurement plan with the PUC for the period June 1, 2017 through May 31, 2021. The parties have reached a settlement on all but one issue in the proceeding. A partial settlement agreement and briefs on the litigated issue were submitted to the Administrative Law Judge in July 2016. This proceeding remains pending before the PUC. PPL Electric cannot predict the outcome of this proceeding.

7. Financing Activities

Credit Arrangements and Short-term Debt

(All Registrants)

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

		June 30, 2016				December 31, 2015	
	Expiration Date	Capacity	Borrowed	Letters of Credit and Commercial Paper Issued	Unused Capacity	Borrowed	Letters of Credit and Commercial Paper Issued
PPL							
U.K.							
WPD plc							
Syndicated Credit Facility	Jan 2021	£ 210	£ 138	£ —	£ 72	£ 133	£ —
WPD (South West)							
Syndicated Credit Facility	July 2020	245	100	—	145	—	—
WPD (East Midlands)							
Syndicated Credit Facility	July 2020	300	31	—	269	—	—
WPD (West Midlands)							
Syndicated Credit Facility	July 2020	300	—	—	300	—	—
Uncommitted Credit Facilities		40	—	4	36	—	4
Total U.K. Credit Facilities (a)		£ 1,095	£ 269	£ 4	£ 822	£ 133	£ 4
U.S.							
PPL Capital Funding							
Syndicated Credit Facility	Jan 2021	$ 700	$ —	$ 320	$ 380	$ —	$ 151
Syndicated Credit Facility	Nov 2018	300	—	—	300	—	300
Bilateral Credit Facility	Mar 2017	150	—	17	133	—	20
Total PPL Capital Funding Credit Facilities		$ 1,150	$ —	$ 337	$ 813	$ —	$ 471
PPL Electric							
Syndicated Credit Facility	Jan 2021	$ 400	$ —	$ 7	$ 393	$ —	$ 1
LKE							
Syndicated Credit Facility (b)	Oct 2018	$ 75	$ —	$ —	$ 75	$ 75	$ —
I G&E							
Syndicated Credit Facility	Dec 2020	$ 500	$ —	$ 110	$ 390	$ —	$ 142
KU							

Syndicated Credit Facility	Dec 2020	$ 400	$ —	$ 29	$ 371	$ —	$ 48
Letter of Credit Facility	Oct 2017	198	—	198	—	—	198
Total KU Credit Facilities		$ 598	$ —	$ 227	$ 371	$ —	$ 246

(a) WPD plc's amounts borrowed at June 30, 2016 and December 31, 2015 were USD-denominated borrowings of $200 million for both periods, which bore interest at 1.27% and 1.83%. The unused capacity reflects the amount borrowed in GBP of £138 million as of the date borrowed. WPD (South West) amount borrowed at June 30, 2016 was a GBP-denominated borrowing which equated to $146 million and bore interest at 0.92%. WPD (East Midlands) amount borrowed at June 30, 2016 was a GBP-denominated borrowing which equated to $45 million and bore interest at 0.92%. At June 30, 2016, the unused capacity under the U.K. credit facilities was approximately $1.2 billion.

(b) LKE's interest rate on outstanding borrowings at December 31, 2015 was 1.68%.

In July 2016, the expiration dates for the WPD (South West), WPD (East Midlands) and WPD (West Midlands) syndicated credit facilities were extended to July 2021.

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

	June 30, 2016				December 31, 2015	
	Weighted - Average Interest Rate	Capacity	Commercial Paper Issuances	Unused Capacity	Weighted - Average Interest Rate	Commercial Paper Issuances
PPL Capital Funding	0.84%	$ 1,000	$ 320	$ 680	0.78%	$ 451
PPL Electric	0.75%	400	6	394		—
LG&E	0.70%	350	110	240	0.71%	142
KU	0.70%	350	29	321	0.72%	48
Total		$ 2,100	$ 465	$ 1,635		$ 641

(LKE)

See Note 11 for discussion of intercompany borrowings.

Long-term Debt

(PPL)

In May 2016, PPL Capital Funding issued $650 million of 3.10% Senior Notes due 2026. PPL Capital Funding received proceeds of $645 million, net of a discount and underwriting fees, which will be used to invest in or make loans to subsidiaries of PPL, to repay short-term debt and for general corporate purposes.

ı May 2016, WPD (East Midlands) borrowed £100 million at 0.4975% under a new ten-year index linked term loan agreement, which will be used for general corporate purposes.

In May 2016, WPD plc repaid the entire $460 million principal amount of its 3.90% Senior Notes upon maturity.

(PPL and PPL Electric)

In March 2016, the LCIDA issued $116 million of Pollution Control Revenue Refunding Bonds, Series 2016A due 2029 and $108 million of Pollution Control Revenue Refunding Bonds, Series 2016B due 2027 on behalf of PPL Electric. The bonds were issued bearing interest at an initial term rate of 0.90% through their mandatory purchase dates of September 1, 2017 and August 15, 2017. The proceeds of the bonds were used to redeem $116 million of 4.70% Pollution Control Revenue Refunding Bonds, 2005 Series A due 2029 and $108 million of 4.75% Pollution Control Revenue Refunding Bonds, 2005 Series B due 2027 previously issued by the LCIDA on behalf of PPL Electric.

In connection with the issuance of each of these new series of LCIDA bonds, PPL Electric entered into a loan agreement with the LCIDA pursuant to which the LCIDA has loaned to PPL Electric the proceeds of the LCIDA bonds on payment terms that correspond to the LCIDA bonds. In order to secure its obligations under the loan agreement, PPL Electric issued $224 million of First Mortgage Bonds under its 2001 Mortgage Indenture, which also have payment terms that correspond to the LCIDA bonds.

(PPL)

ATM Program

ı February 2015, PPL filed a registration statement with the SEC and entered into two separate equity distribution agreements, ursuant to which PPL may sell, from time to time, up to an aggregate of $500 million of its common stock. For the three and six months ended June 30, 2016, PPL did not issue any shares under the agreements. For the three and six months ended June 30, 2015, PPL issued 421,700 shares of common stock under the program at an average price of $33.73 per share, receiving net proceeds of $14 million.

Distributions

In May 2016, PPL declared a quarterly common stock dividend, payable July 1, 2016, of 38 cents per share (equivalent to $1.52 per annum). Future dividends, declared at the discretion of the Board of Directors, will depend upon future earnings, cash flows, financial and legal requirements and other factors.

8. Acquisitions, Development and Divestitures

ll Registrants)

The Registrants from time to time evaluate opportunities for potential acquisitions, divestitures and development projects. Development projects are reexamined based on market conditions and other factors to determine whether to proceed with, modify or terminate the projects. Any resulting transactions may impact future financial results. See Note 8 in the Registrants' 2015 Form 10-K for additional information.

(PPL)

Discontinued Operations

Spinoff of PPL Energy Supply

In June 2015, PPL completed the spinoff of PPL Energy Supply which combined its competitive power generation businesses with those of Riverstone to form a new, stand-alone, publicly traded company named Talen Energy.

Following completion of the spinoff, PPL shareowners owned 65% of Talen Energy and affiliates of Riverstone owned 35%. The spinoff had no effect on the number of PPL common shares owned by PPL shareowners or the number of shares of PPL common stock outstanding. The transaction is intended to be tax-free to PPL and its shareowners for U.S. federal income tax purposes.

PPL has no continuing ownership interest in or control of Talen Energy and Talen Energy Supply (formerly PPL Energy Supply). See Note 8 in PPL's 2015 Form 10-K for additional information.

oss on Spinoff

In June 2015, in conjunction with the accounting for the spinoff, PPL evaluated whether the fair value of the Supply segment's net assets was less than the carrying value as of the June 1, 2015 spinoff date.

PPL considered several valuation methodologies to derive a fair value estimate of its Supply segment at the spinoff date. These methodologies included considering the closing "when-issued" Talen Energy market value on June 1, 2015 (the spinoff date), adjusted for the proportional share of the equity value attributable to the Supply segment, as well as, the valuation methods consistently used in PPL's goodwill impairment assessments - an income approach using a discounted cash flow analysis of the Supply segment and an alternative market approach considering market multiples of comparable companies.

Although the market value of Talen Energy approach utilized the most observable inputs of the three approaches, PPL considered certain limitations of the "when-issued" trading market for the spinoff transaction including the short trading duration, lack of liquidity in the market and anticipated initial Talen stock ownership base selling pressure, among other factors, and concluded that these factors limit this input being solely determinative of the fair value of the Supply segment. As such, PPL also considered the other valuation approaches in estimating the overall fair value, but ultimately assigned the highest weighting to the Talen Energy market value approach.

The following table summarizes PPL's fair value analysis:

Approach	Weighting	Weighted Fair Value (in billions)
'alen Energy Market Value	50%	$ 1.4
ıncome/Discounted Cash Flow	30%	1.1
Alternative Market (Comparable Company)	20%	0.7
Estimated Fair Value		$ 3.2

A key assumption included in the fair value estimate is the application of a control premium of 25% in the two market approaches. PPL concluded it was appropriate to apply a control premium in these approaches as the goodwill impairment testing guidance was ıllowed in determining the estimated fair value of the Supply segment which had historically been a reporting unit for PPL. This guidance provides that the market price of an individual security (and thus the market capitalization of a reporting unit with publicly traded equity securities) may not be representative of the fair value of the reporting unit. This guidance also indicates that substantial value may arise to a controlling shareholder from the ability to take advantage of synergies and other benefits that arise from control over another entity, and that the market price of a company's individual share of stock does not reflect this additional value to a controlling shareholder. Therefore, the quoted market price need not be the sole measurement basis for determining the fair value, and including a control premium is appropriate in measuring the fair value of a reporting unit.

In determining the control premium, PPL reviewed premiums received during the last five years in market sales transactions obtained from observable independent power producer and hybrid utility transactions greater than $1 billion. Premiums for these transactions ranged from 5% to 42% with a median of approximately 25%. Given these metrics, PPL concluded a control premium of 25% to be reasonable for both of the market valuation approaches used.

Assumptions used in the discounted cash flow analysis included forward energy prices, forecasted generation, and forecasted operation and maintenance expenditures that were consistent with assumptions used in the Energy Supply portion of the Talen Energy business planning process at that time and a market participant discount rate.

Using these methodologies and weightings, PPL determined the estimated fair value of the Supply segment (classified as Level 3) was below its carrying value of $4.1 billion and recorded a loss on the spinoff of $879 million for the three and six months ended June 30, 2015, which is reflected in discontinued operations and is nondeductible for tax purposes. This amount served to reduce the basis of the net assets accounted for as a dividend at the June 1, 2015 spinoff date.

Costs of Spinoff

Employee-related costs incurred in the three and six months ended June 30, 2015 primarily included accelerated stock-based compensation and pro-rated performance-based cash incentive and stock-based compensation awards, primarily for PPL Energy Supply employees and for PPL Services employees who became PPL Energy Supply employees in connection with the transaction. PPL Energy Supply recognized $24 million of these costs at the spinoff closing date which are reflected in discontinued operations.

PPL also recorded $36 million and $42 million of third-party costs related to this transaction during the three and six months ended June 30, 2015. Of these costs, $29 million and $31 million were primarily for bank advisory, legal and accounting fees to facilitate the transaction, and are reflected in discontinued operations. An additional $7 million and $11 million of consulting and other costs were incurred to prepare the new Talen Energy organization for the spinoff and reconfigure the remaining PPL service functions. These costs are primarily recorded in "Other operation and maintenance" on the Statement of Income.

At the close of the transaction, $72 million ($42 million after-tax) of cash flow hedges, primarily unamortized losses on PPL interest rate swaps recorded in AOCI and designated as cash flow hedges of PPL Energy Supply's future interest payments, were reclassified into earnings and reflected in discontinued operations for the three and six months ended June 30, 2015.

Continuing Involvement(PPL and PPL Electric)

As a result of the spinoff, PPL and PPL Energy Supply entered into a Transition Services Agreement (TSA) that terminates no later than two years after the spinoff. Pursuant to the TSA, PPL is providing Talen Energy certain information technology, financial and accounting, human resource and other specified services. For the three and six months ended June 30, 2016, the amounts PPL billed Talen Energy for these services were $10 million and $20 million. For the period June 1, 2015 to June 30, 2015, the amounts PPL billed Talen Energy for these services were not significant. In general, the fees for the transition services allow the provider to recover its cost of the services, including overheads, but without margin or profit.

Additionally, prior to the spinoff, through the annual competitive solicitation process, PPL EnergyPlus was awarded supply contracts for a portion of the PLR generation supply for PPL Electric, which were retained by Talen Energy Marketing as part of the spinoff. PPL Electric's supply contracts with Talen Energy Marketing extend through November 2016. Energy purchases from PPL EnergyPlus were previously included in PPL Electric's Statements of Income as "Energy purchases from affiliate" but were eliminated in PPL's Consolidated Statements of Income.

For the three and six months ended June 30, 2016, PPL Electric's energy purchases from Talen Energy Marketing were $29 million and $83 million. For the period June 1, 2015 to June 30, 2015, PPL Electric's energy purchases from Talen Energy Marketing were not significant. These energy purchases are no longer considered affiliate transactions.

Summarized Results of Discontinued Operations(PPL)

he operations of the Supply segment prior to the spinoff on June 1, 2015 are included in "Income (Loss) from Discontinued Operations (net of income taxes)" on the Statements of Income. Following are the components of Discontinued Operations in the Statement of Income for the periods ended June 30, 2015:

	Three Months	Six Months
Operating revenues	$ 483	$ 1,427
Operating expenses	561	1,328
Other Income (Expense) - net	(29)	(22)
Interest expense (a)	112	150
Income (loss) before income taxes	(219)	(73)
Income tax expense (benefit)	(91)	(40)
Loss on spinoff	(879)	(879)
Income (Loss) from Discontinued Operations (net of income taxes)	$ (1,007)	$ (912)

(a) Includes interest associated with the Supply Segment with no additional allocation as the Supply segment was sufficiently capitalized.

Development

Regional Transmission Line Expansion Plan*(PPL and PPL Electric)*

lortheast/Pocono

In October 2012, the FERC issued an order in response to PPL Electric's December 2011 request for ratemaking incentives for the Northeast/Pocono Reliability project (a new 58-mile, 230 kV transmission line that includes three new substations and upgrades to adjacent facilities). The FERC granted the incentive for inclusion in rate base of all prudently incurred construction work in progress costs but denied the requested incentive for a 100 basis point adder to the return on equity.

In December 2012, PPL Electric submitted an application to the PUC requesting permission to site and construct the project. In January 2014, the PUC issued a final order approving the application. The line was energized in April 2016, completing the approximately $350 million project which includes additional substation security enhancements. Costs related to the project were capitalized and are included on the Balance Sheets, primarily in "Regulated utility plant."

9. Defined Benefits

(PPL, LKE and LG&E)

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

	Pension Benefits							
	Three Months				Six Months			
	U.S.		U.K.		U.S.		U.K.	
	2016	2015	2016 (b)	2015	2016	2015	2016 (b)	2015
PPL								
Service cost	$ 16	$ 26	$ 18	$ 19	$ 33	$ 56	$ 36	$ 39
Interest cost	44	52	62	77	87	110	124	156
Expected return on plan assets	(58)	(69)	(132)	(129)	(114)	(145)	(265)	(260)
Amortization of:								
Prior service cost	3	2			4	4		
Actuarial loss	10	22	36	40	25	47	73	79
Net periodic defined benefit costs (credits) (a)	$ 15	$ 33	$ (16)	$ 7	$ 35	$ 72	$ (32)	$ 14
LKE								
Service cost	$ 6	$ 6			$ 12	$ 13		
Interest cost	18	17			35	34		
Expected return on plan assets	(24)	(22)			(45)	(44)		
Amortization of:								
Prior service cost	3	2			4	4		
Actuarial loss	5	9			10	17		
Net periodic defined benefit costs	$ 8	$ 12			$ 16	$ 24		
LG&E								
Service cost	$ 1	$ 1			$ 1	$ 1		
Interest cost	4	4			7	7		
Expected return on plan assets	(5)	(5)			(10)	(10)		
Amortization of:								
Prior service cost	1	—			2	1		
Actuarial loss	1	3			3	6		
Net periodic defined benefit costs	$ 2	$ 3			$ 3	$ 5		

(a) For the three and six months ended June 30, 2015, the total net periodic defined benefit cost includes $7 million and $18 million reflected in discontinued operations related to costs allocated from PPL's plans to PPL Energy Supply prior to the spinoff.

(b) See Note 2 for a discussion of changes to the discount rate used for the U.K. Pension Plans.

	Other Postretirement Benefits			
	Three Months		Six Months	
	2016	2015	2016	2015
PPL				

Service cost	$ 2	$ 3	$ 4	$ 7
Interest cost	7	7	13	14
Expected return on plan assets	(6)	(7)	(11)	(14)
Net periodic defined benefit costs	$ 3	$ 3	$ 6	$ 7
LKE				
Service cost	$ 1	$ 2	$ 2	$ 3
Interest cost	3	3	5	5
Expected return on plan assets	(1)	(2)	(3)	(3)
Amortization of prior service cost	—	—	1	1
Net periodic defined benefit costs	$ 3	$ 3	$ 5	$ 6

(PPL Electric, LG&E and KU)

addition to the specific plans it sponsors, LG&E is allocated costs of defined benefit plans sponsored by LKE. PPL Electric and KU do not directly sponsor any defined benefit plans. PPL Electric is allocated costs of defined benefit plans sponsored by PPL Services and KU is allocated costs of defined benefit plans sponsored by LKE. These allocations are based on participation in those plans, which management believes are reasonable. For the periods ended June 30, PPL Services allocated the following net periodic defined benefit costs to PPL Electric, and LKE allocated the following net periodic defined benefit costs to LG&E and KU:

	Three Months		Six Months	
	2016	2015	2016	2015
PPL Electric	$ 5	$ 8	$ 11	$ 16
LG&E	3	4	5	7
KU	3	4	6	9

10. Commitments and Contingencies

Legal Matters

(All Registrants)

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

WKE Indemnification *(PPL and LKE)*

See footnote (e) to the table in "Guarantees and Other Assurances" below for information on an LKE indemnity relating to its former WKE lease, including related legal proceedings.

(PPL, LKE, LG&E and KU)

Cane Run Environmental Claims

In December 2013, six residents, on behalf of themselves and others similarly situated, filed a class action complaint against LG&E and PPL in the U.S. District Court for the Western District of Kentucky alleging violations of the Clean Air Act and RCRA. In addition, these plaintiffs assert common law claims of nuisance, trespass and negligence. These plaintiffs seek injunctive relief and civil penalties, plus costs and attorney fees, for the alleged statutory violations. Under the common law claims, these plaintiffs seek monetary compensation and punitive damages for property damage and diminished property values for a class consisting of residents within four miles of the Cane Run plant. In their individual capacities, these plaintiffs seek compensation for alleged adverse health effects. In response to a motion to dismiss filed by PPL and LG&E, in July 2014, the court dismissed the plaintiffs' RCRA claims and all but one Clean Air Act claim, but declined to dismiss their common law tort claims. Upon motion of LG&E and PPL, the district court certified for appellate review the issue of whether the state common law claims are preempted by federal statute. In December 2014, the U.S. Court of Appeals for the Sixth Circuit issued an order granting appellate review regarding the above matter. Oral argument before the Sixth Circuit was held in August 2015. In November 2015, the Sixth Circuit issued an opinion affirming the District Court's ruling that plaintiffs' state law claims are not preempted by the Clean Air Act and remanding the matter to the District Court for further proceedings. The District Court has issued an order setting a discovery schedule through the second quarter of 2017. PPL, LKE and LG&E cannot predict the outcome of this matter. LG&E retired one coal-fired unit at the Cane Run plant in March 2015 and the remaining two coal-fired units at the plant in June 2015.

Mill Creek Environmental Claims

In May 2014, the Sierra Club filed a citizen suit against LG&E in the U.S. District Court for the Western District of Kentucky for alleged violations of the Clean Water Act. The Sierra Club alleges that various discharges at the Mill Creek plant constitute violations of the plant's water discharge permit. The Sierra Club seeks civil penalties, injunctive relief, costs and attorney's fees. In August 2015, the Court denied cross-motions for summary judgment filed by both parties and directed the parties to proceed with discovery. The parties have conducted discovery and settlement discussions in the matter. PPL, LKE and LG&E cannot predict the ultimate outcome of this matter, but believe the plant is operating in compliance with the permits and does not presently expect the matter to have a material effect on operations or result in significant losses beyond the amounts already recorded.

E.W. Brown Environmental Claims

In October 2015, KU received a notice of intent from Earthjustice and the Sierra Club informing certain federal and state agencies of the Sierra Club's intent to file a citizen suit, following expiration of the mandatory 60-day notification period, for alleged violations of the Clean Water Act. The claimant alleges discharges at the E.W. Brown plant in violation of applicable rules and the plant's water discharge permit. The claimant asserts that, unless the alleged discharges are promptly brought into compliance, it intends to seek civil penalties, injunctive relief and attorney's fees. In November 2015, the claimants submitted an amended notice of intent to add the Kentucky Waterways Alliance as a claimant. PPL, LKE and KU cannot predict the outcome of this matter or the potential impact on the operations of the E. W. Brown plant, including increased capital or operating costs, if any.

Trimble County Unit 2 Air Permit

The Sierra Club and other environmental groups petitioned the Kentucky Environmental and Public Protection Cabinet to overturn the air permit issued for the Trimble County Unit 2 baseload coal-fired generating unit, but the agency upheld the permit in an order issued in September 2007. In response to subsequent petitions by environmental groups, the EPA ordered certain non-material changes to the permit which, in January 2010, were incorporated into a final revised permit issued by the Kentucky Division for Air Quality. In March 2010, the environmental groups petitioned the EPA to object to the revised state permit. Until the EPA issues a final ruling on the pending petition and all available appeals are exhausted, PPL, LKE, LG&E and KU cannot predict the outcome of this matter or the potential impact on the operations of the Trimble County plant, including increased capital or operating costs, if any.

Trimble County Water Discharge Permit

In May 2010, the Kentucky Waterways Alliance and other environmental groups filed a petition with the Kentucky Energy and Environment Cabinet (KEEC) challenging the Kentucky Pollutant Discharge Elimination System permit issued in April 2010, which covers water discharges from the Trimble County plant. In November 2010, the KEEC issued a final order upholding the permit, which was subsequently appealed by the environmental groups. In September 2013, the Franklin Circuit Court reversed the KEEC order upholding the permit and remanded the permit to the agency for further proceedings. LG&E and the KEEC appealed the order to the Kentucky Court of Appeals. In July 2015, the Court of Appeals upheld the lower court ruling. On February 10, 2016, the Kentucky Supreme Court issued an order granting discretionary review. PPL, LKE, LG&E and KU are unable to predict the outcome of this matter or the potential impact on the operations of the Trimble County plant, including increased capital or operating costs, if any.

Regulatory Issues(*All Registrants)*

See Note 6 for information on regulatory matters related to utility rate regulation.

Electricity - Reliability Standards

The NERC is responsible for establishing and enforcing mandatory reliability standards (Reliability Standards) regarding the bulk electric system in North America. The FERC oversees this process and independently enforces the Reliability Standards.

The Reliability Standards have the force and effect of law and apply to certain users of the bulk electric system, including electric utility companies, generators and marketers. Under the Federal Power Act, the FERC may assess civil penalties for certain violations.

LG&E, KU and PPL Electric monitor their compliance with the Reliability Standards and continue to self-report or self-log potential violations of applicable reliability requirements and submit accompanying mitigation plans, as required. The resolution of a small number of potential violations is pending. Penalties incurred to date have not been significant. Any Regional Reliability Entity (including RFC or SERC) determination concerning the resolution of violations of the Reliability Standards remains subject to the approval of the NERC and the FERC.

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

Environmental Matters

(All Registrants)

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

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

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

Air

(PPL, LKE, LG&E and KU)

The Clean Air Act, which regulates air pollutants from mobile and stationary sources in the United States, has a significant impact on the operation of fossil fuel plants. The Clean Air Act requires the EPA periodically to review and establish concentration levels in the ambient air for six criteria pollutants to protect public health and welfare. These concentration levels are known as NAAQS. The six criteria pollutants are carbon monoxide, lead, nitrogen dioxide, ozone, particulate matter and sulfur dioxide.

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

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

National Ambient Air Quality Standards (NAAQS)

Under the Clean Air Act, the EPA is required to reassess the NAAQS for certain air pollutants on a five-year schedule. In 2008, the EPA revised the NAAQS for ozone and proposed to further strengthen the standard in November 2014. The EPA released a new ozone standard on October 1, 2015. The states and EPA will determine attainment with the new ozone standard through review of relevant ambient air monitoring data, with attainment or nonattainment designations scheduled no later than October 2017. States are also obligated to address interstate transport issues associated with new ozone standards through the establishment of "good neighbor" state implementation plans for those states that are found to contribute significantly to another state's non-attainment. States that are not in the ozone transport region, including Kentucky, are working together to evaluate further nitrogen oxide reductions from fossil-fueled plants with SCRs. The nature and timing of any additional reductions resulting from these evaluations cannot be predicted at this time.

In 2010, the EPA finalized revised NAAQS for sulfur dioxide and required states to identify areas that meet those standards and areas that are in "non-attainment". In July 2013, the EPA finalized non-attainment designations for parts of the country, including part of Jefferson County in Kentucky. Attainment must be achieved by 2018. PPL, LKE, LG&E and KU anticipate that certain previously required compliance measures, such as upgraded or new sulfur dioxide Scrubbers at certain plants and the retirement of coal-fired generating units at LG&E's Cane Run plant and KU's Green River plant, will help to achieve compliance with the new sulfur dioxide and ozone standards. If additional reductions are required, the costs could be significant.

Mercury and Air Toxics Standards (MATS)

In February 2012, the EPA finalized the MATS rule requiring reductions of mercury and other hazardous air pollutants from fossil-fuel fired power plants, with an effective date of April 16, 2012. The MATS rule was challenged by industry groups and states and was upheld by the U.S. Court of Appeals for the D. C. Circuit Court (D.C. Circuit Court) in April 2014. A group of states subsequently petitioned the U.S. Supreme Court (Supreme Court) to review this decision and, in June 2015, the Supreme Court held that the EPA failed to properly consider costs when deciding to regulate hazardous air emissions from power plants under MATS. The Supreme Court remanded the matter to the D.C. Circuit Court, which in December 2015 remanded the rule to the EPA without vacating it. The EPA has proposed a supplemental finding regarding costs of the rule and has announced that it intends to make a final determination in 2016. The EPA's MATS rule remains in effect during the pendency of the ongoing proceedings.

LG&E and KU have installed significant controls in response to the MATS rule and in conjunction with compliance with other environmental requirements, including fabric-filter baghouses, upgraded Scrubbers or chemical additive systems for which appropriate KPSC authorization and/or ECR treatment has been received. LG&E and KU have received KPSC approval for a compliance plan providing for installation of additional MATS-related controls; however, the estimated cost of these controls is not expected to be significant for either LG&E or KU. PPL, LKE, LG&E and KU cannot predict the outcome of the MATS rule or its potential impact, if any, on plant operations, rate treatment or future capital or operating needs. See Note 6 for additional information.

New Source Review (NSR)

The NSR litigation brought by the EPA, states and environmental groups against coal-fired generating plants in past years continues to proceed through the courts. Although none of this litigation directly involves PPL, LKE, LG&E or KU, it can influence the permitting of large capital projects at LG&E's and KU's power plants, the costs of which cannot presently be determined but could be significant.

Climate Change

There is continuing world-wide attention focused on issues related to climate change. Most recently, on June 29, 2016, the President announced that the United States, Canada and Mexico have established the North American Climate, Clean Energy, and Environment Partnership Plan which specifies actions to promote clean energy, address climate change and protect the environment. The plan includes a goal to provide 50% of the energy used in North America from clean energy sources by 2025. The plan does not impose any nation-specific requirements.

In December 2015, 195 nations, including the U.S., signed the Paris Agreement on Climate which establishes a comprehensive framework for the reduction of greenhouse gas (GHG) emissions from both developed and developing nations. Although the agreement does not establish binding reduction requirements, it requires each nation to prepare, communicate and maintain GHG reduction commitments. Reductions can currently be achieved in a variety of ways, including energy conservation, power plant efficiency improvements, reduced utilization of coal-fired generation or replacing coal-fired generation with natural gas or renewable generation. Based on EPA's Clean Power Plan described below, the U.S. has committed to an initial reduction target of 26% to 28% below 2005 levels by 2025.

The UK has enacted binding carbon reduction requirements that are applicable to WPD. Under the UK law, WPD must purchase carbon allowances to offset emissions associated with WPD's operations. The cost of these allowances is included in WPD's current operating expenses. WPD expects these expenses to decrease as a result of energy efficiency measures and the removal of 18 fuel sources previously included in the allowance requirements.

The EPA's Rules under Section 111 of the Clean Air Act

As further described below, the EPA finalized rules imposing GHG emission standards for both new and existing power plants in the United States. The EPA has also issued a proposed federal implementation plan that would apply to any states that fail to submit an acceptable state implementation plan under these rules. The EPA's authority to promulgate these regulations under Section 111 of the Clean Air Act has been challenged in the D.C. Circuit Court by several states and industry groups. On February 9, 2016, the Supreme Court stayed the rule for existing plants (the Clean Power Plan) pending the D.C. Circuit Court's review and subsequent review by the Supreme Court if a writ of certiorari is filed and granted.

The EPA's rule for new power plants imposes separate emission standards for coal and natural gas units based on the application of different technologies. The coal standard is based on the application of partial carbon capture and sequestration technology, but because this technology is not presently commercially available, the rule effectively precludes the construction of new coal-fired plants. The standard for NGCC power plants is the same as the EPA proposed in 2012 and is not continuously achievable. The preclusion of new coal-fired plants and the compliance difficulties posed for new natural gas-fired plants could have a significant industry-wide impact.

The EPA's Clean Power Plan

The EPA's rule for existing power plants, referred to as the Clean Power Plan, was published in the Federal Register in October 2015. The Clean Power Plan contains state-specific rate-based and mass-based reduction goals and guidelines for the development, submission and implementation of state implementation plans to achieve the state goals. State-specific goals were calculated from 2012 data by applying the EPA's broad interpretation and definition of the BSER, resulting in the most stringent targets to be met in 2030, with interim targets to be met beginning in 2022. The EPA believes it has offered some flexibility to the states as to how their compliance plans can be crafted, including the option to use a rate-based approach (limit emissions per megawatt hour) or a mass-based approach (limit total tons of emissions per year), and the option to demonstrate compliance through emissions trading and multi-state collaborations. Under the rate-based approach, Kentucky would need to make a 41% reduction from its 2012 emissions rate and under a mass-based approach it would need to make a 36% reduction. These reductions are significantly greater than initially proposed and present significant challenges to the state. If the Clean Power Plan is ultimately upheld and Kentucky fails to develop an approvable implementation plan by the applicable deadline, the EPA would impose a federal implementation plan that could be more stringent than what the state plan might provide. Depending on the provisions of the Kentucky implementation plan, LG&E and KU may need to modify their current portfolio of generating assets during the next decade and/or participate in an allowance trading program.

LG&E and KU are participating in the ongoing regulatory processes at the state and federal level. Various states, industry groups and individual companies including LKE have filed petitions for reconsideration with EPA and petitions for review with the D.C. Circuit Court challenging the Clean Power Plan. On February 9, 2016, the Supreme Court stayed the rule pending the D.C. Circuit Court's review. PPL, LKE, LG&E and KU cannot predict the outcome of this matter or the potential impact, if any, on plant operations, or future capital or operating costs. PPL, LKE, LG&E and KU believe that the costs, which could be significant, would be subject to cost recovery.

In April 2014, the Kentucky General Assembly passed legislation limiting the measures that the Kentucky Energy and Environment Cabinet may consider in setting performance standards to comply with the EPA's regulations governing GHG emissions from existing sources. The legislation provides that such state GHG performance standards shall be based on emission reductions, efficiency measures and other improvements available at each power plant, rather than renewable energy, end-use energy efficiency, fuel switching and re-dispatch. These statutory restrictions may make it more difficult for Kentucky to achieve the GHG reduction levels that the EPA has established for Kentucky.

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

On June 30, 2016, the EPA issued a notice of violation under the Clean Air Act alleging that LG&E violated applicable rules relating to sulfuric acid mist emissions at its Mill Creek plant. The notice alleges failure to install proper controls, failure to operate the facility consistent with good air pollution control practice, and causing emissions exceeding applicable requirements or constituting a nuisance or endangerment. LG&E believes it has complied with applicable regulations during the relevant time period. Discussions between the EPA and LG&E are ongoing. PPL, LKE and LG&E are unable to predict the outcome of this matter or the potential impact on operations of the Mill Creek plant, including increased capital or operating costs, and potential civil penalties or remedial measures, if any.

Water/Waste

(PPL, LKE, LG&E and KU)

Coal Combustion Residuals (CCRs)

On April 17, 2015, the EPA published its final rule regulating CCRs. CCRs include fly ash, bottom ash and sulfur dioxide scrubber wastes. The rule became effective on October 19, 2015. It imposes extensive new requirements, including location restrictions, design and operating standards, groundwater monitoring and corrective action requirements, and closure and post-closure care requirements on CCR impoundments and landfills that are located on active power plants in the United States and not closed. Under the rule, the EPA will regulate CCRs as non-hazardous under Subtitle D of RCRA and allow beneficial use of CCRs, with some restrictions. The rule's requirements for covered CCR impoundments and landfills include implementation of groundwater monitoring and commencement or completion of closure activities generally between three and ten years from certain triggering events. This self-implementing rule requires posting of compliance documentation on a publicly accessible website and is enforceable solely through citizen suits. LG&E and KU are also subject to state rules applicable to CCR management which may potentially be modified to reflect some or all requirements of the federal rule. Industry groups, environmental groups, individual companies and others have filed legal challenges to the final rule which are pending before the D.C. Circuit Court of Appeals.

LG&E and KU have received KPSC approval for a compliance plan providing for construction of additional landfill capacity at the Brown Station, closure of impoundments at the Mill Creek, Trimble County, Brown, and Ghent stations, and construction of process water management facilities at those plants. In addition to the foregoing measures required for compliance with federal CCR rule requirements, LG&E and KU are also proposing to close impoundments at the retired Green River, Pineville and Tyrone plants to comply with applicable state law requirements. PPL, LKE, LG&E, and KU estimate the cost of these CCR compliance measures at $311 million for LG&E and $661 million for KU. See Note 6 for additional information.

In connection with the final CCR rule, LG&E and KU recorded increases to existing AROs during 2015. See Note 16 for additional information. Further changes to AROs, current capital plans or operating costs may be required as estimates are refined based on closure developments, groundwater monitoring results, and regulatory or legal proceedings. Costs relating to this rule are subject to rate recovery.

Clean Water Act

Regulations under the federal Clean Water Act dictate permitting and mitigation requirements for facilities and construction projects in the United States. Many of those requirements relate to power plant operations, including requirements related to the treatment of pollutants in effluents prior to discharge, the temperature of effluent discharges and the location, design and construction of cooling water intake structures at generating facilities, standards intended to protect aquatic organisms by reducing capture in the screens attached to cooling water intake structures (impingement) at generating facilities and the water volume brought into the facilities (entrainment). The requirements could impose significant costs for LG&E and KU which are subject to rate recovery.

Effluent Limitations Guidelines (ELGs)

On September 30, 2015, the EPA released its final effluent limitations guidelines for wastewater discharge permits for new and existing steam electric generating facilities. The rule provides strict technology-based discharge limitations for control of pollutants in scrubber wastewater, fly ash and bottom ash transport water, mercury control wastewater, gasification wastewater and combustion residual leachate. The new guidelines require deployment of additional control technologies providing physical, chemical and biological treatment of wastewaters. The guidelines also mandate operational changes including "no discharge" requirements for fly ash and bottom ash transport waters and mercury control wastewaters. The implementation date for individual generating stations will be determined by the states on a case-by-case basis according to criteria provided by the EPA, but the requirements of the rule must be fully implemented no later than 2023. It has not been decided how Kentucky intends to integrate the ELGs into its routine permit renewal process. Industry groups, environmental groups, individual companies and others have filed legal challenges to the final rule which have been consolidated before the United States Fifth Circuit Court of Appeals. LG&E and KU are developing compliance strategies and schedules. PPL, LKE, LG&E and KU are unable to fully estimate compliance costs or timing at this time, although certain preliminary estimates are included in current capital forecasts for applicable periods. Costs to comply with ELGs or other discharge limits, which are expected to be significant, are subject to rate recovery.

Clean Water Act Section 316(b)

The EPA's final 316(b) rule for existing facilities became effective in October 2014, and regulates cooling water intake structures and their impact on aquatic organisms. States are allowed broad discretion to make site-specific determinations under the rule. The rule requires existing facilities to choose between several options to reduce the impact to aquatic organisms that become trapped against water intake screens (impingement) and to determine the intake structure's impact on aquatic organisms pulled through a plant's cooling water system (entrainment). Plants equipped with closed-cycle cooling, an acceptable option, would likely not incur substantial costs. Once-through systems would likely require additional technology to comply with the rule. Based on studies conducted by LG&E and KU to date, all plants will incur only insignificant operational costs. In addition, LG&E's Mill Creek Unit 1 is expected to incur capital costs. PPL, LKE, LG&E and KU are evaluating compliance strategies but do not presently expect the compliance costs, which are subject to rate recovery, to be significant.

(All Registrants)

Waters of the United States (WOTUS)

The U.S. Court of Appeals for the Sixth Circuit has issued a stay of EPA's rule on the definition of WOTUS pending the court's review of the rule. The effect of the stay is that the WOTUS rule is not in effect anywhere in the United States. The ultimate outcome of the court's review of the rule remains uncertain. Because of the strict permitting programs already in place in Kentucky and Pennsylvania, the Registrants do not expect the rule to have a significant impact on their operations.

Other Issues

The EPA is reassessing its polychlorinated biphenyls (PCB) regulations under the Toxic Substance Control Act, which was significantly updated on June 22, 2016. In 2010, the EPA had issued an Advanced Notice of Proposed Rulemaking for changes to these regulations. The rulemaking, which could lead to a phase-out in the United States of all or some equipment containing PCBs, is not likely to be affected by the revisions to the Toxic Substances Control Act. The EPA has postponed the release of revisions to its proposed rulemaking. The Registrants cannot predict at this time the outcome of the proposed EPA rulemaking and what impact, if any, it would have on their facilities, but the costs could be significant.

Superfund and Other Remediation*(All Registrants)*

PPL Electric is potentially responsible for costs at several sites listed by the EPA under the federal Superfund program, including the Columbia Gas Plant site, the Metal Bank site and the Brodhead site. Clean-up actions have been or are being undertaken at all of these sites, the costs of which have not been significant to PPL Electric. Should the EPA require different or additional measures in the future, however, or should PPL Electric's share of costs at multi-party sites increase substantially more than expected, the costs could be significant.

PPL Electric, LG&E and KU are investigating, responding to agency inquiries, remediating, or have completed the remediation of, several sites that were not addressed under a regulatory program such as Superfund, but for which PPL Electric, LG&E and KU may be liable for remediation. These include a number of former coal gas manufacturing plants in Pennsylvania and Kentucky previously owned or operated or currently owned by predecessors or affiliates of PPL Electric, LG&E and KU. To date, the costs of these sites have not been significant.

There are additional sites, formerly owned or operated by PPL Electric, LG&E and KU predecessors or affiliates. LG&E and KU lack information on the condition of such additional sites and are therefore unable to estimate any potential liability they may have or a range of reasonably possible losses, if any, related to these sites. At June 30, 2016 and December 31, 2015, PPL Electric had a recorded liability of $10 million representing its best estimate of the probable loss incurred to remediate additional sites previously owned or operated by PPL Electric predecessors or affiliates. Depending on the outcome of investigations at sites where investigations have not begun or been completed, or developments at sites for which information is incomplete, the costs of remediation and other liabilities could be significant and may be as much as approximately $30 million.

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

From time to time, PPL's subsidiaries in the United States undertake remedial action in response to notices of violations, spills or other releases at various on-site and off-site locations, negotiate with the EPA and state and local agencies regarding actions necessary for compliance with applicable requirements, negotiate with property owners and other third parties alleging impacts from PPL's operations and undertake similar actions necessary to resolve environmental matters that arise in the course of normal operations. Based on analyses to date, resolution of these environmental matters is not expected to have a significant adverse impact on the operations of PPL Electric, LG&E and KU.

Future cleanup or remediation work at sites under review, or at sites not yet identified, may result in significant additional costs for PPL, PPL Electric, LKE, LG&E and KU. Insurance policies maintained by LKE, LG&E and KU may be applicable to certain of the costs or other obligations related to these matters but the amount of insurance coverage or reimbursement cannot be estimated or assured.

European Union Creosote Ban*(PPL)*

In 2011, the European Commission amended the European Union Biocides Directive to ban the use of creosote in contact with soil. Creosote is a wood preservative used to extend the life of wooden poles that support power lines. Although European Union member countries were required to pass implementing laws by 2012, the U.K. has not passed an implementing law and there are no legal penalties for failing to do so. The recent U.K. referendum in favor of the U.K.'s departure from the European Union further reduces the likelihood that the U.K. would pass implementing law. In the unlikely event that the U.K. were to ban the use of creosote, WPD's creosote-treated wood poles would need to be replaced with an acceptable alternative at the time of routine replacement. WPD has 1.4 million wood poles in its system. There are currently no alternative wood preservatives available that are acceptable to the industry and/or regulators.

Other

Guarantees and Other Assurances

(All Registrants)

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

(PPL)

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

(All Registrants)

The table below details guarantees provided as of June 30, 2016. "Exposure" represents the estimated maximum potential amount of future payments that could be required to be made under the guarantee. The probability of expected payment/performance under each of these guarantees is remote except for "WPD guarantee of pension and other obligations of unconsolidated entities" and "Indemnification of lease termination and other divestitures." The total recorded liability at June 30, 2016, was $22 million for PPL and $17 million for LKE. The total recorded liability at December 31, 2015, was $25 million for PPL and $18 million for LKE. For reporting purposes, on a consolidated basis, all guarantees of PPL Electric, LKE, LG&E and KU also apply to PPL, and all guarantees of LG&E and KU also apply to LKE.

		Exposure at June 30, 2016		Expiration Date
PL				
Indemnifications related to the WPD Midlands acquisition			(a)	
WPD indemnifications for entities in liquidation and sales of assets	$	10	(b)	2019
WPD guarantee of pension and other obligations of unconsolidated entities		105	(c)	
PPL Electric				
Guarantee of inventory value		21	(d)	2018
LKE				
Indemnification of lease termination and other divestitures		301	(e)	2021 - 2023
LG&E and KU				
LG&E and KU guarantee of shortfall related to OVEC			(f)	

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

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

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

(c) Relates to certain obligations of discontinued or modified electric associations that were guaranteed at the time of privatization by the participating members. Costs are allocated to the members and can be reallocated if an existing member becomes insolvent. At June 30, 2016, WPD has recorded an estimated discounted liability for which the expected payment/performance is probable. Neither the expiration date nor the maximum amount of potential payments for certain obligations is explicitly stated in the related agreements, and as a result, the exposure has been estimated.

(d) A third party logistics firm provides inventory procurement and fulfillment services. The logistics firm has title to the inventory, however, upon termination of the contracts, PPL Electric has guaranteed to purchase any remaining inventory that has not been used or sold.

(e) LKE provides certain indemnifications covering the due and punctual payment, performance and discharge by each party of its respective obligations. The most comprehensive of these guarantees is the LKE guarantee covering operational, regulatory and environmental commitments and indemnifications made by WKE under a 2009 Transaction Termination Agreement. This guarantee has a term of 12 years ending July 2021, and a maximum exposure of $200 million, exclusive of certain items such as government fines and penalties that fall outside the cap. Another WKE-related LKE guarantee covers other indemnifications related to the purchase price of excess power, has a term expiring in 2023, and a maximum exposure of $100 million. In May 2012, LKE's indemnitee received an unfavorable arbitration panel's decision interpreting this matter. In October 2014, LKE's indemnitee filed a motion for discretionary review with the Kentucky Supreme Court seeking to overturn the arbitration decision, and such motion was denied by the court in September 2015. In September 2015, a counterparty issued a demand letter to LKE's indemnitee. In February 2016, the counterparty filed a complaint in Henderson, Kentucky Circuit Court, seeking an award of damages in the matter. LKE does not believe appropriate contractual, legal or commercial grounds exist for the claim made and has disputed the demands. LKE believes its indemnification obligations in the WKE matter remain subject to various uncertainties, including additional legal and contractual developments, as well as future prices, availability and demand for the subject excess power. The parties are conducting certain settlement discussions, however, the ultimate outcomes of the WKE termination-related indemnifications cannot be predicted at this time. Additionally, LKE has indemnified various third parties related to historical obligations for other divested subsidiaries and affiliates. The indemnifications vary by entity and the maximum exposures range from being capped at the sale price to no specified maximum; LKE could be required to perform on these indemnifications in the event of covered losses or liabilities being claimed by an indemnified party. LKE cannot predict the ultimate outcomes of the indemnification circumstances, but does not expect such outcomes to result in significant losses above the amounts recorded.

) Pursuant to the OVEC power purchase contract, LG&E and KU are obligated to pay for their share of OVEC's excess debt service, post-retirement and decommissioning costs, as well as any shortfall from amounts included within a demand charge designed and expected to cover these costs over the term of the contract. LKE's proportionate share of OVEC's outstanding debt was $125 million at June 30, 2016, consisting of LG&E's share of $87 million and KU's share of $38 million. The maximum exposure and the expiration date of these potential obligations are not presently determinable. See "Energy Purchase Commitments" and "Guarantees and Other Assurances" in Note 13 in PPL's, LKE's, LG&E's and KU's 2015 Form 10-K for additional information on the OVEC power purchase contract.

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

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

11. Related Party Transactions

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

PPL Services and LKS provide their respective PPL and LKE subsidiaries and each other with administrative, management and support services. PPL EU Services provides the majority of financial, supply chain, human resources and facilities management services primarily to PPL Electric. PPL Services provides certain corporate functions to PPL Electric. For all service companies, the costs of these services are charged to the respective recipients as direct support costs. General costs that cannot be directly attributed to a specific entity are allocated and charged to the respective recipients as indirect support costs. PPL Services and PPL EU Services use a three-factor methodology that includes the applicable recipients' invested capital, operation and maintenance expenses and number of employees to allocate indirect costs. LKS bases its indirect allocations on the subsidiaries' number of employees, total assets, revenues, number of customers and/or other statistical information. PPL Services, PPL EU Services and LKS charged the following amounts for the periods ended June 30, including amounts applied to accounts that are further distributed between capital and expense on the books of the recipients, based on methods that are believed to be reasonable.

	Three Months		Six Months	
	2016	2015	2016	2015
PPL Electric from PPL Services	$ 28	$ 25	$ 65	$ 55
LKE from PPL Services	4	4	9	8
PPL Electric from PPL EU Services	16	17	33	32
LG&E from LKS	41	53	88	104
KU from LKS	49	58	105	114

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

ıtercompany Borrowings*(LKE)*

LKE maintains a $225 million revolving line of credit with a PPL Energy Funding subsidiary whereby LKE can borrow funds on a short-term basis at market-based rates. At June 30, 2016 and December 31, 2015, $176 million and $54 million were outstanding and were reflected in "Notes payable with affiliate" on the Balance Sheets. The interest rate on borrowings is equal to one-month LIBOR plus a spread. The interest rates on the outstanding borrowing at June 30, 2016 and December 31, 2015 were 1.97% and 1.74%.

LKE has a $400 million ten-year note with a PPL affiliate with an interest rate of 3.5%. At June 30, 2016 and December 31, 2015, the note was reflected in "Long-term debt to affiliate" on the Balance Sheets.

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

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

12. Other Income (Expense) - net

(PPL)

"Other Income (Expense) - net" for the three and six months ended June 30, 2016 and 2015 consisted primarily of gains (losses) on foreign currency contracts to economically hedge PPL's translation risk related to its GBP denominated earnings in the U.K. See Note 14 for additional information on these derivatives.

13. Fair Value Measurements

(All Registrants)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). A market approach (generally, data from market transactions), an income approach (generally, present value techniques and option-pricing models) and/or a cost approach (generally, replacement cost) are used to measure the fair value of an asset or liability, as appropriate. These valuation approaches incorporate inputs such as observable, independent market data and/or unobservable data that management believes are predicated on the assumptions market participants would use to price an asset or liability. These inputs may incorporate, as applicable, certain risks such as nonperformance risk, which includes credit risk. The fair value of a group of financial assets and liabilities is measured on a net basis. Transfers between levels are recognized at end-of-reporting-period values. During the three and six months ended June 30, 2016 and 2015, there were no transfers between Level 1 and Level 2. See Note 1 in each Registrant's 2015 Form 10-K for information on the levels in the fair value hierarchy.

Recurring Fair Value Measurements

'he assets and liabilities measured at fair value were:

	June 30, 2016				December 31, 2015			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
PPL								
Assets								
Cash and cash equivalents	$ 492	$ 492	$ —	$ —	$ 836	$ 836	$ —	$ —
Restricted cash and cash equivalents (a)	33	33	—	—	33	33	—	—
Price risk management assets (b):								
Foreign currency contracts	393	—	393	—	209	—	209	—
Cross-currency swaps	92	—	92	—	86	—	86	—
Total price risk management assets	485	—	485	—	295	—	295	—
Auction rate securities (c)	2	—	—	2	2	—	—	2
Total assets	$ 1,012	$ 525	$ 485	$ 2	$ 1,166	$ 869	$ 295	$ 2
Liabilities								
Price risk management liabilities (b):								

Interest rate swaps	$	56	$	—	$	56	$	—	$	71	$	—	$	71	$	—
Foreign currency contracts		—		—		—		—		1		—		1		—
Total price risk management liabilities	$	56	$	—	$	56	$	—	$	72	$	—	$	72	$	—
PPL Electric																
Assets																
Cash and cash equivalents	$	35	$	35	$	—	$	—	$	47	$	47	$	—	$	—
Restricted cash and cash equivalents (a)		2		2		—		—		2		2		—		—
Total assets	$	37	$	37	$	—	$	—	$	49	$	49	$	—	$	—
LKE																
Assets																
Cash and cash equivalents	$	16	$	16	$	—	$	—	$	30	$	30	$	—	$	—
Cash collateral posted to counterparties (d)		9		9		—		—		9		9		—		—
Total assets	$	25	$	25	$	—	$	—	$	39	$	39	$	—	$	—

	June 30, 2016				December 31, 2015			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Liabilities								
Price risk management liabilities:								
Interest rate swaps	$ 56	$ —	$ 56	$ —	$ 47	$ —	$ 47	$ —
Total price risk management liabilities	$ 56	$ —	$ 56	$ —	$ 47	$ —	$ 47	$ —
LG&E								
Assets								
Cash and cash equivalents	$ 8	$ 8	$ —	$ —	$ 19	$ 19	$ —	$ —
Cash collateral posted to counterparties (d)	9	9	—	—	9	9	—	—
Total assets	$ 17	$ 17	$ —	$ —	$ 28	$ 28	$ —	$ —
Liabilities								
Price risk management liabilities:								
Interest rate swaps	$ 56	$ —	$ 56	$ —	$ 47	$ —	$ 47	$ —
'otal price risk management liabilities	$ 56	$ —	$ 56	$ —	$ 47	$ —	$ 47	$ —
KU								
Assets								
Cash and cash equivalents	$ 8	$ 8	$ —	$ —	$ 11	$ 11	$ —	$ —
Total assets	$ 8	$ 8	$ —	$ —	$ 11	$ 11	$ —	$ —

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

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

(c) Included in "Other noncurrent assets" on the Balance Sheets.

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

Price Risk Management Assets/Liabilities - Interest Rate Swaps/Foreign Currency Contracts/Cross-Currency Swaps (*PPL, LKE, LG&E and KU)*

To manage interest rate risk, PPL, LKE, LG&E and KU use interest rate contracts such as forward-starting swaps, floating-to-fixed waps and fixed-to-floating swaps. To manage foreign currency risk, PPL uses foreign currency contracts such as forwards, options nd cross-currency swaps that contain characteristics of both interest rate and foreign currency contracts. An income approach is used to measure the fair value of these contracts, utilizing readily observable inputs, such as forward interest rates (e.g., LIBOR and government security rates) and forward foreign currency exchange rates (e.g., GBP), as well as inputs that may not be observable, such as credit valuation adjustments. In certain cases, market information cannot practicably be obtained to value credit risk and therefore internal models are relied upon. These models use projected probabilities of default and estimated recovery rates based on historical observances. When the credit valuation adjustment is significant to the overall valuation, the contracts are classified as Level 3.

onrecurring Fair Value Measurements

See Note 8 for information regarding the estimated fair value of the Supply segment's net assets as of the June 1, 2015 spinoff date.

Financial Instruments Not Recorded at Fair Value *(All Registrants)*

The carrying amounts of long-term debt on the Balance Sheets and their estimated fair values are set forth below. The fair values were estimated using an income approach by discounting future cash flows at estimated current cost of funding rates, which incorporate the credit risk of the Registrants. Long-term debt is classified as Level 2. The effect of third-party credit enhancements is not included in the fair value measurement.

	June 30, 2016		December 31, 2015	
	Carrying Amount (a)	Fair Value	Carrying Amount (a)	Fair Value
PPL	$ 19,168	$ 22,669	$ 19,048	$ 21,218
PPL Electric	2,830	3,359	2,828	3,088
LKE	5,089	5,773	5,088	5,384
LG&E	1,642	1,832	1,642	1,704
KU	2,327	2,666	2,326	2,467

(a) Amounts are net of debt issuance costs.

The carrying value of short-term debt (including notes between affiliates), when outstanding, approximates fair value due to the variable interest rates associated with the short-term debt and is classified as Level 2.

14. Derivative Instruments and Hedging Activities

Risk Management Objectives

(All Registrants)

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

Market Risk

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

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

Interest rate risk

- PPL and its subsidiaries are exposed to interest rate risk associated with forecasted fixed-rate and existing floating-rate debt issuances. PPL and WPD hold over-the-counter cross currency swaps to limit exposure to market fluctuations on interest and principal payments from changes in foreign currency exchange rates and interest rates. LKE and LG&E utilize over-the-counter interest rate swaps to limit exposure to market fluctuations on floating-rate debt. PPL, LKE, LG&E and KU utilize forward starting interest rate swaps to hedge changes in benchmark interest rates, when appropriate, in connection with future debt issuances.
- PPL and its subsidiaries are exposed to interest rate risk associated with debt securities and derivatives held by defined benefit plans. This risk is significantly mitigated to the extent that the plans are sponsored at, or sponsored on behalf of, the regulated domestic utilities and for certain plans at WPD due to the recovery mechanisms in place.

Foreign currency risk

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

Commodity price risk

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

- PPL Electric is exposed to commodity price risk from its obligation as PLR; however, its PUC-approved cost recovery mechanism substantially eliminates its exposure to this risk. PPL Electric also mitigates its exposure to commodity price risk by entering into full-requirement supply agreements to serve its PLR customers. These supply agreements transfer the commodity price risk associated with the PLR obligation to the energy suppliers.
- LG&E's and KU's rates include certain mechanisms for fuel and fuel-related expenses. In addition, LG&E's rates include a mechanism for natural gas supply expenses. These mechanisms generally provide for timely recovery of market price fluctuations associated with these expenses.

Volumetric risk

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

- WPD is exposed to volumetric risk which is significantly mitigated as a result of the method of regulation in the U.K. Under the RIIO - ED1 price control period, recovery of such exposure occurs on a two year lag. See Note 1 in PPL's 2015 Form 10-K for additional information on revenue recognition under RIIO - ED1.
- PPL Electric, LG&E and KU are exposed to volumetric risk on retail sales, mainly due to weather and other economic conditions for which there is limited mitigation between rate cases.

Equity securities price risk

- PPL and its subsidiaries are exposed to equity securities price risk associated with defined benefit plans. This risk is significantly mitigated at the regulated domestic utilities and for certain plans at WPD due to the recovery mechanisms in place.
- PPL is exposed to equity securities price risk from future stock sales and/or purchases.

Credit Risk

Credit risk is the potential loss that may be incurred due to a counterparty's non-performance.

PPL is exposed to credit risk from "in-the-money" interest rate and foreign currency derivatives with financial institutions, as well as additional credit risk through certain of its subsidiaries, as discussed below.

In the event a supplier of LKE (through its subsidiaries LG&E and KU) or PPL Electric defaults on its obligation, those entities would be required to seek replacement power or replacement fuel in the market. In general, subject to regulatory review or other processes, appropriate incremental costs incurred by these entities would be recoverable from customers through applicable rate mechanisms, thus mitigating the financial risk for these entities.

PPL and its subsidiaries have credit policies in place to manage credit risk, including the use of an established credit approval process, daily monitoring of counterparty positions and the use of master netting agreements or provisions. These agreements generally include credit mitigation provisions, such as margin, prepayment or collateral requirements. PPL and its subsidiaries may request additional credit assurance, in certain circumstances, in the event that the counterparties' credit ratings fall below investment grade, their tangible net worth falls below specified percentages or their exposures exceed an established credit limit.

Master Netting Arrangements

Net derivative positions on the balance sheets are not offset against the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) under master netting arrangements.

PPL had an obligation to return $76 million of cash collateral under master netting arrangements at June 30, 2016 and no obligation to return cash collateral under master netting arrangements at December 31, 2015.

LKE, LG&E and KU had no obligation to return cash collateral under master netting arrangements at June 30, 2016 and December 31, 2015.

PPL, LKE and LG&E posted $9 million of cash collateral under master netting arrangements at June 30, 2016 and December 31, 2015.

KU did not post any cash collateral under master netting arrangements at June 30, 2016 and December 31, 2015.

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

Interest Rate Risk

(All Registrants)

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

Cash Flow Hedges

(PPL)

Interest rate risks include exposure to adverse interest rate movements for outstanding variable rate debt and for future anticipated financings. Financial interest rate swap contracts that qualify as cash flow hedges may be entered into to hedge floating interest rate risk associated with both existing and anticipated debt issuances. PPL held no such contracts at June 30, 2016.

At June 30, 2016, PPL held an aggregate notional value in cross-currency interest rate swap contracts of $802 million that range in maturity from 2017 through 2028 to hedge the interest payments and principal of WPD's U.S. dollar-denominated senior notes. In May 2016, $460 million of WPD's U.S. dollar-denominated senior notes were repaid upon maturity and $460 million notional value of cross-currency interest rate swap contracts matured. PPL recorded a $46 million gain upon settlement of the cross-currency interest rate swap contracts, which largely offset a loss recorded on the revaluation of U.S. dollar-denominated senior notes.

For the three and six months ended June 30, 2016, PPL had an insignificant amount of ineffectiveness associated with interest rate derivatives.

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

PPL had no cash flow hedges reclassified into earnings associated with discontinued cash flow hedges for the three and six months ended June 30, 2016. As a result of the June 1, 2015 spinoff of PPL Energy Supply, all PPL cash flow hedges associated with PPL Energy Supply were ineffective and discontinued and therefore, reclassified into earnings and reflected in discontinued operations for the three and six months ended June 30, 2015. See Note 8 for additional information.

At June 30, 2016, the accumulated net unrecognized after-tax gains (losses) on qualifying derivatives that are expected to be reclassified into earnings during the next 12 months were insignificant. Amounts are reclassified as the hedged interest expense is recorded.

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

LG&E enters into interest rate swap contracts that economically hedge interest payments on variable rate debt. Because realized gains and losses from the swaps, including a terminated swap contract, are recoverable through regulated rates, any subsequent changes in fair value of these derivatives are included in regulatory assets or liabilities until they are realized as interest expense. Realized gains and losses are recognized in "Interest Expense" on the Statements of Income at the time the underlying hedged interest expense is recorded. At June 30, 2016, LG&E held contracts with a notional amount of $179 million that range in maturity through 2033.

Foreign Currency Risk

(PPL)

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

Net Investment Hedges

PPL enters into foreign currency contracts on behalf of a subsidiary to protect the value of a portion of its net investment in WPD. There were no such contracts outstanding at June 30, 2016.

At June 30, 2016, PPL had $22 million of accumulated net investment hedge after tax gains (losses) that were included in the foreign currency translation adjustment component of AOCI, compared to $19 million at December 31, 2015.

Economic Activity

PPL enters into foreign currency contracts on behalf of a subsidiary to economically hedge GBP-denominated anticipated earnings. At June 30, 2016, the total exposure hedged by PPL was approximately £1.7 billion (approximately $2.7 billion based on contracted rates). These contracts had termination dates ranging from July 2016 through November 2018.

At June 30, 2016, foreign currency hedges related to 2017 and 2018 anticipated earnings were valued at $296 million and were included in current and noncurrent "Price risk management assets" on the Balance Sheet. The notional amount of these hedges was approximately £1.3 billion (approximately $2.0 billion based on contracted rates) with termination dates from January 2017 through November 2018. In the third quarter of 2016, PPL settled the 2017 and 2018 hedges, resulting in approximately $310 million of cash received, and entered into new hedges at current market rates. The settlement will not have a material effect on earnings as the hedge values were previously marked to fair value and recognized in "Other Income (Expense) - net" on the Statement of Income each period.

(All Registrants)

All derivative instruments are recorded at fair value on the Balance Sheet as an asset or liability unless NPNS is elected. NPNS contracts for PPL and PPL Electric include certain full-requirement purchase contracts and other physical purchase contracts. Changes in the fair value of derivatives not designated as NPNS are recognized in earnings unless specific hedge accounting criteria are met and designated as such, except for the changes in fair values of LG&E's and KU's interest rate swaps that are recognized as regulatory assets or regulatory liabilities. See Note 6 for amounts recorded in regulatory assets and regulatory liabilities at June 30, 2016 and December 31, 2015.

See Notes 1 and 17 in each Registrant's 2015 Form 10-K for additional information on accounting policies related to derivative instruments.

(PPL)

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

	June 30, 2016				December 31, 2015			
	Derivatives designated as hedging instruments		Derivatives not designated as hedging instruments		Derivatives designated as hedging instruments		Derivatives not designated as hedging instruments	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Current:								
Price Risk Management								
Assets/Liabilities (a):								
Interest rate swaps (b)	$ —	$ —	$ —	$ 6	$ —	$ 24	$ —	$ 5
Cross-currency swaps (b)	3	—	—	—	35	—	—	—
Foreign currency contracts	—	—	197	—	10	—	94	1
Total current	3	—	197	6	45	24	94	6
Noncurrent:								
Price Risk Management								
Assets/Liabilities (a):								
Interest rate swaps (b)	—	—	—	50	—	—	—	42
Cross-currency swaps (b)	89	—	—	—	51	—	—	—
Foreign currency contracts	—	—	196	—	—	—	105	—
Total noncurrent	89	—	196	50	51	—	105	42
Total derivatives	$ 92	$ —	$ 393	$ 56	$ 96	$ 24	$ 199	$ 48

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

(b) Excludes accrued interest, if applicable.

The following tables present the pre-tax effect of derivative instruments recognized in income, OCI or regulatory assets and regulatory liabilities for the periods ended June 30, 2016.

	Derivative Gain (Loss) Recognized in OCI (Effective Portion)			Three Months		Six Months	
Derivative Relationships	Three Months	Six Months	Location of Gain (Loss) Recognized in Income on Derivative	Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Cash Flow Hedges:							
Interest rate swaps	$ (3)	$ (21)	Interest expense	$ (2)	$ —	$ (3)	$ —

Cross-currency swaps							
	(104)	9	Interest expense	(1)	—	—	—
			Other income (expense) - net	(103)	—	(6)	—
Total	$ (107)	$ (12)		$ (106)	$ —	$ (9)	$ —
Net Investment Hedges:							
Foreign currency contracts	$ 1	$ 4					

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	Three Months	Six Months
oreign currency contracts	Other income (expense) - net	$ 171	$ 231
Interest rate swaps	Interest expense	(2)	(4)
	Total	$ 169	$ 227

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized as Regulatory Liabilities/Assets	Three Months	Six Months
Interest rate swaps	Regulatory assets - noncurrent	$ (3)	$ (9)

The following tables present the pre-tax effect of derivative instruments recognized in income, OCI or regulatory assets and regulatory liabilities for the periods ended June 30, 2015.

Derivative Relationships	Derivative Gain (Loss) Recognized in OCI (Effective Portion) Three Months	Derivative Gain (Loss) Recognized in OCI (Effective Portion) Six Months	Location of Gain (Loss) Recognized in Income on Derivative	Three Months Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Three Months Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Six Months Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Six Months Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
'ash Flow Hedges:							
Interest rate swaps	$ 17	$ (2)	Interest expense	$ (3)	$ —	$ (7)	$ —
			Discontinued operations	—	(77)	—	(77)
Cross-currency swaps	15	36	Interest expense	1	—	2	—
			Other income (expense) - net	15	—	32	—
Commodity contracts	—	—	Discontinued operations	6	7	13	7
Total	$ 32	$ 34		$ 19	$ (70)	$ 40	$ (70)
Net Investment Hedges:							
Foreign currency contracts	$ (17)	$ (1)					

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	Three Months	Six Months
Foreign currency contracts	Other income (expense) - net	$ (102)	$ (14)
Interest rate swaps	Interest expense	(2)	(4)
	Total	$ (104)	$ (18)

Derivatives Designated as Hedging Instruments	Location of Gain (Loss) Recognized as Regulatory Liabilities/Assets	Three Months	Six Months
nterest rate swaps	Regulatory assets - noncurrent	$ 76	$ 20

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized as Regulatory Liabilities/Assets	Three Months	Six Months

Interest rate swaps	Regulatory assets - noncurrent	$ 7	$ 3

(LKE)

ıe following table presents the pre-tax effect of derivative instruments designated as cash flow hedges that are recognized in regulatory assets for the periods ended June 30, 2015. All derivative instruments designated as cash flow hedges were terminated in 2015 and there is no activity in the current period.

Derivative Instruments	Location of Gain (Loss) Recognized in Regulatory Assets	Three Months	Six Months
Interest rate swaps	Regulatory assets - noncurrent	$ 76	$ 20

(LG&E)

The following table presents the pre-tax effect of derivative instruments designated as cash flow hedges that are recognized in regulatory assets for the periods ended June 30, 2015. All derivative instruments designated as cash flow hedges were terminated in 2015 and there is no activity in the current period.

Derivative Instruments	Location of Gain (Loss) Recognized in Regulatory Assets	Three Months	Six Months
Interest rate swaps	Regulatory assets - noncurrent	$ 38	$ 10

(KU)

The following table presents the pre-tax effect of derivative instruments designated as cash flow hedges that are recognized in regulatory assets for the periods ended June 30, 2015. All derivative instruments designated as cash flow hedges were terminated in 2015 and there is no activity in the current period.

Derivative Instruments	Location of Gain (Loss) Recognized in Regulatory Assets	Three Months	Six Months
Interest rate swaps	Regulatory assets - noncurrent	$ 38	$ 10

(LKE and LG&E)

The following table presents the fair value and the location on the Balance Sheets of derivatives not designated as hedging instruments.

	June 30, 2016		December 31, 2015	
	Assets	Liabilities	Assets	Liabilities
Current:				
Price Risk Management				
Assets/Liabilities (a):				
Interest rate swaps	$ —	$ 6	$ —	$ 5
Total current	—	6	—	5
Noncurrent:				
Price Risk Management				
Assets/Liabilities (a):				
Interest rate swaps	—	50	—	42
Total noncurrent	—	50	—	42
Total derivatives	$ —	$ 56	$ —	$ 47

(a) Represents the location on the
Balance Sheets.

The following tables present the pre-tax effect of derivatives not designated as cash flow hedges that are recognized in income or gulatory assets for the periods ended June 30, 2016.

Derivative Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Three Months	Six Months
Interest rate swaps	Interest expense	$ (2)	$ (4)

Derivative Instruments	Location of Gain (Loss) Recognized in Regulatory Assets	Three Months	Six Months
Interest rate swaps	Regulatory assets - noncurrent	$ (3)	$ (9)

The following tables present the pre-tax effect of derivatives not designated as cash flow hedges that are recognized in income or regulatory assets for the periods ended June 30, 2015.

Derivative Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Three Months	Six Months
Interest rate swaps	Interest expense	$ (2)	$ (4)

Derivative Instruments	Location of Gain (Loss) Recognized in Regulatory Assets	Three Months	Six Months
Interest rate swaps	Regulatory assets - noncurrent	$ 7	$ 3

(PPL, LKE, LG&E and KU)

Offsetting Derivative Instruments

PPL, LKE, LG&E and KU or certain of their subsidiaries have master netting arrangements in place and also enter into agreements pursuant to which they purchase or sell certain energy and other products. Under the agreements, upon termination of the agreement as result of a default or other termination event, the non-defaulting party typically would have a right to set off amounts owed under the agreement against any other obligations arising between the two parties (whether under the agreement or not), whether matured or contingent and irrespective of the currency, place of payment or place of booking of the obligation.

PPL, LKE, LG&E and KU have elected not to offset derivative assets and liabilities and not to offset net derivative positions against the right to reclaim cash collateral pledged (an asset) or the obligation to return cash collateral received (a liability) under derivatives agreements. The table below summarizes the derivative positions presented in the balance sheets where a right of setoff exists under these arrangements and related cash collateral received or pledged.

	Assets				Liabilities			
		Eligible for Offset				Eligible for Offset		
	Gross	Derivative Instruments	Cash Collateral Received	Net	Gross	Derivative Instruments	Cash Collateral Pledged	Net
June 30, 2016								
Treasury Derivatives								
PPL	$ 485	$ —	$ 76	$ 409	$ 56	$ —	$ 9	$ 47
LKE	—	—	—	—	56	—	9	47
LG&E	—	—	—	—	56	—	9	47
December 31, 2015								
Treasury Derivatives								
PPL	$ 295	$ 25	$ —	$ 270	$ 72	$ 25	$ 9	$ 38
LKE	—	—	—	—	47	—	9	38
LG&E	—	—	—	—	47	—	9	38

Credit Risk-Related Contingent Features

Certain derivative contracts contain credit risk-related contingent features which, when in a net liability position, would permit the ounterparties to require the transfer of additional collateral upon a decrease in the credit ratings of PPL, LKE, LG&E and

KU or certain of their subsidiaries. Most of these features would require the transfer of additional collateral or permit the counterparty to terminate the contract if the applicable credit rating were to fall below investment grade. Some of these features also would allow e counterparty to require additional collateral upon each downgrade in credit rating at levels that remain above investment grade. In ther case, if the applicable credit rating were to fall below investment grade, and assuming no assignment to an investment grade affiliate were allowed, most of these credit contingent features require either immediate payment of the net liability as a termination payment or immediate and ongoing full collateralization on derivative instruments in net liability positions.

Additionally, certain derivative contracts contain credit risk-related contingent features that require adequate assurance of performance be provided if the other party has reasonable concerns regarding the performance of PPL's, LKE's, LG&E's, and KU's obligations under the contracts. A counterparty demanding adequate assurance could require a transfer of additional collateral or other security, including letters of credit, cash and guarantees from a creditworthy entity. This would typically involve negotiations among the parties. However, amounts disclosed below represent assumed immediate payment or immediate and ongoing full collateralization for derivative instruments in net liability positions with "adequate assurance" features.

(PPL, LKE and LG&E)

At June 30, 2016, derivative contracts in a net liability position that contain credit risk-related contingent features, collateral posted on those positions and the related effect of a decrease in credit ratings below investment grade are summarized as follows:

	PPL	LKE	LG&E
Aggregate fair value of derivative instruments in a net liability position with credit risk-related contingent features	$ 31	$ 31	$ 31
Aggregate fair value of collateral posted on these derivative instruments	8	8	8
Aggregate fair value of additional collateral requirements in the event of a credit downgrade below investment grade (a)	23	23	23

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

15. Goodwill and Other Intangible Assets

(PPL)

The change in the carrying amount of goodwill for the six months ended June 30, 2016 was due to the effect of foreign currency exchange rates on the U.K. Regulated segment.

The change in the other intangible assets for the six months ended June 30, 2016 was primarily due to an increase in the gross carrying amount of indefinite lived intangibles at WPD attributable to new easements of $47 million.

16. Asset Retirement Obligations

(PPL, LKE, LG&E and KU)

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

	PPL	LKE	LG&E	KU
Balance at December 31, 2015	$ 586	$ 535	$ 175	$ 360
Accretion	13	12	4	8
Effect of foreign currency exchange rates	(2)	—	—	—
Obligations settled	(8)	(8)	(6)	(2)
Balance at June 30, 2016	$ 589	$ 539	$ 173	$ 366

LKE's, LG&E's and KU's ARO liabilities are primarily related to CCR closure costs. See Note 10 for information on the final CCR rule and Note 6 for information on the rate recovery applications with the KPSC. LG&E's and KU's accretion and ARO-related depreciation expense are recorded as a regulatory asset, such that there is no net earnings impact.

17. Accumulated Other Comprehensive Income (Loss)

(PPL and LKE)

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

	Foreign currency translation adjustments	Unrealized gains (losses)			Defined benefit plans		
		Available-for-sale securities	Qualifying derivatives	Equity investees' AOCI	Prior service costs	Actuarial gain (loss)	Total
PPL							
March 31, 2016	$ (984)	$ —	$ (5)	$ —	$ (6)	$ (2,164)	$ (3,159)
Amounts arising during the period	268	—	(85)	—	—	2	185
Reclassifications from AOCI	—	—	85	(1)	1	32	117
Net OCI during the period	268	—	—	(1)	1	34	302
June 30, 2016	$ (716)	$ —	$ (5)	$ (1)	$ (5)	$ (2,130)	$ (2,857)
December 31, 2015	$ (520)	$ —	$ (7)	$ —	$ (6)	$ (2,195)	$ (2,728)
Amounts arising during the period	(196)	—	(5)	—	—	2	(199)
Reclassifications from AOCI	—	—	7	(1)	1	63	70
Net OCI during the period	(196)	—	2	(1)	1	65	(129)
June 30, 2016	$ (716)	$ —	$ (5)	$ (1)	$ (5)	$ (2,130)	$ (2,857)
March 31, 2015	$ (352)	$ 206	$ 9	$ —	$ 3	$ (2,177)	$ (2,311)
Amounts arising during the period	(83)	2	21	—	(6)	53	(13)
Reclassifications from AOCI	—	(1)	27	—	—	38	64
Net OCI during the period	(83)	1	48	—	(6)	91	51
Distribution of PPL Energy Supply (Note 8)	—	(207)	(55)	—	—	238	(24)
June 30, 2015	$ (435)	$ —	$ 2	$ —	$ (3)	$ (1,848)	$ (2,284)
December 31, 2014	$ (286)	$ 202	$ 20	$ 1	$ 3	$ (2,214)	$ (2,274)
Amounts arising during the period	(149)	7	27	—	(6)	52	(69)

Reclassifications from AOCI	—	(2)	10	(1)	—	76	83
Net OCI during the period	(149)	5	37	(1)	(6)	128	14
Distribution of PPL Energy Supply (Note 8)	—	(207)	(55)	—	—	238	(24)
June 30, 2015	$ (435)	$ —	$ 2	$ —	$ (3)	$ (1,848)	$ (2,284)
LKE							
March 31, 2016				$ —	$ (10)	$ (35)	$ (45)
Amounts arising during the period				—	—	1	1
Reclassifications from AOCI				(1)	1	1	1
Net OCI during the period				(1)	1	2	2
June 30, 2016				$ (1)	$ (9)	$ (33)	$ (43)
December 31, 2015				$ —	$ (10)	$ (36)	$ (46)
Amounts arising during the period				—	—	1	1
Reclassifications from AOCI				(1)	1	2	2
Net OCI during the period				(1)	1	3	3
June 30, 2016				$ (1)	$ (9)	$ (33)	$ (43)

	Foreign currency translation adjustments	Unrealized gains (losses) Available-for-sale securities	Qualifying derivatives	Equity investees' AOCI	Defined benefit plans Prior service costs	Actuarial gain (loss)	Total
March 31, 2015				$ (1)	$ (8)	$ (36)	$ (45)
Amounts arising during the period				—	—	(8)	(8)
Reclassifications from AOCI				—	1	—	1
Net OCI during the period				—	1	(8)	(7)
June 30, 2015				$ (1)	$ (7)	$ (44)	$ (52)
December 31, 2014				$ —	$ (8)	$ (37)	$ (45)
Amounts arising during the period				—	—	(8)	(8)
Reclassifications from AOCI				(1)	1	1	1
Net OCI during the period				(1)	1	(7)	(7)
June 30, 2015				$ (1)	$ (7)	$ (44)	$ (52)

(PPL)

The following table presents the gains (losses) and related income taxes for reclassifications from AOCI for the periods ended June 30. The defined benefit plan components of AOCI are not reflected in their entirety in the Statement of Income during the periods; rather, they are included in the computation of net periodic defined benefit costs (credits) and subject to capitalization. See Note 9 for additional information.

Details about AOCI	Three Months 2016	Three Months 2015	Six Months 2016	Six Months 2015	Affected Line Item on the Statements of Income
Available-for-sale securities	$ —	$ 2	$ —	$ 4	Other Income (Expense) - net
Total Pre-tax	—	2	—	4	
Income Taxes	—	(1)	—	(2)	
Total After-tax	—	1	—	2	
Qualifying derivatives					
Interest rate swaps	(2)	(3)	(3)	(7)	Interest Expense
	—	(77)	—	(77)	Discontinued operations
Cross-currency swaps	(103)	15	(6)	32	Other Income (Expense) - net
	(1)	1	—	2	Interest Expense
Commodity contracts	—	13	—	20	Discontinued operations

Total Pre-tax	(106)	(51)	(9)	(30)	
Income Taxes	21	24	2	20	
otal After-tax	(85)	(27)	(7)	(10)	
Equity investees' AOCI	1	—	1	2	Other Income (Expense) - net
Total Pre-tax	1	—	1	2	
Income Taxes	—	—	—	(1)	
Total After-tax	1	—	1	1	
Defined benefit plans					
Prior service costs	(1)	—	(1)	—	
Net actuarial loss	(40)	(50)	(80)	(101)	
Total Pre-tax	(41)	(50)	(81)	(101)	
Income Taxes	8	12	17	25	
Total After-tax	(33)	(38)	(64)	(76)	
Total reclassifications during the period	$ (117)	$ (64)	$ (70)	$ (83)	

18. New Accounting Guidance Pending Adoption

(All Registrants)

Accounting for Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board (FASB) issued accounting guidance that establishes a comprehensive new model for the recognition of revenue from contracts with customers. This model is based on the core principle that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

For public business entities, this guidance can be applied using either a full retrospective or modified retrospective transition method, beginning in annual reporting periods after December 15, 2017 and interim periods within those years. Public business entities may early adopt this guidance in annual reporting periods beginning after December 15, 2016. The Registrants expect to adopt this guidance effective January 1, 2018.

The Registrants continue to assess the impact of adopting this guidance, as well as the transition method they will use, and are monitoring the development of industry specific application guidance which could impact those assessments.

Accounting for Leases

In February 2016, the FASB issued accounting guidance for leases. This new guidance requires lessees to recognize a right-of-use asset and a lease liability for virtually all of their leases (other than leases that meet the definition of a short-term lease). For income statement purposes, the FASB retained a dual model for lessees, requiring leases to be classified as either operating or finance. Operating leases will result in straight-line expense (similar to current operating leases) while finance leases will result in a front-loaded expense pattern (similar to current capital leases). Classification will be based on criteria that are largely similar to those applied in current lease accounting, but without explicit bright lines.

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

The standard is effective for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted. The new standard must be adopted using a modified retrospective transition, and provides for certain practical expedients. Transition will require application of the new guidance at the beginning of the earliest comparative period presented.

The Registrants are currently assessing the impact of adopting this guidance.

Accounting for Financial Instrument Credit Losses

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

For public business entities, this guidance will be applied using a modified retrospective approach and is effective for fiscal years beginning after December 15, 2019, and interim periods within those years. All entities may early adopt this guidance beginning after December 15, 2018, including interim periods within those years.

The Registrants are currently assessing the impact of adopting this guidance and the period that they will adopt this guidance.

Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations

(All Registrants)

This "Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" is separately filed by PPL Corporation, PPL Electric, LKE, LG&E and KU. Information contained herein relating to any individual Registrant is filed by such Registrant solely on its own behalf, and no Registrant makes any representation as to information relating to any other Registrant. The specific Registrant to which disclosures are applicable is identified in parenthetical headings in italics above the applicable disclosure or within the applicable disclosure for each Registrant's related activities and disclosures. Within combined disclosures, amounts are disclosed for any Registrant when significant.

The following should be read in conjunction with the Registrants' Condensed Consolidated Financial Statements and the accompanying Notes and with the Registrants' 2015 Form 10-K. Capitalized terms and abbreviations are defined in the glossary. Dollars are in millions, except per share data, unless otherwise noted.

"Management's Discussion and Analysis of Financial Condition and Results of Operations" includes the following information:

- "Overview" provides a description of each Registrant's business strategy and a discussion of important financial and operational developments.
- "Results of Operations" for all registrants includes a "Statement of Income Analysis" which discusses significant changes in principal line items on the Statements of Income, comparing the three and six months ended June 30, 2016 with the same periods in 2015. For PPL, it also provides a detailed analysis of earnings by segment and a description of key factors expected to impact future earnings. The segment earnings discussion includes financial information prepared in accordance with GAAP as well as non-GAAP financial measures including "Earnings from Ongoing Operations" and "Margins". This discussion provides explanations of the non-GAAP financial measures and a reconciliation of the non-GAAP financial measures to the most comparable GAAP measure. For PPL Electric, LKE, LG&E and KU, a summary of earnings is also provided.
- "Financial Condition - Liquidity and Capital Resources" provides an analysis of the Registrants' liquidity positions and credit profiles. This section also includes a discussion of rating agency actions.
- "Financial Condition - Risk Management" provides an explanation of the Registrants' risk management programs relating to market and credit risk.

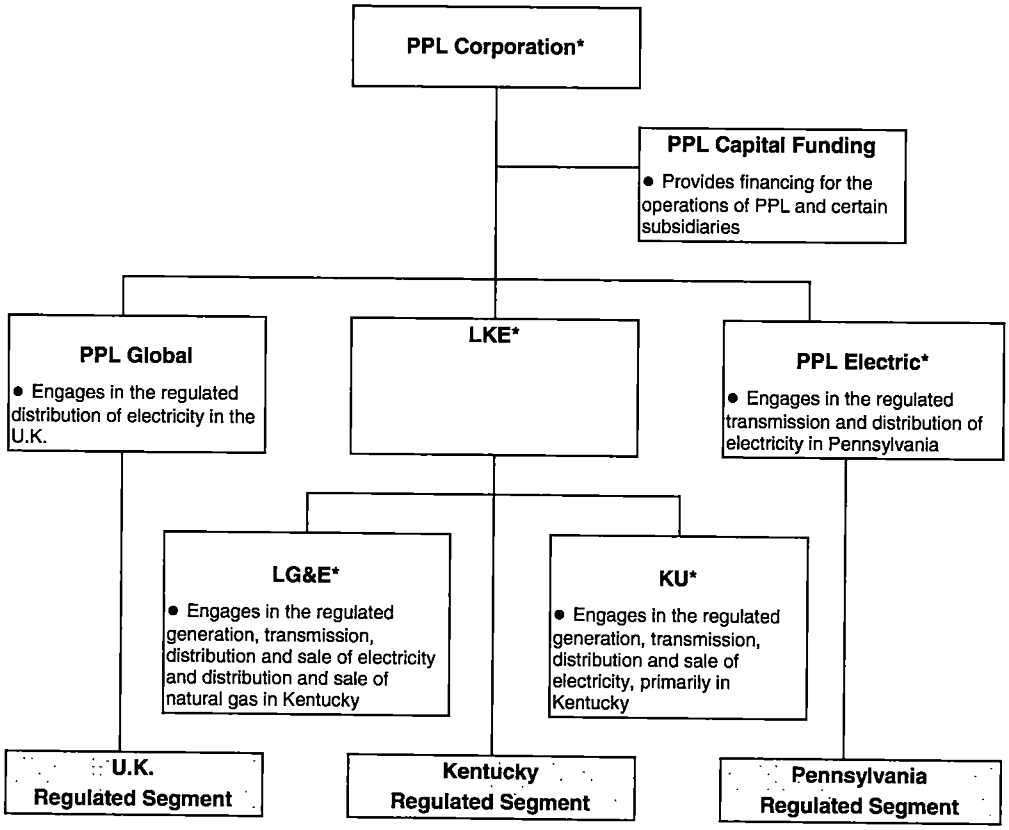
Overview

Introduction

(PPL)

PPL, headquartered in Allentown, Pennsylvania, is a utility holding company. PPL, through its regulated utility subsidiaries, delivers electricity to customers in the U.K., Pennsylvania, Kentucky, Virginia and Tennessee; delivers natural gas to customers in Kentucky; and generates electricity from power plants in Kentucky. In June 2015, PPL completed the spinoff of PPL Energy Supply which combined its competitive power generation businesses with those of Riverstone to form a new, stand-alone, publicly traded company named Talen Energy. See Note 8 in PPL's 2015 Form 10-K for additional information.

PPL's principal subsidiaries are shown below (* denotes SEC registrant).



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

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

(PPL Electric)

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

(LKE)

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

(LG&E)

LG&E, headquartered in Louisville, Kentucky, is a wholly owned subsidiary of LKE and a regulated utility engaged in the generation, transmission, distribution and sale of electricity and distribution and sale of natural gas in Kentucky. LG&E is subject to regulation as a public utility by the KPSC, and certain of its transmission activities are subject to the jurisdiction of the FERC under the Federal Power Act.

‹U)

KU, headquartered in Lexington, Kentucky, is a wholly owned subsidiary of LKE and a regulated utility engaged in the generation, transmission, distribution and sale of electricity in Kentucky, Virginia and Tennessee. KU is subject to regulation as a public utility by the KPSC, the VSCC and the Tennessee Regulatory Authority, and certain of its transmission and wholesale power activities are subject to the jurisdiction of the FERC under the Federal Power Act. KU serves its Virginia customers under the Old Dominion Power name and its Kentucky and Tennessee customers under the KU name.

Business Strategy

(All Registrants)

Following the June 1, 2015 spinoff of PPL Energy Supply, PPL completed its strategic transformation to a fully regulated business model consisting of seven diverse, high-performing utilities. These utilities are located in the U.K., Pennsylvania and Kentucky and each jurisdiction has different regulatory structures and customer classes. The Company believes this diverse portfolio provides strong earnings and dividend growth potential that will create significant value for its shareowners and positions PPL well for continued growth and success.

PPL's businesses of WPD, PPL Electric, LG&E and KU plan to achieve growth by providing efficient, reliable and safe operations and strong customer service, maintaining constructive regulatory relationships and achieving timely recovery of costs. These businesses are expected to achieve strong, long-term growth in rate base and RAV, as applicable, driven by planned significant capital expenditures to maintain existing assets and improve system reliability and, for LKE, LG&E and KU, to comply with federal and state environmental regulations related to coal-fired electricity generation facilities. Additionally, significant transmission rate base growth is expected through 2020 at PPL Electric.

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

Rate base growth in the domestic utilities is expected to result in strong earnings growth for the foreseeable future. Earnings from the U.K. Regulated segment are expected to decline from 2015 to 2016 during the transition to RIIO-ED1, as higher revenues resulting from the fast-track bonus are offset by higher levels of revenue profiling in the prior price control period (DPCR5) and a lower return on regulatory equity. In 2017, earnings are expected to decline mainly due to the unfavorable impact of lower GBP to U.S. dollar exchange rates. RAV growth is expected in the U.K. Regulated segment through the price control period and earnings are expected to grow after 2017 commensurate with RAV growth . See "Item 1. Business - Segment Information - U.K. Regulated Segment" of PPL's 2015 Form 10-K for additional information on RIIO-ED1.

To manage financing costs and access to credit markets, and to fund capital expenditures, a key objective of the Registrants is to maintain their investment grade credit ratings and adequate liquidity positions. In addition, the Registrants have financial and operational risk management programs that, among other things, are designed to monitor and manage exposure to earnings and cash flow volatility, as applicable, related to changes in interest rates, foreign currency exchange rates and counterparty credit quality. To manage these risks, PPL generally uses contracts such as forwards, options and swaps. See "Financial Condition - Risk Management" below for further information. Earnings generated by PPL's U.K. subsidiaries are subject to foreign currency translation risk. Due to the significant earnings contributed from WPD, PPL enters into foreign currency contracts to economically hedge the value of the GBP versus the U.S. dollar. As of June 30, 2016, PPL's exposure to changes in the value of the GBP versus the U.S. dollar related to budgeted earnings of the U.K. Regulated segment was hedged 87% for the remainder of 2016, and 89% and 41% for 2017 and 2018. See "Financial and Operational Developments - U.K. Membership in European Union" for a discussion of the subsequent settlement of certain of these hedges. The U.K. subsidiaries also have currency exposure to the U.S. dollar to the extent of their U.S. dollar denominated debt. To manage these risks, PPL generally uses contracts such as forwards, options and cross-currency swaps that contain characteristics of both interest rate and foreign currency exchange contracts.

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

Financial and Operational Developments

(PPL)

U.K. Membership in European Union

Significant uncertainty exists concerning the effects of the June 23, 2016 referendum in favor of the U.K. withdrawal from the European Union, including whether formal withdrawal will occur and the nature and duration of negotiations between the U.K. and the European Union as to the terms of any withdrawal.

As of June 30, 2016, PPL was well-hedged against certain short-term fluctuations that may occur in the value of the GBP versus the U.S. dollar. As it relates to budgeted earnings, PPL's 2016 foreign currency exposure was 87% hedged for the remainder of the year at an average rate of $1.57 per GBP. In addition, at June 30, 2016, PPL's 2017 and 2018 foreign currency exposure was hedged 89% and 41% at an average rate of $1.58 and $1.56 per GBP. At June 30, 2016, hedges related to 2017 and 2018 anticipated earnings were valued at $296 million and were included in current and noncurrent "Price risk management assets" on the Balance Sheet. The notional amount of these hedges was approximately £1.3 billion (approximately $2.0 billion based on contracted rates) with termination dates from January 2017 through November 2018. In the third quarter of 2016, PPL settled the 2017 and 2018 hedges, resulting in approximately $310 million of cash received, and entered into new hedges at current market rates. The settlement will not have a material effect on earnings as the hedge values were previously marked to fair value and recognized in "Other Income (Expense) - net" on the Statement of Income each period. The settlement will be treated as a special item in the third quarter of 2016, as the hedges related to future earnings. The new hedges entered into include forward contracts for 2017 and a combination of forward contracts and zero cost collars for 2018. PPL is now 95% and 50% hedged for 2017 and 2018 at an average rate of $1.32 and $1.30 per GBP. These average rates are based on the forward contracts and the floors in the collars.

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

PPL consolidates WPD on a one-month lag. Therefore, the impact of the decrease in the GBP to U.S. dollar exchange rate that occurred subsequent to the U.K.'s vote on June 23, 2016 to withdraw from the European Union is not reflected in PPL's June 30, 2016 financial statements. Using the June 30, 2016 GBP to U.S. dollar exchange rate of $1.34 as opposed to the May 31, 2016 exchange rate of $1.46 would have resulted in an additional foreign currency translation loss of $499 million recorded in AOCI, primarily reflecting a $991 million decrease in PP&E and a $228 million decrease in goodwill, partially offset by a decrease of $606 million in long-term debt.

Regulatory Requirements

(PPL, LKE, LG&E and KU)

The businesses of LKE, LG&E and KU are subject to extensive federal, state and local environmental laws, rules and regulations, including those pertaining to CCRs, GHGs, ELGs, MATS and the Clean Power Plan. See Note 6, Note 10 and Note 16 to the Financial Statements for a discussion of the other significant environmental matters.

(All Registrants)

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

(PPL)

Discontinued Operations

The operations of PPL's Supply segment prior to the June 1, 2015 spinoff are included in "Income (Loss) from Discontinued Operations (net of income taxes)" on the June 2015 Statement of Income.

See Note 8 to the Financial Statements for additional information related to the spinoff of PPL Energy Supply, including the components of Discontinued Operations.

U.K. Distribution Revenue Reduction

In December 2013, WPD and other U.K. DNOs announced agreements with the U.K. Department of Energy and Climate Change and Ofgem to a reduction of £5 per residential customer of electricity distribution revenues that otherwise would have been collected in the regulatory year beginning April 1, 2014. Full recovery of the revenue reduction in GBP, together with the associated carrying cost will occur in the regulatory year which began April 1, 2016. Under GAAP, WPD does not record a receivable for under-recovery of regulated income (which this reduction represents). As a result, revenues for the U.K. Regulated segment were adversely affected by $19 million ($15 million after-tax or $0.02 per share) in 2015 and $40 million ($31 million after-tax or $0.05 per share) in 2014. Revenues for the U.K. Regulated segment were positively affected by $10 million ($8 million after-tax or $0.01 per share) for the three and six months ended June 30, 2016. PPL projects revenues in 2016 will be positively affected by $40 million ($32 million after-tax or $0.05 per share) and revenues for 2017 will be positively affected by $17 million ($14 million after-tax or $0.02 per share).

Discount Rate Change for U.K. Pension Plans

In selecting the discount rate for its U.K. pension plans, WPD historically used a single weighted-average discount rate in the calculation of net periodic defined benefit cost. WPD began using individual spot rates to measure service cost and interest cost beginning with the calculation of 2016 net periodic defined benefit cost. For the three and six months ended June 30, 2016, this change in discount rate resulted in lower net periodic defined benefit costs recognized on PPL's Statement of Income of $11 million ($9 million after-tax or $0.02 per share) and $22 million ($18 million after-tax or $0.03 per share). Based on current estimates, PPL expects this change to reduce 2016 net periodic defined benefit costs recognized on PPL's Statement of Income by $44 million ($36 million after-tax or $0.05 per share). See "Application of Critical Accounting Policies-Defined Benefits" in PPL's 2015 Form 10-K for additional information.

Results of Operations

(PPL)

The "Statement of Income Analysis" discussion addresses significant changes in principal line items on PPL's Statements of Income, comparing the three and six months ended June 30, 2016 with the same periods in 2015. The discussion for PPL provides a review of results by reportable segment. The segment earnings discussion includes financial information prepared in accordance with GAAP as well as non-GAAP financial measures, including “Earnings from Ongoing Operations” and “Margins”. This discussion provides explanations of the non-GAAP financial measures and a reconciliation of those measures to the most comparable GAAP measure. "Statement of Income Analysis and Segment Earnings" are presented separately for PPL.

Tables analyzing changes in amounts between periods within "Segment Earnings" are presented on a constant U.K. foreign currency exchange rate basis, where applicable, in order to isolate the impact of the change in the exchange rate on the item being explained. Results computed on a constant U.K. foreign currency exchange rate basis are calculated by translating current year results at the prior year weighted-average U.K. foreign currency exchange rate.

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

A "Statement of Income Analysis, Earnings and Margins" is presented separately for PPL Electric, LKE, LG&E and KU.

The "Statement of Income Analysis" addresses significant changes in principal line items on the Statements of Income comparing the three and six months ended June 30, 2016 with the same periods in 2015 and provides a summary of earnings. The "Margins" discussion includes a reconciliation of non-GAAP financial measures to "Operating Income."

(All Registrants)

The results for interim periods can be disproportionately influenced by numerous factors and developments and by seasonal variations. As such, the results of operations for interim periods do not necessarily indicate results or trends for the year or future periods.

PPL Statement of Income Analysis, Segment Earnings and Margins

Statement of Income Analysis

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

	Three Months			Six Months		
	2016	2015	$ Change	2016	2015	$ Change
Operating Revenues	$ 1,785	$ 1,781	$ 4	$ 3,796	$ 4,011	$ (215)
Operating Expenses						
Operation						
Fuel	183	214	(31)	380	467	(87)
Energy purchases	147	170	(23)	380	499	(119)
Other operation and maintenance	425	467	(42)	875	923	(48)
Depreciation	231	216	15	460	432	28
Taxes, other than income	74	76	(2)	153	162	(9)
Total Operating Expenses	1,060	1,143	(83)	2,248	2,483	(235)
Other Income (Expense) - net	174	(102)	276	235	(14)	249
Interest Expense	224	215	9	448	424	24

Income Taxes	192	71	121	371	288	83
Income from Continuing Operations After Income Taxes	483	250	233	964	802	162
Income (Loss) from Discontinued Operations (net of income taxes)	—	(1,007)	1,007	—	(912)	912
Net Income (Loss)	$ 483	$ (757)	$ 1,240	$ 964	$ (110)	$ 1,074

Operating Revenues

The increase (decrease) in operating revenues for the periods ended June 30, 2016 compared with 2015 was due to:

	Three Months	Six Months
Domestic:		
PPL Electric Distribution price (a)	$ 24	$ 74
PPL Electric Distribution volume	—	(34)
PPL Electric PLR Revenue (b)	(27)	(104)
PPL Electric Transmission Formula Rate	20	35
LKE Base rates	32	68
LKE Volumes	(4)	(70)
LKE Fuel and other energy prices (b)	(28)	(74)
LKE ECR	11	22
Other	—	(6)
Total Domestic	28	(89)

	Three Months	Six Months
.K.:		
Price	23	(30)
Volume	(5)	(21)
Foreign currency exchange rates	(29)	(62)
Other	(13)	(13)
Total U.K.	(24)	(126)
Total	$ 4	$ (215)

(a) Distribution rate case effective January 1, 2016, resulted in increases of $33 million and $80 million for the three and six months ended June 30, 2016.

(b) Decreases due to lower recoveries of fuel and energy purchases due to lower commodity costs at LKE and lower PLR energy purchases at PPL Electric as described below.

Fuel

Fuel decreased by $31 million for the three months ended June 30, 2016 compared with 2015, primarily due to a $28 million decrease in commodity costs.

Fuel decreased by $87 million for the six months ended June 30, 2016 compared with 2015, primarily due to a $61 million decrease in commodity costs and a $26 million decrease in volumes primarily due to milder weather in the first quarter of 2016.

Energy Purchases

Energy purchases decreased by $23 million for the three months ended June 30, 2016 compared with 2015, primarily due to lower PLR prices in 2016.

Energy purchases decreased by $119 million for the six months ended June 30, 2016 compared with 2015, primarily due to a $51 million decrease in PLR prices and a $40 million decrease in PLR volumes at PPL Electric and a $13 million decrease in natural gas prices and a $13 million decrease in natural gas volumes at LKE.

Other Operation and Maintenance

The increase (decrease) in other operation and maintenance for the periods ended June 30, 2016 compared with 2015 was due to:

		Three Months		Six Months
Domestic:				
LKE coal plant operations and maintenance (a)	$	(13)	$	(22)
PPL Electric Act 129 costs incurred		(3)		(7)
PPL Electric vegetation management		3		6
PPL Electric payroll-related costs		(9)		(12)
PPL Electric storm costs		3		6
Corporate costs previously included in discontinued operations (b)		—		9
Other		(1)		7
U.K.:				
Network maintenance		8		15
Pension expense (c)		(21)		(43)
Foreign currency exchange rates		(4)		(8)
Other		(5)		1
Total	$	(42)	$	(48)

(a) Represents the reduction of costs associated with the 2015 retirement of Cane Run units partially offset by Cane Run 7 operations.

(b) The increase was due to corporate costs allocated to PPL Energy Supply (and included in discontinued operations) prior to the spin. As a result of the spinoff on June 1, 2015, these corporate costs now remain in continuing operations.

(c) The decrease was primarily due to an increase in estimated returns on higher asset balances and lower interest cost due to a change in the discount rate methodology.

Depreciation

Depreciation increased by $15 million and $28 million for the three and six months ended June 30, 2016 compared with 2015, primarily due to additional assets placed into service, primarily at the domestic utilities and WPD (partially offset by the impact of foreign currency exchange rates), net of retirements.

Other Income (Expense) - net

Other income (expense) - net increased by $276 million and $249 million for the three and six months ended June 30, 2016 compared with 2015, primarily due to changes in realized and unrealized gains (losses) on foreign currency contracts to economically hedge GBP denominated earnings from WPD.

Interest Expense

The increase (decrease) in interest expense for the periods ended June 30, 2016 compared with 2015 was due to:

	Three Months	Six Months

	Three Months	Six Months
Long-term debt interest expense (a)	$ 18	$ 41
Foreign currency exchange rates	(6)	(11)
Other	(3)	(6)
otal	$ 9	$ 24

(a) The increase in both periods was primarily due to debt issuances at WPD in November 2015 and LG&E and KU in September 2015 as well as higher interest rates on bonds refinanced in September 2015 at LG&E and KU.

Income Taxes

The increase (decrease) in income taxes for the periods ended June 30, 2016 compared with 2015 was due to:

	Three Months	Six Months
Change in pre-tax income at current period tax rates	$ 124	$ 78
aluation allowances adjustments	(2)	1
mpact of U.K. income tax rates	(9)	(1)
Federal and state tax reserve adjustments (a)	12	12
Stock-based compensation (b)	(3)	(11)
Other	(1)	4
Total	$ 121	$ 83

(a) During the three and six months ended June 30, 2015, PPL recorded a tax benefit to adjust the settled refund amount approved by Joint Committee on Taxation for the open audit years 1998-2011.

(b) During the three and six months ended June 30, 2016, PPL recorded lower income tax expense related to the application of new stock-based compensation accounting guidance. See Note 2 to the Financial Statements for additional information.

See Note 5 to the Financial Statements for additional information.

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

Income (Loss) from Discontinued Operations (net of income taxes) includes the results of operations of PPL Energy Supply, which was spun off from PPL on June 1, 2015 and substantially represents PPL's former Supply segment. See "Discontinued Operations" in Note 8 to the Financial Statements for additional information.

Segment Earnings

PPL's earnings by reportable segments for the periods ended June 30 were as follows:

	Three Months			Six Months		
	2016	2015	$ Change	2016	2015	$ Change
U.K. Regulated	$ 345	$ 190	$ 155	$ 634	$ 565	$ 69
Kentucky Regulated	76	47	29	188	156	32
Pennsylvania Regulated	78	49	29	172	136	36
Corporate and Other (a)	(16)	(36)	20	(30)	(55)	25
Discontinued Operations (b)	—	(1,007)	1,007	—	(912)	912
Net Income (Loss)	$ 483	$ (757)	$ 1,240	$ 964	$ (110)	$ 1,074

(a) Primarily represents financing and certain other costs incurred at the corporate level that have not been allocated or assigned to the segments, which are presented to reconcile segment information to PPL's consolidated results. 2015 also includes certain costs related to the spinoff of PPL Energy Supply. See Note 8 to the Financial Statements for additional information.

(b) As a result of the spinoff of PPL Energy Supply, substantially representing PPL's former Supply segment, the earnings of the Supply segment prior to the spinoff are included in Discontinued Operations. The three and six months ended June 30, 2015 includes an $879 million charge reflecting the difference between PPL's recorded value for the Supply segment and its estimated fair value as of the spinoff date, determined in accordance with applicable accounting rules under GAAP. See Note 8 to the Financial Statements for additional information.

Earnings from Ongoing Operations

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

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

• Unrealized gains or losses on foreign currency-related economic hedges (as discussed below).

Supply segment discontinued operations.

• Gains and losses on sales of assets not in the ordinary course of business.

• Impairment charges.

• Workforce reduction and other restructuring effects.

• Acquisition and divestiture-related adjustments.

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

Unrealized gains or losses on foreign currency economic hedges include the changes in fair value of foreign currency contracts used to hedge GBP-denominated anticipated earnings. The changes in fair value of these contracts are recognized immediately within GAAP earnings. Management believes that excluding these amounts from Earnings from Ongoing Operations until settlement of the contracts provides a better matching of the financial impacts of those contracts with the economic value of PPL's underlying hedged earnings. See Note 14 to the Financial Statements and "Risk Management" below for additional information on foreign currency-related economic activity.

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

	Three Months			Six Months		
	2016	2015	$ Change	2016	2015	$ Change
U.K. Regulated	$ 241	$ 243	$ (2)	$ 506	$ 579	$ (73)
Kentucky Regulated	76	59	17	188	168	20
Pennsylvania Regulated	78	49	29	172	136	36
Corporate and Other	(15)	(22)	7	(28)	(35)	7
Earnings from Ongoing Operations	$ 380	$ 329	$ 51	$ 838	$ 848	$ (10)

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

.K. Regulated Segment

The U.K. Regulated segment consists of PPL Global, which primarily includes WPD's regulated electricity distribution operations, the results of hedging the translation of WPD's earnings from GBP into U.S. dollars, and certain costs, such as U.S. income taxes, administrative costs and allocated financing costs. The U.K. Regulated segment represents 66% of PPL's Net Income for the six months ended June 30, 2016 and 41% of PPL's assets at June 30, 2016.

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

	Three Months			Six Months		
	2016	2015	$ Change	2016	2015	$ Change
Operating revenues	$ 563	$ 587	$ (24)	$ 1,158	$ 1,284	$ (126)
Other operation and maintenance	85	104	(19)	182	214	(32)
Depreciation	60	59	1	120	118	2
Taxes, other than income	35	37	(2)	70	73	(3)
Total operating expenses	180	200	(20)	372	405	(33)
ther Income (Expense) - net	172	(100)	272	233	(12)	245
Interest Expense	104	103	1	210	203	7
Income Taxes	106	(6)	112	175	99	76
Net Income	345	190	155	634	565	69
Less: Special Items	104	(53)	157	128	(14)	142
Earnings from Ongoing Operations	$ 241	$ 243	$ (2)	$ 506	$ 579	$ (73)

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

	Income Statement Line Item	Three Months		Six Months	
		2016	2015	2016	2015
Foreign currency-related economic hedges, net of tax of ($56), $38, ($69), $18 (a)	Other Income (Expense)-net	$ 104	$ (71)	$ 128	$ (34)
WPD Midlands acquisition-related adjustment, net of tax of $0, $0, $0, ($1)	Other operation and maintenance	—	—	—	2
Settlement of certain income tax positions (b)	Income Taxes	—	18	—	18
'otal special items		$ 104	$ (53)	$ 128	$ (14)

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

(b) Relates to the April 2015 settlement of the IRS audit for the tax years 1998-2011. See Note 5 to the Financial Statements for additional information.

The changes in the components of the U.K. Regulated segment's results between these periods are due to the factors set forth below, which reflect amounts classified as U.K. Gross Margins, the items that management considers special and the effects of movements in foreign currency exchange, including the effects of foreign currency hedge contracts, on separate lines and not in their respective Statement of Income line items.

	Three Months		Six Months	
.K.				
Gross margins	$	14	$	(55)
Other operation and maintenance		11		23
Depreciation		(5)		(10)
Interest expense		(6)		(18)
Other		(3)		(2)
Income taxes		(5)		17
U.S.				
Interest expense and other		(3)		(2)
Income taxes		4		4
Foreign currency exchange, after-tax		(9)		(30)
Earnings from Ongoing Operations		(2)		(73)
Special items, after-tax		157		142
Net Income	$	155	$	69

U.K.

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

- Lower other operation and maintenance for the three month period primarily due to $21 million from lower pension expense, partially offset by $8 million from higher network maintenance expense.
- Lower other operation and maintenance for the six month period primarily due to $43 million from lower pension expense, partially offset by $15 million from higher network maintenance expense.

Kentucky Regulated Segment

The Kentucky Regulated segment consists primarily of LKE's regulated electricity generation, transmission and distribution operations of LG&E and KU, as well as LG&E's regulated distribution and sale of natural gas. In addition, certain financing costs are allocated to the Kentucky Regulated segment. The Kentucky Regulated segment represents 20% of PPL's Net Income for the six months ended June 30, 2016 and 35% of PPL's assets at June 30, 2016.

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

	Three Months			Six Months		
	2016	2015	$ Change	2016	2015	$ Change
Operating revenues	$ 721	$ 714	$ 7	$ 1,547	$ 1,613	$ (66)
ıel	182	214	(32)	380	467	(87)
Energy purchases	28	28	—	94	120	(26)
Other operation and maintenance	204	214	(10)	406	423	(17)
Depreciation	100	94	6	199	189	10
Taxes, other than income	15	15	—	30	29	1
Total operating expenses	529	565	(36)	1,109	1,228	(119)
Other Income (Expense) - net	(5)	(5)	—	(6)	(6)	—
Interest Expense	64	56	8	129	111	18
Income Taxes	47	41	6	115	112	3
Net Income	76	47	29	188	156	32
Less: Special Items	—	(12)	12	—	(12)	12
Earnings from Ongoing Operations	$ 76	$ 59	$ 17	$ 188	$ 168	$ 20

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

	Income Statement Line Item	Three Months 2016	Three Months 2015	Six Months 2016	Six Months 2015
Certain valuation allowances, net of tax of $0, $0, $0, $0 (a)	Income Taxes	$ —	$ (8)	$ —	$ (8)
LKE acquisition-related adjustment, net of tax of $0, $0, $0, $0 (b)	Other Income (Expense)-net	—	(4)	—	(4)
Total special items		$ —	$ (12)	$ —	$ (12)

(a) Recorded at LKE and represents a valuation allowance against tax credits expiring in 2016 and 2017 that are more likely than not to expire before being utilized.

(b) Recorded at PPL and allocated to the Kentucky Regulated segment. The amount represents a settlement between E.ON AG (a German corporation and the indirect parent of E.ON US Investments Corp., the former parent of LKE) and PPL for a tax matter.

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

	Three Months	Six Months
Kentucky Gross Margins	$ 33	$ 37
Other operation and maintenance	12	17
Depreciation	(2)	—
Taxes, other than income	—	(1)
Other income (expense) - net	(4)	(4)
Interest Expense	(8)	(18)
Income Taxes	(14)	(11)
Special items, after-tax	12	12
Net Income	$ 29	$ 32

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

- Lower other operation and maintenance for the three and six month periods primarily due to lower coal plant operations and maintenance expense as a result of units retired in 2015 at the Cane Run plant.

- Higher interest expense for the three and six month periods primarily due to the September 2015 issuance of $550 million of incremental First Mortgage Bonds by LG&E and KU, higher interest rates on the September 2015 issuance of $500 million of First Mortgage Bonds by LG&E and KU used to retire the same amount of First Mortgage Bonds in November 2015 and $400 million of notes refinanced by LKE in November 2015.

- Higher income taxes for the three and six month periods primarily due to higher pre-tax income.

Pennsylvania Regulated Segment

The Pennsylvania Regulated segment includes the regulated electricity transmission and distribution operations of PPL Electric. In addition, certain costs are allocated to the Pennsylvania Regulated segment. The Pennsylvania Regulated segment represents 18% of PPL's Net Income for the six months ended June 30, 2016 and 22% of PPL's assets at June 30, 2016.

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

	Three Months			Six Months		
	2016	2015	$ Change	2016	2015	$ Change
Operating revenues	$ 495	$ 476	$ 19	$ 1,080	$ 1,106	$ (26)
Energy purchases						
External	118	138	(20)	285	365	(80)
Intersegment	—	5	(5)	—	14	(14)
Other operation and maintenance	138	140	(2)	288	273	15
Depreciation	62	52	10	121	103	18
Taxes, other than income	24	25	(1)	53	60	(7)
Total operating expenses	342	360	(18)	747	815	(68)
Other Income (Expense) - net	5	2	3	8	4	4
Interest Expense	32	33	(1)	65	64	1
Income Taxes	48	36	12	104	95	9
Net Income	78	49	29	172	136	36
Less: Special Items (a)	—	—	—	—	—	—
Earnings from Ongoing Operations	$ 78	$ 49	$ 29	$ 172	$ 136	$ 36

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

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

	Three Months	Six Months
Pennsylvania Gross Delivery Margins	$ 44	$ 74
Other operation and maintenance	3	(15)
Depreciation	(10)	(18)
Taxes, other than income	—	1
Other Income (Expense) - net	3	4
Interest Expense	1	(1)
Income Taxes	(12)	(9)
et Income	$ 29	$ 36

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

- Higher other operation and maintenance expense for the six month period primarily due to $9 million of higher corporate service costs allocated to PPL Electric, $6 million of higher vegetation management expenses, $5 million of higher costs for additional work done by outside vendors and $4 million of higher non-recoverable storm costs, partially offset by $12 million of lower payroll related costs.

- Higher depreciation expense for the three and six month periods primarily due to transmission and distribution additions placed into service related to the ongoing efforts to improve reliability and replace aging infrastructure, net of retirements.

- Higher income taxes for the three and six month periods primarily due to higher pre-tax income, partially offset by tax benefits related to the application of new stock based compensation accounting guidance.

Reconciliation of Earnings from Ongoing Operations

The following tables contain after-tax gains (losses), in total, which management considers special items, that are excluded from Earnings from Ongoing Operations and a reconciliation to PPL's "Net Income (Loss)" for the periods ended June 30.

	2016 Three Months					
	U.K. Regulated	KY Regulated	PA Regulated	Corporate and Other	Discontinued Operations	Total
Net Income (Loss)	$ 345	$ 76	$ 78	$ (16)	$ —	$ 483
Less: Special Items (expense) benefit:						
Foreign currency-related economic hedges, net of tax of ($56)	104	—	—	—	—	104
Spinoff of the Supply segment, net of tax of $0	—	—	—	(1)	—	(1)
Total Special Items	104	—	—	(1)	—	103
Earnings from Ongoing Operations	$ 241	$ 76	$ 78	$ (15)	$ —	$ 380

	2015 Three Months					
	U.K. Regulated	KY Regulated	PA Regulated	Corporate and Other	Discontinued Operations	Total
Net Income (Loss)	$ 190	$ 47	$ 49	$ (36)	$ (1,007)	$ (757)
Less: Special Items (expense) benefit:						
Foreign currency-related economic hedges, net of tax of $38	(71)	—	—	—	—	(71)
Spinoff of the Supply segment:						
Discontinued operations, net of tax of $91	—	—	—	—	(1,007)	(1,007)
Transition and transaction costs, net of tax of ($3)	—	—	—	(12)	—	(12)
Employee transitional services, net of tax of $1	—	—	—	(1)	—	(1)
Separation benefits, net of tax of $1	—	—	—	(1)	—	(1)
Other:						
Settlement of certain income tax positions	18	—	—	—	—	18
Certain valuation allowances, net of tax of $0	—	(8)	—	—	—	(8)
LKE acquisition-related adjustment, net of tax of $0	—	(4)	—	—	—	(4)
Total Special Items	(53)	(12)	—	(14)	(1,007)	(1,086)
Earnings from Ongoing Operations	$ 243	$ 59	$ 49	$ (22)	$ —	$ 329

	2016 Six Months					
	U.K. Regulated	KY Regulated	PA Regulated	Corporate and Other	Discontinued Operations	Total
Net Income (Loss)	$ 634	$ 188	$ 172	$ (30)	$ —	$ 964
Less: Special Items (expense) benefit:						
Foreign currency-related economic hedges, net of tax of ($69)	128	—	—	—	—	128
Spinoff of the Supply segment, net of tax of $1	—	—	—	(2)	—	(2)
Total Special Items	128	—	—	(2)	—	126
Earnings from Ongoing Operations	$ 506	$ 188	$ 172	$ (28)	$ —	$ 838

	2015 Six Months					
	U.K. Regulated	KY Regulated	PA Regulated	Corporate and Other	Discontinued Operations	Total
Net Income (Loss)	$ 565	$ 156	$ 136	$ (55)	$ (912)	$ (110)
Less: Special Items (expense) benefit:						
Foreign currency-related economic hedges, net of tax of $18	(34)	—	—	—	—	(34)
Spinoff of the Supply segment:						
Discontinued operations, net of tax of $40	—	—	—	—	(912)	(912)
Transition and transaction costs, net of tax of ($1)	—	—	—	(15)	—	(15)
Employee transitional services, net of tax of $2	—	—	—	(3)	—	(3)
Separation benefits, net of tax of $1	—	—	—	(2)	—	(2)
Other:						
WPD Midlands acquisition-related adjustment, net of tax of ($1)	2	—	—	—	—	2
Settlement of certain income tax positions	18	—	—	—	—	18
Certain valuation allowances, net of tax of $0	—	(8)	—	—	—	(8)
LKE acquisition-related adjustment, net of tax of $0	—	(4)	—	—	—	(4)
Total Special Items	(14)	(12)	—	(20)	(912)	(958)
Earnings from Ongoing Operations	$ 579	$ 168	$ 136	$ (35)	$ —	$ 848

Margins

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

- "U.K. Gross Margins" is a single financial performance measure of the electricity distribution operations of the U.K. Regulated segment. In calculating this measure, direct costs such as connection charges from National Grid, which owns and manages the electricity transmission network in England and Wales, and Ofgem license fees (recorded in "Other operation and maintenance" on the Statements of Income) are deducted from operating revenues, as they are costs passed through to customers. As a result, this measure represents the net revenues from the delivery of electricity across WPD's distribution network in the U.K. and directly related activities.

- "Kentucky Gross Margins" is a single financial performance measure of the electricity generation, transmission and distribution operations of the Kentucky Regulated segment, LKE, LG&E and KU, as well as the Kentucky Regulated segment's, LKE's and LG&E's distribution and sale of natural gas. In calculating this measure, fuel, energy purchases and certain variable costs of production (recorded in "Other operation and maintenance" on the Statements of Income) are deducted from revenues. In addition, certain other expenses, recorded in "Other operation and maintenance", "Depreciation" and "Taxes, other than income" on the Statements of Income, associated with approved cost recovery mechanisms are offset against the recovery of those expenses, which are included in revenues. These mechanisms allow for direct recovery of these expenses and, in some cases, returns on capital investments and performance incentives. As a result, this measure represents the net revenues from electricity and gas operations.

- "Pennsylvania Gross Delivery Margins" is a single financial performance measure of the electricity transmission and distribution delivery operations of the Pennsylvania Regulated segment and PPL Electric. In calculating this measure, utility revenues and expenses associated with approved recovery mechanisms, including energy provided as a PLR, are offset with minimal impact on earnings. Costs associated with these mechanisms are recorded in "Energy purchases," "Other operation and maintenance," (which are primarily Act 129 and Universal Service program costs), and "Taxes, other than income," which is primarily gross receipts tax. This performance measure includes PLR energy purchases by PPL Electric from PPL EnergyPlus, which are reflected in "Energy purchases from affiliate" in the reconciliation tables. As a result of the June 2015 spinoff of PPL Energy Supply and the formation of Talen Energy, PPL EnergyPlus (renamed Talen Energy Marketing) is no longer an affiliate of PPL Electric. PPL Electric's purchases from Talen Energy Marketing subsequent to May 31, 2015 are reflected in "Energy Purchases" in the reconciliation tables. This measure represents the net revenues from the Pennsylvania Regulated segment's and PPL Electric's electricity delivery operations.

These measures are not intended to replace "Operating Income," which is determined in accordance with GAAP, as an indicator of overall operating performance. Other companies may use different measures to analyze and report their results of operations.

Management believes these measures provide additional useful criteria to make investment decisions. These performance measures are used, in conjunction with other information, by senior management and PPL's Board of Directors to manage operations and alyze actual results compared with budget.

Changes in Margins

The following table shows Margins by PPL's reportable segment and by component, as applicable, for the periods ended June 30 as well as the change between periods. The factors that gave rise to the changes are described following the table.

	Three Months			Six Months		
	2016	2015	$ Change	2016	2015	$ Change
U.K.						
U.K. Gross Margins	$ 534	$ 547	$ (13)	$ 1,090	$ 1,204	$ (114)
Impact of changes in foreign currency exchange rates			(27)			(59)
hange in U.K. Gross Margins excluding ıpact of foreign currency exchange rates			$ 14			$ (55)
Kentucky Regulated						
Kentucky Gross Margins						
LG&E	$ 209	$ 206	$ 3	$ 437	$ 436	$ 1
KU	262	232	30	559	523	36
LKE	$ 471	$ 438	$ 33	$ 996	$ 959	$ 37
Pennsylvania Regulated						
Pennsylvania Gross Delivery Margins						
Distribution	$ 216	$ 193	$ 23	$ 474	$ 435	$ 39
Transmission	111	90	21	218	183	35
Total	$ 327	$ 283	$ 44	$ 692	$ 618	$ 74

U.K. Gross Margins

.K. Gross Margins, excluding the impact of changes in foreign currency exchange rates, increased for the three months ended June 30, 2016 compared with 2015 primarily due to $38 million from the April 1, 2016 price increase, which includes $10 million of the recovery of prior customer rebates, partially offset by $20 million from the impact of the April 1, 2015 price decrease resulting from the commencement of RIIO-ED1.

U.K. Gross Margins, excluding the impact of changes in foreign currency exchange rates, decreased for the six months ended June 30, 2016 compared with 2015 primarily due to $89 million from the April 1, 2015 price decrease resulting from the commencement of RIIO-ED1 and lower volumes of $21 million primarily due to milder weather, partially offset by $38 million from the April 1, 2016 price increase, which includes $10 million of the recovery of prior customer rebates, and $21 million of other revenue adjustments in 2016.

Kentucky Gross Margins

Kentucky Gross Margins increased for the three months ended June 30, 2016 compared with 2015 primarily due to higher base rates of $32 million ($1 million at LG&E and $31 million at KU) and returns on additional environmental capital investments of $6 million ($5 million at LG&E and $1 million at KU).

Kentucky Gross Margins increased for the six months ended June 30, 2016 compared with 2015 primarily due to higher base rates of $68 million ($4 million at LG&E and $64 million at KU) and returns on additional environmental capital investments of $10 million at LG&E. The increase in base rates was the result of new rates approved by the KPSC effective July 1, 2015. These increases were partially offset by lower sales volumes of $28 million ($9 million at LG&E and $19 million at KU) primarily driven by milder weather.

Pennsylvania Gross Delivery Margins

Distribution

Distribution margins increased for the three months ended June 30, 2016 compared with 2015 primarily due to $24 million of higher base rates, effective January 1, 2016 as a result of the 2015 rate case.

Distribution margins increased for the six months ended June 30, 2016 compared with 2015 primarily due to $63 million of higher base rates, effective January 1, 2016, partially offset by a $25 million unfavorable impact of milder weather.

Transmission

Transmission margins increased for the three and six month periods ended June 30, 2016 compared with 2015 primarily due to returns on additional capital investments focused on replacing aging infrastructure and improving reliability.

Reconciliation of Margins

The following table contains the components from the Statement of Income that are included in the non-GAAP financial measures and a reconciliation to PPL's "Operating Income" for the periods ended June 30.

	2016 Three Months					2015 Three Months				
	U.K. Gross Margins	Kentucky Gross Margins	PA Gross Delivery Margins	Other (a)	Operating Income (b)	U.K. Gross Margins	Kentucky Gross Margins	PA Gross Delivery Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 553 (c)	$ 721	$ 495	$ 16	$ 1,785	$ 575 (c)	$ 714	$ 476	$ 16	$ 1,781

Operating Expenses										
Fuel	—	182	—	1	183	—	214	—	—	214
Energy purchases	—	28	118	1	147	—	28	138	4	170
Energy purchases from affiliate	—	—	—	—	—	—	—	5	(5)	—
Other operation and maintenance	19	26	28	352	425	28	24	27	388	467
Depreciation	—	13	—	218	231	—	9	—	207	216
Taxes, other than income	—	1	22	51	74	—	1	23	52	76
Total Operating Expenses	19	250	168	623	1,060	28	276	193	646	1,143
otal	$ 534	$ 471	$ 327	$ (607)	$ 725	$ 547	$ 438	$ 283	$ (630)	$ 638

	2016 Six Months					2015 Six Months				
	U.K. Gross Margins	Kentucky Gross Margins	PA Gross Delivery Margins	Other (a)	Operating Income (b)	U.K. Gross Margins	Kentucky Gross Margins	PA Gross Delivery Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 1,137 (c)	$ 1,547	$ 1,080	$ 32	$ 3,796	$ 1,261 (c)	$ 1,613	$ 1,106	$ 31	$ 4,011
Operating Expenses										
Fuel	—	380	—	—	380	—	467	—	—	467
Energy purchases	—	94	285	1	380	—	120	365	14	499
Energy purchases from affiliate	—	—	—	—	—	—	—	14	(14)	—
Other operation and maintenance	47	49	53	726	875	57	49	53	764	923
Depreciation	—	26	—	434	460	—	16	—	416	432
Taxes, other than income	—	2	50	101	153	—	2	56	104	162
Total Opera	47	551	388	1,262	2,248	57	654	488	1,284	2,483

ti ng E xp en se s										
Total	$ 1,090	$ 996	$ 692	$ (1,230)	$ 1,548	$ 1,204	$ 959	$ 618	$ (1,253)	$ 1,528

(a) Represents amounts excluded from Margins.

(b) As reported on the Statements of Income.

(c) Excludes ancillary revenues of $10 million and $21 million for the three and six months ended June 30, 2016 and $12 million and $23 million for the three and six months ended June 30, 2015.

2016 Outlook

(PPL)

Higher reported earnings are expected in 2016 compared with 2015, primarily attributable to the results of the 2015 spinoff of the Supply segment. Higher earnings from ongoing operations are expected in 2016 compared with 2015, primarily attributable to increases in the Pennsylvania Regulated and Kentucky Regulated segments. The following projections and factors underlying these projections are provided for PPL's segments and the Corporate and Other category and the related Registrants.

(PPL's U.K. Regulated Segment)

Lower reported earnings are expected in 2016 compared with 2015, primarily driven by tax gains recorded in 2015. Slightly lower earnings from ongoing operations are projected in 2016 compared with 2015. This is due to higher interest expense, depreciation, the unfavorable impact of lower GBP exchange rates and income taxes, partially offset by higher revenues and lower operation and maintenance expense, including pension expense.

(PPL's Kentucky Regulated Segment and LKE, LG&E and KU)

Higher reported earnings and earnings from ongoing operations are projected in 2016 compared with 2015, primarily driven by electric and gas base rate increases effective July 1, 2015, higher returns on additional environmental capital investments, and lower operation and maintenance expense, partially offset by higher depreciation and higher interest expense.

(PPL's Pennsylvania Regulated Segment and PPL Electric)

Higher reported earnings and earnings from ongoing operations are projected in 2016 compared with 2015, primarily driven by higher base electricity rates for distribution effective January 1, 2016, and higher transmission earnings, partially offset by higher depreciation and a benefit received in 2015 from the release of a gross receipts tax reserve.

(PPL's Corporate and Other Category)

Relatively flat costs are projected in 2016 compared with 2015.

(All Registrants)

Earnings in future periods are subject to various risks and uncertainties. See "Forward-Looking Information," the rest of this Item 2, Notes 6 and 10 to the Financial Statements and "Item 1A. Risk Factors" in this Form 10-Q (as applicable) and "Item 1. Business" and "Item 1A. Risk Factors" in the Registrants' 2015 Form 10-K for a discussion of the risks, uncertainties and factors that may impact future earnings.

PPL Electric: Statement of Income Analysis, Earnings and Margins

Statement of Income Analysis

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

	Three Months			Six Months		
	2016	2015	$ Change	2016	2015	$ Change
Operating Revenues	$ 495	$ 476	$ 19	$ 1,080	$ 1,106	$ (26)
Operating Expenses						
Operation						
Energy purchases	118	138	(20)	285	365	(80)
Energy purchases from affiliate	—	5	(5)	—	14	(14)
Other operation and maintenance	137	140	(3)	287	273	14
Depreciation	62	52	10	121	103	18
Taxes, other than income	24	25	(1)	53	60	(7)
Total Operating Expenses	341	360	(19)	746	815	(69)
Other Income (Expense) - net	5	2	3	8	4	4
Interest Expense	32	33	(1)	65	64	1
Income Taxes	48	36	12	104	95	9
Net Income	$ 79	$ 49	$ 30	$ 173	$ 136	$ 37

Operating Revenues

The increase (decrease) in operating revenues for the periods ended June 30, 2016 compared with 2015 was due to:

	Three Months	Six Months
Distribution volume	$ —	$ (34)
Distribution price (a)	24	74

PLR (b)	(27)	(104)
Transmission Formula Rate	20	35
ther	2	3
Total	$ 19	$ (26)

(a) Distribution rate case effective January 1, 2016, resulted in increases of $33 million and $80 million for the three and six months ended June 30, 2016.

(b) Decreases due to lower recoveries of energy purchases as described below.

Energy Purchases

Energy purchases decreased by $20 million for the three months ended June 30, 2016 compared with 2015, primarily due to lower PLR prices in 2016.

Energy purchases decreased by $80 million for the six months ended June 30, 2016 compared with 2015 due to lower PLR prices of $51 million, lower PLR volumes of $26 million and lower capacity volumes of $3 million.

Energy Purchases from Affiliate

Energy purchases from affiliate decreased by $5 million and $14 million for the three and six months ended June 30, 2016 compared with 2015 as a result of the June 1, 2015 PPL Energy Supply spinoff.

Other Operation and Maintenance

he increase (decrease) in other operation and maintenance for the periods ended June 30, 2016 compared with 2015 was due to:

	Three Months	Six Months
Corporate service costs	$ —	$ 9
Contractor-related expenses	1	6
Vegetation management	3	6
Storm costs	3	6
Payroll-related costs	(9)	(12)
Act 129	(3)	(7)
Universal service programs	2	3
Other	—	3
Total	$ (3)	$ 14

Depreciation

Depreciation increased by $10 million and $18 million for the three and six months ended June 30, 2016 compared with 2015, primarily due to additional assets placed into service, related to the ongoing efforts to ensure the reliability of the delivery system and the replacement of aging infrastructure, net of retirements.

axes, Other Than Income

Taxes, other than income decreased by $7 million for the six months ended June 30, 2016 compared with 2015, primarily due to lower Pennsylvania gross receipts tax expense as a result of a decrease in retail electric revenues. This tax is included in "Pennsylvania Gross Delivery Margins."

Income Taxes

The increase (decrease) in income taxes for the periods ended June 30, 2016 compared with 2015 was due to:

	Three Months	Six Months
Change in pre-tax income at current period tax rates	$ 18	$ 20
Stock-based compensation (a)	(2)	(7)
Federal and state tax reserve adjustments	(4)	(4)
Total	$ 12	$ 9

(a) During the three and six months ended June 30, 2016, PPL Electric recorded lower income tax expense related to the application of new stock-based compensation accounting guidance. See Note 2 to the Financial Statements for additional information.

See Note 5to the Financial Statements for additional information.

:arnings

	Three Months Ended	Six Months Ended
	June 30,	June 30,

	2016	2015	2016	2015
Net Income	$ 79	$ 49	$ 173	$ 136
ɔecial item, gains (losses), after-tax (a)	—	—	—	—

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

Earnings increased for the three month period in 2016 compared with 2015 primarily due to higher base electricity rates for distribution effective January 1, 2016, and higher transmission margins from additional capital investments.

Earnings increased for the six month period in 2016 compared with 2015 primarily due to higher base electricity rates for distribution effective January 1, 2016, and higher transmission margins, partially offset by the unfavorable impact of milder weather, higher other operation and maintenance and higher depreciation.

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

	Three Months	Six Months
Pennsylvania Gross Delivery Margins	$ 44	$ 74
Other operation and maintenance	4	(14)
Depreciation	(10)	(18)
Taxes, other than income	—	1
Other Income (Expense) - net	3	4
Interest Expense	1	(1)
Income Taxes	(12)	(9)
Net Income	$ 30	$ 37

Margins

"Pennsylvania Gross Delivery Margins" is a non-GAAP financial performance measure that management utilizes as an indicator of the performance of its business. See PPL's "Results of Operations - Margins" for information on why management believes this measure is useful and for explanations of the underlying drivers of the changes between periods.

The following tables contain the components from the Statements of Income that are included in this non-GAAP financial measure and a reconciliation to "Operating Income" for the periods ended June 30.

	2016 Three Months			2015 Three Months		
	PA Gross Delivery Margins	Other (a)	Operating Income (b)	PA Gross Delivery Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 495	$ —	$ 495	$ 476	$ —	$ 476
Operating Expenses						
Energy purchases	118	—	118	138	—	138
Energy purchases from affiliate	—	—	—	5	—	5
Other operation and maintenance	28	109	137	27	113	140
Depreciation	—	62	62	—	52	52
Taxes, other than income	22	2	24	23	2	25
Total Operating Expenses	168	173	341	193	167	360
Total	$ 327	$ (173)	$ 154	$ 283	$ (167)	$ 116

	2016 Six Months			2015 Six Months		
	PA Gross Delivery Margins	Other (a)	Operating Income (b)	PA Gross Delivery Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 1,080	$ —	$ 1,080	$ 1,106	$ —	$ 1,106
Operating Expenses						
Energy purchases	285	—	285	365	—	365
Energy purchases from affiliate	—	—	—	14	—	14
Other operation and maintenance	53	234	287	53	220	273
Depreciation	—	121	121	—	103	103
Taxes, other than income	50	3	53	56	4	60
Total Operating Expenses	388	358	746	488	327	815
Total	$ 692	$ (358)	$ 334	$ 618	$ (327)	$ 291

(a) Represents amounts excluded from Margins.

(b) As reported on the Statements of Income.

LKE: Statement of Income Analysis, Earnings and Margins

Statement of Income Analysis

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

	Three Months			Six Months		
	2016	2015	$ Change	2016	2015	$ Change
Operating Revenues	$ 721	$ 714	$ 7	$ 1,547	$ 1,613	$ (66)
Operating Expenses						
Operation						
Fuel	182	214	(32)	380	467	(87)
Energy purchases	28	28	—	94	120	(26)
Other operation and maintenance	204	214	(10)	406	423	(17)
Depreciation	100	94	6	199	189	10
Taxes, other than income	15	15	—	30	29	1
Total Operating Expenses	529	565	(36)	1,109	1,228	(119)
Other Income (Expense) - net	(5)	(1)	(4)	(6)	(2)	(4)
Interest Expense	48	42	6	97	84	13
Interest Expense with Affiliate	4	1	3	8	1	7
Income Taxes	51	45	6	123	121	2
Net Income	$ 84	$ 60	$ 24	$ 204	$ 177	$ 27

Operating Revenues

The increase (decrease) in operating revenues for the periods ended June 30, 2016 compared with 2015 was due to:

	Three Months	Six Months
Base rates	$ 32	$ 68
Volumes	(4)	(70)
Fuel and other energy prices (a)	(28)	(74)
ECR	11	22
Other	(4)	(12)
Total	$ 7	$ (66)

(a) Decreases due to lower recoveries of fuel and energy purchases due to lower commodity costs as described below.

Fuel

uel decreased $32 million for the three months ended June 30, 2016 compared with 2015, primarily due to a $28 million decrease in commodity costs.

Fuel decreased $87 million for the six months ended June 30, 2016 compared with 2015, due to a $61 million decrease in commodity costs and a $26 million decrease in volumes primarily due to milder weather in the first quarter of 2016.

Energy Purchases

Energy purchases decreased $26 million for the six months ended June 30, 2016 compared with 2015 due to $13 million of lower natural gas prices and a $13 million decrease in natural gas volumes resulting from milder weather during the first quarter of 2016.

Other Operation and Maintenance

The increase (decrease) in other operation and maintenance for the periods ended June 30, 2016 compared with 2015 was due to:

	Three Months	Six Months
Coal plant operations and maintenance (a)	$ (13)	$ (22)
Other	3	5
Total	$ (10)	$ (17)

(a) Represents the reduction of costs associated with the 2015 retirement of Cane Run units partially offset by Cane Run 7 operations.

epreciation

Depreciation increased $6 million and $10 million for the three and six months ended June 30, 2016 compared with 2015 primarily due to additions to PP&E, net of retirements.

Interest Expense

Interest expense increased $9 million and $20 million for the three and six months ended June 30, 2016 compared with 2015 primarily due to the September 2015 issuance of $550 million of incremental First Mortgage Bonds by LG&E and KU, higher interest rates on the September 2015 issuance of $500 million of First Mortgage Bonds by LG&E and KU used to retire the same amount of First Mortgage Bonds in November 2015 and $400 million of notes refinanced in November 2015.

Income Taxes

Income taxes increased $6 million for the three months ended June 30, 2016 compared with 2015 primarily due to higher pre-tax income at current period tax rates of $11 million, partially offset by the establishment of a valuation allowance in 2015 on a deferred tax asset of $5 million.

Earnings

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
et Income	$ 84	$ 60	$ 204	$ 177
Special items, gains (losses), after-tax	—	(8)	—	(8)

Excluding special items, earnings increased for the three month period in 2016 compared with 2015 primarily due to higher base electricity rates effective July 1, 2015 and lower other operation and maintenance, partially offset by higher interest expense.

Excluding special items, earnings increased for the six month period in 2016 compared with 2015 primarily due to higher base ectricity rates effective July 1, 2015 and lower other operation and maintenance, partially offset by higher interest expense and lower les volumes primarily due to milder weather in the first quarter of 2016.

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

	Three Months	Six Months
Margin	$ 33	$ 37
Other operation and maintenance	12	17
Depreciation	(2)	—
Taxes, other than income	—	(1)
Other income (expense) - net	(4)	(4)
Interest expense	(9)	(20)
Income taxes	(14)	(10)
Special items, gains (losses), after-tax (a)	8	8
Net income	$ 24	$ 27

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

largins

"Margins" is a non-GAAP financial performance measure that management utilizes as an indicator of the performance of its business. See PPL's "Results of Operations - Margins" for an explanation of why management believes this measure is useful and the factors underlying changes between periods. Within PPL's discussion, LKE's Margins are referred to as "Kentucky Gross Margins."

The following tables contain the components from the Statements of Income that are included in this non-GAAP financial measure and a reconciliation to "Operating Income" for the periods ended June 30.

	2016 Three Months			2015 Three Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 721	$ —	$ 721	$ 714	$ —	$ 714
Operating Expenses						
Fuel	182	—	182	214	—	214
Energy purchases	28	—	28	28	—	28
Other operation and maintenance	26	178	204	24	190	214
Depreciation	13	87	100	9	85	94
Taxes, other than income	1	14	15	1	14	15
Total Operating Expenses	250	279	529	276	289	565
Total	$ 471	$ (279)	$ 192	$ 438	$ (289)	$ 149

	2016 Six Months			2015 Six Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 1,547	$ —	$ 1,547	$ 1,613	$ —	$ 1,613
Operating Expenses						
Fuel	380	—	380	467	—	467
Energy purchases	94	—	94	120	—	120
Other operation and maintenance	49	357	406	49	374	423
Depreciation	26	173	199	16	173	189
Taxes, other than income	2	28	30	2	27	29
Total Operating Expenses	551	558	1,109	654	574	1,228
Total	$ 996	$ (558)	$ 438	$ 959	$ (574)	$ 385

(a) Represents amounts excluded from Margins.

(b) As reported on the Statements of Income.

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

tatement of Income Analysis

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

	Three Months			Six Months		
	2016	2015	$ Change	2016	2015	$ Change
Operating Revenues						
Retail and wholesale	$ 317	$ 323	$ (6)	$ 692	$ 740	$ (48)
Electric revenue from affiliate	6	8	(2)	17	30	(13)
Total Operating Revenues	323	331	(8)	709	770	(61)
Operating Expenses						
Operation						
Fuel	69	82	(13)	147	185	(38)
Energy purchases	23	23	—	85	111	(26)
Energy purchases from affiliate	3	5	(2)	5	8	(3)
Other operation and maintenance	92	103	(11)	179	199	(20)
Depreciation	42	40	2	83	82	1
Taxes, other than income	7	7	—	15	14	1
Total Operating Expenses	236	260	(24)	514	599	(85)
Other Income (Expense) - net	(5)	(1)	(4)	(5)	(2)	(3)
Interest Expense	18	13	5	35	26	9

Income Taxes	24	22	2	59	55	4
Net Income	$ 40	$ 35	$ 5	$ 96	$ 88	$ 8

Operating Revenues

he increase (decrease) in operating revenues for the periods ended June 30, 2016 compared with 2015 was due to:

	Three Months		Six Months	
Base rates	$	1	$	4
Volumes		(1)		(34)
Fuel and other energy prices (a)		(13)		(44)
ECR		7		16
Other		(2)		(3)
Total	$	(8)	$	(61)

(a) Decreases due to lower recoveries of fuel and energy purchases due to lower commodity costs as described below.

Fuel

Fuel decreased $13 million for the three months ended June 30, 2016 compared with 2015, primarily due to a $9 million decrease in commodity costs.

Fuel decreased $38 million for the six months ended June 30, 2016 compared with 2015, due to a $17 million decrease in commodity costs and a $21 million decrease in volumes primarily due to milder weather in the first quarter of 2016.

Energy purchases

nergy purchases decreased $26 million for the six months ended June 30, 2016 compared with 2015 due to $13 million of lower ıtural gas prices and a $13 million decrease in natural gas volumes resulting from milder weather during the first quarter of 2016.

Other Operation and Maintenance

The increase (decrease) in other operation and maintenance for the periods ended June 30, 2016 compared with 2015 was due to:

	Three Months		Six Months	
Coal plant operations and maintenance (a)	$	(12)	$	(21)
Other		1		1
Total	$	(11)	$	(20)

(a) Represents the reduction of costs associated with the 2015 retirement of Cane Run units partially offset by Cane Run 7 operations.

Interest Expense

Interest expense increased $5 million and $9 million for the three and six months ended June 30, 2016 compared with 2015 primarily due to the September 2015 issuance of $300 million of incremental First Mortgage Bonds and higher interest rates on the September 2015 issuance of $250 million of First Mortgage Bonds used to retire the same amount of First Mortgage Bonds in November 2015.

Earnings

	Three Months Ended June 30,				Six Months Ended June 30,			
	2016		2015		2016		2015	
Net Income	$	40	$	35	$	96	$	88
Special items, gains (losses), after-tax (a)		—		—		—		—

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

Earnings increased for the three month period in 2016 compared with 2015 primarily due to higher returns on additional environmental capital investments and lower other operation and maintenance, partially offset by higher interest expense.

arnings increased for the six month period in 2016 compared with 2015 primarily due to higher returns on additional environmental capital investments and lower other operation and maintenance, partially offset by higher interest expense and lower sales volumes primarily due to milder weather in the first quarter of 2016.

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

	Three Months	Six Months
Margin	$ 3	$ 1
Other operation and maintenance	12	18
Depreciation	1	5
Other income (expense) - net	(4)	(3)
Interest expense	(5)	(9)
Income taxes	(2)	(4)
Net income	$ 5	$ 8

Margins

"Margins" is a non-GAAP financial performance measure that management utilizes as an indicator of the performance of its business. ee PPL's "Results of Operations - Margins" for an explanation of why management believes this measure is useful and the factors nderlying changes between periods. Within PPL's discussion, LG&E's Margins are included in "Kentucky Gross Margins."

The following tables contain the components from the Statements of Income that are included in this non-GAAP financial measure and a reconciliation to "Operating Income" for the periods ended June 30.

	2016 Three Months			2015 Three Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 323	$ —	$ 323	$ 331	$ —	$ 331
Operating Expenses						
Fuel	69	—	69	82	—	82
Energy purchases, including affiliate	26	—	26	28	—	28
Other operation and maintenance	11	81	92	10	93	103
Depreciation	7	35	42	4	36	40
Taxes, other than income	1	6	7	1	6	7
Total Operating Expenses	114	122	236	125	135	260
Total	$ 209	$ (122)	$ 87	$ 206	$ (135)	$ 71

	2016 Six Months			2015 Six Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)

Operating Revenues	$ 709	$ —	$ 709	$ 770	$ —	$ 770
Operating Expenses						
Fuel	147	—	147	185	—	185
Energy purchases, including affiliate	90	—	90	119	—	119
Other operation and maintenance	20	159	179	22	177	199
Depreciation	13	70	83	7	75	82
Taxes, other than income	2	13	15	1	13	14
Total Operating Expenses	272	242	514	334	265	599
Total	$ 437	$ (242)	$ 195	$ 436	$ (265)	$ 171

Table of Contents

) Represents amounts excluded from Margins.

(b) As reported on the Statements of Income.

KU: Statement of Income Analysis, Earnings and Margins

Statement of Income Analysis

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

	Three Months			Six Months		
	2016	2015	$ Change	2016	2015	$ Change
Operating Revenues						
Retail and wholesale	$ 404	$ 391	$ 13	$ 855	$ 873	$ (18)
Electric revenue from affiliate	3	5	(2)	5	8	(3)
Total Operating Revenues	407	396	11	860	881	(21)
Operating Expenses						
Operation						
Fuel	113	132	(19)	233	282	(49)
Energy purchases	5	5	—	9	9	—
Energy purchases from affiliate	6	8	(2)	17	30	(13)
Other operation and maintenance	107	109	(2)	213	213	—
Depreciation	58	54	4	116	107	9
Taxes, other than income	8	8	—	15	15	—
Total Operating Expenses	297	316	(19)	603	656	(53)
Other Income (Expense) - net	1	2	(1)	(1)	1	(2)
Interest Expense	23	19	4	47	38	9
Income Taxes	34	24	10	80	71	9
Net Income	$ 54	$ 39	$ 15	$ 129	$ 117	$ 12

Operating Revenue

The increase (decrease) in operating revenue for the periods ended June 30, 2016 compared with 2015 was due to:

	Three Months	Six Months
Base rates	$ 31	$ 64
Volumes	(4)	(40)
Fuel and other energy prices (a)	(19)	(42)
ECR	3	6
Other	—	(9)

Total	$ 11	$ (21)

(a) Decreases due to lower recoveries of fuel and energy purchases due to lower commodity costs as described below.

Fuel

Fuel decreased $19 million for the three months ended June 30, 2016 compared with 2015, due to lower costs of commodities.

Fuel decreased $49 million for the six months ended June 30, 2016 compared with 2015, due to a $44 million decrease in commodity costs and a $5 million decrease in volumes primarily due to milder weather in the first quarter of 2016.

Energy Purchases from affiliate

nergy purchases from affiliate decreased $13 million for the six months ended June 30, 2016 compared with 2015, due to increased generation as a result of Cane Run Unit 7 being placed in-service during 2015.

Depreciation

Depreciation increased $4 million and $9 million for the three and six months ended June 30, 2016 compared with 2015 primarily due to additional assets placed into service, net of retirements.

Interest Expense

Interest expense increased $4 million and $9 million for the three and six months ended June 30, 2016 compared with 2015 primarily due to the September 2015 issuance of $250 million of incremental First Mortgage Bonds and higher interest rates on the September 2015 issuance of $250 million of First Mortgage Bonds used to retire the same amount of First Mortgage Bonds in November 2015.

Income Taxes

Income taxes increased $10 million and $9 million for the three and six months ended June 30, 2016 compared with 2015 primarily due to higher pre-tax income.

Earnings

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net Income	$ 54	$ 39	$ 129	$ 117
Special items, gains (losses), after-tax (a)	—	—	—	—

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

Earnings increased for the three month period in 2016 compared with 2015 primarily due to higher base electricity rates effective July 1, 2015, partially offset by higher interest expense.

Earnings increased for the six month period in 2016 compared with 2015 primarily due to higher base electricity rates, effective July 1, 2015, partially offset by higher interest expense and lower sales volumes primarily due to milder weather in the first quarter of 2016.

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

	Three Months	Six Months
Margin	$ 30	$ 36
Other operation and maintenance	3	2
epreciation	(3)	(5)
Taxes, other than income	—	(1)
Other income (expense) - net	(1)	(2)
Interest expense	(4)	(9)

Income taxes	(10)	(9)
Net income	$ 15	$ 12

largins

"Margins" is a non-GAAP financial performance measure that management utilizes as an indicator of the performance of its business. See PPL's "Results of Operations - Margins" for an explanation of why management believes this measure is useful and the factors underlying changes between periods. Within PPL's discussion, KU's Margins are included in "Kentucky Gross Margins."

The following tables contain the components from the Statements of Income that are included in this non-GAAP financial measure and a reconciliation to "Operating Income" for the periods ended June 30.

	2016 Three Months			2015 Three Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 407	$ —	$ 407	$ 396	$ —	$ 396
Operating Expenses						
Fuel	113	—	113	132	—	132
Energy purchases, including affiliate	11	—	11	13	—	13
Other operation and maintenance	15	92	107	14	95	109
Depreciation	6	52	58	5	49	54
Taxes, other than income	—	8	8	—	8	8
Total Operating Expenses	145	152	297	164	152	316
Total	$ 262	$ (152)	$ 110	$ 232	$ (152)	$ 80

	2016 Six Months			2015 Six Months		
	Margins	Other (a)	Operating Income (b)	Margins	Other (a)	Operating Income (b)
Operating Revenues	$ 860	$ —	$ 860	$ 881	$ —	$ 881
Operating Expenses						
Fuel	233	—	233	282	—	282
Energy purchases, including affiliate	26	—	26	39	—	39
Other operation and maintenance	29	184	213	27	186	213
Depreciation	13	103	116	9	98	107
Taxes, other than income	—	15	15	1	14	15
Total Operating Expenses	301	302	603	358	298	656
Total	$ 559	$ (302)	$ 257	$ 523	$ (298)	$ 225

(a) Represents amounts excluded from Margins.

(b) As reported on the Statements of Income.

Financial Condition

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

Table of Contents

Liquidity and Capital Resources

(All Registrants)

The Registrants had the following at:

	PPL (a)		PPL Electric		LKE		LG&E		KU
June 30, 2016									
Cash and cash equivalents	$	492	$	35	$	16	$	8	$ 8
Short-term debt		856		6		139		110	29
Notes payable with affiliate				—		176		—	—
December 31, 2015									
Cash and cash equivalents	$	836	$	47	$	30	$	19	$ 11
Short-term debt		916		—		265		142	48
Notes payable with affiliate				—		54		—	—

(a) At June 30, 2016, $88 million of cash and cash equivalents were denominated in GBP. If these amounts would be remitted as dividends, PPL would not anticipate a material incremental U.S. tax cost. Historically, dividends paid by foreign subsidiaries have been limited to distributions of the current year's earnings. See Note 5 to the Financial Statements in PPL's 2015 Form 10-K for additional information on undistributed earnings of WPD.

(PPL)

The Statements of Cash Flows separately report the cash flows of the discontinued operations in 2015. The "Operating Activities", "Investing Activities" and "Financing Activities" sections below included only the cash flows of continuing operations.

(All Registrants)

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

	PPL		PPL Electric		LKE		LG&E		KU
2016									
Operating activities	$	1,170	$	328	$	506	$	273	$ 311
Investing activities		(1,347)		(427)		(439)		(237)	(201)
Financing activities		(152)		87		(81)		(47)	(113)
2015									
Operating activities	$	970	$	76	$	703	$	389	$ 360
Investing activities		(1,575)		(483)		(626)		(349)	(275)
Financing activities		(71)		221		(85)		(43)	(90)
Change - Cash Provided (Used)									
Operating activities	$	200	$	252	$	(197)	$	(116)	$ (49)
Investing activities		228		56		187		112	74
Financing activities		(81)		(134)		4		(4)	(23)

Operating Activities

The components of the change in cash provided by (used in) operating activities for the six months ended June 30, 2016 compared with 2015 were as follows.

hange - Cash Provided (Used)	PPL	PPL Electric	LKE	LG&E	KU
Net income	$ 162	$ 37	$ 27	$ 8	$ 12
Non-cash components	(250)	82	(43)	(23)	2
Working capital	308	117	(211)	(100)	(88)
Defined benefit plan funding	65	33	18	9	6
Other operating activities	(85)	(17)	12	(10)	19
Total	$ 200	$ 252	$ (197)	$ (116)	$ (49)

(PPL)

PPL's cash provided by operating activities from continuing operations in 2016 increased $200 million in 2016 compared with 2015.

- Income from continuing operations increased by $162 million between the periods, but included a decrease in net non-cash charges of $250 million. These net non-cash charges included a $254 million increase in unrealized gains on derivatives.
- The $308 million increase in cash from changes in working capital was primarily due to an increase in taxes payable (primarily due to an increase in current income tax expense in 2016) and a decrease in accounts receivable, primarily due to milder winter weather in 2016.
- Defined benefit plan funding was $65 million lower in 2016.

(PPL Electric)

PPL Electric's cash provided by operating activities in 2016 increased $252 million in 2016 compared with 2015.

- The increase in non-cash components of $82 million in 2016 compared with 2015 was primarily due to an increase in deferred income tax expense and depreciation.
- The $117 million increase in cash from changes in working capital was primarily due to a decrease in prepayments (primarily due to a decrease in tax payments) and an increase in taxes payable (primarily due to an decrease in current income tax benefit in 2016).
- Defined benefit plan funding was $33 million lower in 2016.

(LKE)

LKE's cash provided by operating activities in 2016 decreased $197 million compared with 2015.

- The decrease in cash from working capital was driven primarily by lower tax payments received from PPL for the use of prior year excess tax depreciation deductions. Other decreases in cash were related to accounts receivable and coal and natural gas inventories due to milder weather in 2016, and unbilled revenues due to lower weather volatility during the measurement periods in 2016, partially offset by lower payments on accounts payable due to lower fuel purchases.

(LG&E)

G&E's cash provided by operating activities in 2016 decreased $116 million compared with 2015.

- The decrease in cash from working capital was driven primarily by lower payments received from LKE for the use of prior year excess tax depreciation deductions. Other decreases in cash were related to accounts receivable and coal and natural gas inventories due to milder weather in 2016, and unbilled revenues due to lower weather volatility during the measurement periods in 2016, partially offset by lower payments on accounts payable due to lower fuel purchases.

(KU)

KU's cash provided by operating activities in 2016 decreased $49 million compared with 2015.

- The decrease in cash from working capital was driven primarily by lower payments received from LKE for the use of prior year excess tax depreciation deductions. Other decreases in cash were related to coal inventory due to milder weather in 2016, and unbilled revenues due to lower weather volatility during the measurement periods in 2016, partially offset by lower accounts payable from affiliates due to energy purchases from LG&E and charges for prepaid costs from LKS.

Investing Activities

ll Registrants)

Expenditures for Property, Plant and Equipment

Investment in PP&E is the primary investing activity of the registrants. The change in expenditures for PP&E for the six months ended June 30, 2016 compared with 2015 was as follows.

	PPL	PPL Electric	LKE	LG&E	KU
Decrease	$ 333	$ 56	$ 191	$ 112	$ 78

For PPL, the decrease in expenditures was due to lower project expenditures at WPD, PPL Electric Utilities, LG&E, and KU. The decrease in expenditures for WPD was primarily due to a decrease in expenditures to enhance system reliability associated with the end of the DPCR5 price control period and changes in foreign currency exchange rates. The decrease in expenditures for PPL Electric was primarily due to the completion of the Susquehanna-Roseland transmission project and the completion of the Northeast Pocono reliability project. The decrease in expenditures for LG&E was primarily driven by the completion of the environmental air projects at LG&E's Mill Creek plant. The decrease in expenditures for KU was primarily driven by the completion of the environmental air projects at KU's Ghent plant and the CCR project at KU's E.W. Brown plant.

Financing Activities

(All Registrants)

. he components of the change in cash provided by (used in) financing activities for the six months ended June 30, 2016 compared with 2015 was as follows.

	PPL	PPL Electric	LKE	LG&E	KU
Change - Cash Provided (Used)					
Debt issuance/retirement, net	$ 248	$ —	$ —	$ —	$ —
Settlement of cross-currency swaps	46	—	—	—	—
Stock issuances/redemptions, net	(7)	—	—	—	—
Dividends	(13)	(10)	—	(3)	(32)
Capital contributions/distributions, net	—	40	12	27	20
Change in short-term debt, net	(342)	(162)	(112)	(27)	(10)
Notes payable with affiliate	—	—	105	—	—
Other financing activities	(13)	(2)	(1)	(1)	(1)
Total	$ (81)	$ (134)	$ 4	$ (4)	$ (23)

See Note 7 to the Financial Statements in this Form 10-Q for information on 2016 short and long-term debt activity, equity transactions and PPL dividends. See the Registrants' 2015 Form 10-K for information on 2015 activity.

͜redit Facilities

The Registrants maintain credit facilities to enhance liquidity, provide credit support and provide a backstop to commercial paper programs. Amounts borrowed under these credit facilities are reflected in "Short-term debt" on the Balance Sheets. At June 30, 2016, the total committed borrowing capacity and the use of that capacity under these credit facilities was as follows:

External

	Committed Capacity	Borrowed	Letters of Credit and Commercial Paper Issued	Unused Capacity
PPL Capital Funding Credit Facilities	$ 1,150	$ —	$ 337	$ 813
PPL Electric Credit Facility	400	—	7	393
LKE Credit Facility	75	—	—	75
LG&E Credit Facility	500	—	110	390
KU Credit Facilities	598	—	227	371
Total LKE	1,173	—	337	836
Total U.S. Credit Facilities (a)	$ 2,723	$ —	$ 681	$ 2,042
Total U.K. Credit Facilities (b)	£ 1,055	£ 269	£ —	£ 786

(a) The commitments under the U.S. credit facilities are provided by a diverse bank group, with no one bank and its affiliates providing an aggregate commitment of more than the following percentages of the total committed capacity: PPL - 11%, PPL Electric - 7%, LKE - 21%, LG&E - 7% and KU - 37%.

(b) The amounts borrowed at June 30, 2016 were a USD-denominated borrowing of $200 million and GPB-denominated borrowings which equated to $191 million. The unused capacity reflects the USD-denominated borrowing amount borrowed in GBP of £138 million as of the date borrowed. At June 30, 2016, the USD equivalent of unused capacity under the U.K. committed credit facilities was $1.1 billion.

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

See Note 7 to the Financial Statements for further discussion of the Registrants' credit facilities.

Intercompany (LKE, LG&E and KU)

	Committed Capacity	Borrowed	Other Used Capacity	Unused Capacity
LKE Credit Facility	$ 225	$ 176	$ —	$ 49
LG&E Money Pool (a)	500	—	110	390
KU Money Pool (a)	500	—	29	471

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

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

Commercial Paper*(All Registrants)*

PPL, PPL Electric, LG&E and KU maintain commercial paper programs to provide an additional financing source to fund short-term liquidity needs, as necessary. Commercial paper issuances, included in "Short-term debt" on the Balance Sheets, are supported by the respective Registrant's Syndicated Credit Facility. The following commercial paper programs were in place at June 30, 2016:

	Capacity	Commercial Paper Issuances	Unused Capacity
PPL Capital Funding	$ 1,000	$ 320	$ 680
PPL Electric	400	6	394
LG&E	350	110	240
KU	350	29	321
Total LKE	700	139	561
Total PPL	$ 2,100	$ 465	$ 1,635

Long-term Debt

(PPL)

In May 2016, PPL Capital Funding issued $650 million of 3.10% Senior Notes due 2026. PPL Capital Funding received proceeds of $645 million, net of a discount and underwriting fees, which will be used to invest in or make loans to subsidiaries of PPL, to repay short-term debt and for general corporate purposes.

In May 2016, WPD (East Midlands) borrowed £100 million at 0.4975% under a new ten-year index linked term loan agreement, which will be used for general corporate purposes.

In May 2016, WPD plc repaid the entire $460 million principal amount of its 3.90% Senior Notes upon maturity.

(PPL and PPL Electric)

In March 2016, the LCIDA issued $116 million of Pollution Control Revenue Refunding Bonds, Series 2016A due 2029 and $108 million of Pollution Control Revenue Refunding Bonds, Series 2016B due 2027 on behalf of PPL Electric. The bonds were issued bearing interest at an initial term rate of 0.90% through their mandatory purchase dates of September 1, 2017 and August 15, 2017. The proceeds of the bonds were used to redeem $116 million of 4.70% Pollution Control Revenue Refunding Bonds, 2005 Series A due 2029 and $108 million of 4.75% Pollution Control Revenue Refunding Bonds, 2005 Series B due 2027 previously issued by the LCIDA on behalf of PPL Electric.

In connection with the issuance of each of these new series of LCIDA bonds, PPL Electric entered into a loan agreement with the LCIDA pursuant to which the LCIDA has loaned to PPL Electric the proceeds of the LCIDA bonds on payment terms that correspond to the LCIDA bonds. In order to secure its obligations under the loan agreement, PPL Electric issued $224 million of First Mortgage Bonds under its 2001 Mortgage Indenture, which also have payment terms that correspond to the LCIDA bonds.

(PPL)

ATM Program

For the three and six months ended June 30, 2016, PPL did not issue any shares under the agreements. For the three and six months ended June 30, 2015, PPL issued 421,700 shares of common stock under the program at an average price of $33.73 per share, receiving net proceeds of $14 million.

Common Stock Dividends

In May 2016, PPL declared a quarterly common stock dividend, payable July 1, 2016, of 38 cents per share (equivalent to $1.52 per annum). Future dividends, declared at the discretion of the Board of Directors, will depend upon future earnings, cash flows, financial and legal requirements and other factors.

Capital Expenditures

Capital expenditure plans are revised periodically to reflect changes in operational, market and regulatory conditions. In the second quarter of 2016, PPL decreased its projected capital spending for the period 2016 through 2020 related to distribution facilities by approximately $1.1 billion from the $9.5 billion projection previously disclosed in PPL's 2015 Form 10- K. The decreased projected capital spending results from a change in the forecasted GBP to U.S. dollar exchange rate from $1.60 to $1.30 for WPD expenditures that decreased each yearly estimate by approximately $220 million.

Contractual Obligations

In the second quarter of 2016, PPL decreased its estimated contractual cash obligations by approximately $1.7 billion from the $39.1 billion estimate previously disclosed in PPL's 2015 Form 10-K. The decrease was primarily a result of the change in the GBP to U.S. dollar exchange rate from $1.50 to $1.34 as of June 30, 2016 for WPD's obligations. The decreases in PPL's estimated contractual cash obligations by year were as follows.

	Total	2016	2017 - 2018	2019 - 2020	After 2020
otal Change in Contractual Cash Obligations	$ (1,700)	$ (30)	$ (81)	$ (98)	$ (1,491)

Rating Agency Actions

(All Registrants)

Moody's and S&P have periodically reviewed the credit ratings of the debt of the Registrants and their subsidiaries. Based on their respective independent reviews, the rating agencies may make certain ratings revisions or ratings affirmations.

A credit rating reflects an assessment by the rating agency of the creditworthiness associated with an issuer and particular securities that it issues. The credit ratings of the Registrants and their subsidiaries are based on information provided by the Registrants and other sources. The ratings of Moody's and S&P are not a recommendation to buy, sell or hold any securities of the Registrants or their subsidiaries. Such ratings may be subject to revisions or withdrawal by the agencies at any time and should be evaluated independently of each other and any other rating that may be assigned to the securities. The credit ratings of the Registrants and their subsidiaries affect their liquidity, access to capital markets and cost of borrowing under their credit facilities.

The rating agencies have taken the following actions related to the Registrants and their subsidiaries during 2016:

(PPL)

In February 2016, Moody's and S&P affirmed their commercial paper ratings for PPL Capital Funding's $1.0 billion commercial paper program.

In May 2016, Moody's and S&P assigned ratings of Baa2 and BBB+ to PPL Capital Funding's $650 million 3.10% Senior Notes due 2026.

In June 2016, S&P assigned a long-term issuer rating of A- and a short-term issuer rating of A-2 to PPL Capital Funding.

(PPL Electric)

In February 2016, Moody's and S&P affirmed their commercial paper ratings for PPL Electric's $400 million commercial paper program.

In February 2016, Moody's and S&P assigned ratings of A1 and A to LCIDA's $116 million 0.90% Pollution Control Revenue Refunding Bonds due 2029 and $108 million 0.90% Pollution Control Revenue Refunding Bonds due 2027, issued on behalf of PPL Electric.

Ratings Triggers

(PPL, LKE, LG&E and KU)

Various derivative and non-derivative contracts, including contracts for the sale and purchase of electricity and fuel, commodity transportation and storage, interest rate and foreign currency instruments (for PPL), contain provisions that require the posting of additional collateral or permit the counterparty to terminate the contract, if PPL's, LKE's, LG&E's or KU's or their subsidiaries' credit rating, as applicable, were to fall below investment grade. See Note 14 to the Financial Statements for a discussion of "Credit Risk-Related Contingent Features," including a discussion of the potential additional collateral requirements for PPL, LKE and LG&E for derivative contracts in a net liability position at June 30, 2016.

(All Registrants)

For additional information on the Registrants' liquidity and capital resources, see "Item 7. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations," in the Registrants' 2015 Form 10-K.

Risk Management

Market Risk

(All Registrants)

See Notes 13 and 14 to the Financial Statements for information about the Registrants' risk management objectives, valuation techniques and accounting designations.

The forward-looking information presented below provides estimates of what may occur in the future, assuming certain adverse market conditions and model assumptions. Actual future results may differ materially from those presented. These are not precise indicators of expected future losses, but are rather only indicators of possible losses under normal market conditions at a given confidence level.

Interest Rate Risk

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

The following interest rate hedges were outstanding at June 30, 2016.

	Exposure Hedged	Fair Value, Net - Asset (Liability) (a)	Effect of a 10% Adverse Movement in Rates (b)	Maturities Ranging Through
'PL				
Cash flow hedges				
Cross-currency swaps (c)	$ 802	$ 93	$ (103)	2028
Economic hedges				

Interest rate swaps (d)	179	(56)	(2)	2033
LKE				
Economic hedges				
Interest rate swaps (d)	179	(56)	(2)	2033
LG&E				
Economic hedges				
Interest rate swaps (d)	179	(56)	(2)	2033

(a) Includes accrued interest, if applicable.

(b) Effects of adverse movements decrease assets or increase liabilities, as applicable, which could result in an asset becoming a liability. Sensitivities represent a 10% adverse movement in interest rates, except for cross-currency swaps which also includes a 10% adverse movement in foreign currency exchange rates.

(c) Cross-currency swaps are utilized to hedge the principal and interest payments of WPD's U.S. dollar-denominated senior notes. Changes in the fair value of these instruments are recorded in equity and reclassified into earnings in the same period during which the item being hedged affects earnings.

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

The Registrants are exposed to a potential increase in interest expense and to changes in the fair value of their debt portfolios. The estimated impact of a 10% adverse movement in interest rates on interest expense at June 30, 2016 was insignificant for PPL, PPL Electric, LKE, LG&E and KU. The estimated impact of a 10% adverse movement in interest rates on the fair value of debt at June 30, 2016 is shown below.

		10% Adverse Movement in Rates
PPL	$	660
PPL Electric		139
LKE		177
LG&E		66
KU		99

Foreign Currency Risk (PPL)

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

The following foreign currency hedges were outstanding at June 30, 2016.

		Exposure Hedged		Fair Value, Net - Asset (Liability)		Effect of a 10% Adverse Movement in Foreign Currency Exchange Rates (a)	Maturities Ranging Through
Economic hedges (b)	£	1,731	$	393	$	(220)	2018

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

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

(All Registrants)

Commodity Price Risk

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

- PPL Electric is exposed to commodity price risk from its obligation as PLR; however, its PUC-approved cost recovery mechanism substantially eliminates its exposure to this risk. PPL Electric also mitigates its exposure to commodity price risk by entering into full-requirement supply agreements to serve its PLR customers. These supply agreements transfer the commodity price risk associated with the PLR obligation to the energy suppliers.

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

Volumetric Risk

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

- WPD is exposed to volumetric risk which is significantly mitigated as a result of the method of regulation in the U.K. Under the RIIO - ED1 price control period, recovery of such exposure occurs on a two year lag. See Note 1 in PPL's 2015 Form 10-K for additional information on revenue recognition under RIIO - ED1.
- PPL Electric, LG&E and KU are exposed to volumetric risk on retail sales, mainly due to weather and other economic conditions for which there is limited mitigation between rate cases.

Credit Risk*(All Registrants)*

See Notes 13 and 14 to the Financial Statements in this Form 10-Q and "Risk Management - Credit Risk" in the Registrants' 2015 Form 10-K for additional information.

Foreign Currency Translation*(PPL)*

The value of the British pound sterling fluctuates in relation to the U.S. dollar. Changes in this exchange rate resulted in a foreign currency translation loss of $199 million for the six months ended June 30, 2016, which primarily reflected a $398 million decrease to PP&E and $95 million decrease to goodwill partially offset by a decrease of $294 million to net liabilities. Changes in this exchange rate resulted in a foreign currency translation loss of $149 million for the six months ended June 30, 2015, which primarily reflected a $299 million decrease to PP&E and $77 million decrease to goodwill partially offset by a decrease of $227 million to net liabilities. The impact of foreign currency translation is recorded in AOCI.

Related Party Transactions*(All Registrants)*

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

Acquisitions, Development and Divestitures*(All Registrants)*

The Registrants from time to time evaluate opportunities for potential acquisitions, divestitures and development projects. Development projects are reexamined based on market conditions and other factors to determine whether to proceed with, modify or terminate the projects. Any resulting transactions may impact future financial results. See Note 8 to the Financial Statements for information on the more significant activities.

Environmental Matters*(All Registrants)*

Extensive federal, state and local environmental laws and regulations are applicable to PPL's, LKE's, LG&E's and KU's air emissions, water discharges and the management of hazardous and solid waste, as well as other aspects of the Registrants' businesses. The cost of compliance or alleged non-compliance cannot be predicted with certainty but could be significant. In addition, costs may increase significantly if the requirements or scope of environmental laws or regulations, or similar rules, are expanded or changed. Costs may take the form of increased capital expenditures or operating and maintenance expenses, monetary fines, penalties or other restrictions. Many of these environmental law considerations are also applicable to the operations of key suppliers, or customers, such as coal producers and industrial power users, and may impact the cost for their products or their demand for the Registrants' services. Increased capital and operating costs are subject to rate recovery. PPL, PPL Electric, LKE, LG&E and KU can provide no assurances as to the ultimate outcome of future environmental or rate proceedings before regulatory authorities.

See Note 10 to the Financial Statements for a discussion of the more significant environmental matters including:

- Legal Matters,
- Climate Change,
- Coal Combustion Residuals,
- Effluent Limitations Guidelines,
- Mercury and Air Toxics Standards,
- National Ambient Air Quality Standards, and
- Superfund and Other Remediation.

Additionally, see "Item 1. Business - Environmental Matters" in the Registrants' 2015 Form 10-K for additional information on environmental matters.

New Accounting Guidance*(All Registrants)*

See Notes 2 and 18 to the Financial Statements for a discussion of new accounting guidance adopted and pending adoption.

Application of Critical Accounting Policies*(All Registrants)*

Financial condition and results of operations are impacted by the methods, assumptions and estimates used in the application of critical accounting policies. The following table summarizes the accounting policies by Registrant that are particularly important to an understanding of the reported financial condition or results of operations, and require management to make estimates or other judgments of matters that are inherently uncertain. See "Item 7. Combined Management's Discussion and

Analysis of Financial Condition and Results of Operations" in the Registrants' 2015 Form 10-K for a discussion of each critical accounting policy.

	PPL	PPL Electric	LKE	LG&E	KU
Defined Benefits	X	X	X	X	X
Loss Accruals	X	X	X	X	X
Income Taxes	X	X	X	X	X
Goodwill Impairment	X		X	X	X
AROs	X		X	X	X
Price Risk Management	X				
Regulatory Assets and Liabilities	X	X	X	X	X
Revenue Recognition - Unbilled Revenue		X	X	X	X

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

The Registrants' principal executive officers and principal financial officers, based on their evaluation of the Registrants' disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Securities Exchange Act of 1934) have concluded that, as of June 30, 2016, the Registrants' disclosure controls and procedures are effective to ensure that material information relating to the Registrants and their consolidated subsidiaries is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms, particularly during the period for which this quarterly report has been prepared. The aforementioned principal officers have concluded that the disclosure controls and procedures are also effective to ensure that information required to be disclosed in reports filed under the Exchange Act is accumulated and communicated to management, including the principal executive and principal financial officers, to allow for timely decisions regarding required disclosure.

(b) Change in internal controls over financial reporting.

The Registrants' principal executive officers and principal financial officers have concluded that there were no changes in the Registrants' internal control over financial reporting during the Registrants' second fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Registrants' internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

ɔr information regarding pending administrative and judicial proceedings involving regulatory, environmental and other matters, hich information is incorporated by reference into this Part II, see:

- "Item 3. Legal Proceedings" in each Registrant's 2015 Form 10-K; and
- Notes 6 and 10 to the Financial Statements.

Item 1A. Risk Factors

There have been no material changes in the Registrants' risk factors from those disclosed in "Item 1A. Risk Factors" of the Registrants' 2015 Form 10-K except the following:

(PPL)

Risks Relating to the Spinoff of PPL Energy Supply and Formation of Talen Energy Corporation

If the spinoff of PPL Energy Supply does not qualify as a tax-free distribution under Sections 355 and 368 of the Internal Revenue Code of 1986, as amended (the "Code"), including as a result of subsequent acquisitions of stock of PPL or Talen Energy, then PPL and/or its shareowners may be required to pay substantial U.S. federal income taxes.

Among other requirements, the completion of the June 1, 2015 spinoff of PPL Energy Supply and subsequent combination with RJS Power was conditioned upon PPL's receipt of a legal opinion of tax counsel to the effect that the spinoff will qualify as a reorganization pursuant to Section 368(a)(1)(D) and a tax-free distribution pursuant to Section 355 of the Code. Although receipt of such legal opinion was a condition to completion of the spinoff and subsequent combination, that legal opinion is not binding on the IRS. Accordingly, the IRS could reach conclusions that are different from those in the legal opinion. If, notwithstanding the receipt of such legal opinion, the IRS were to determine the distribution to be taxable, PPL would, and its shareowners could, depending on their individual circumstances, recognize a tax liability that could be substantial. In addition, notwithstanding the receipt of such legal opinion, if the IRS were to determine the merger to be taxable, PPL shareowners may, depending on their individual circumstances, recognize a tax liability that could be material.

In addition, the spinoff will be taxable to PPL pursuant to Section 355(e) of the Code if there is a 50% or greater change in ownership (by vote or value) of either PPL or Talen Energy, directly or indirectly, as part of a plan or series of related transactions that include the spinoff. Because PPL's shareowners collectively owned more than 50% of Talen Energy's common stock following the spinoff and subsequent combination, the combination alone will not cause the spinoff to be taxable to PPL under Section 355(e) of the Code. However, Section 355(e) of the Code might apply if acquisitions of stock of PPL before or after the spinoff, or of Talen Energy after the combination, were considered to be part of a plan or series of related transactions that include the spinoff. PPL is not aware of any such plan or series of transactions that include the spinoff.

On June 2, 2016, Talen Energy entered into a merger agreement with affiliates of Riverstone, pursuant to which a subsidiary of affiliates of Riverstone will merge with Talen Energy (the "Talen Merger"). Upon completion of the Talen Merger, which is subject to certain closing conditions, affiliates of Riverstone will convert their existing ownership of approximately 35% of the issued and outstanding common stock of Talen Energy into shares of the surviving corporation and each other share of Talen Energy common stock, subject to certain exceptions, will be cancelled and converted into the right to receive the cash merger consideration. Pursuant to the Separation Agreement entered into in consideration with the spinoff, receipt of a legal opinion of tax counsel to the effect that the spinoff will continue to qualify as a reorganization pursuant to Section 368(a)(1)(D) and a tax-free distribution pursuant to Section 355 of the Code following the completion of the Talen Merger shall be required to complete the Talen Merger. As described above, such legal opinion will not be binding on the IRS and accordingly, the IRS could reach conclusions that are different from those in the legal opinion. If, notwithstanding the receipt of such legal opinion, the IRS were to determine the distribution to be taxable, PPL and its shareowners could, depending on circumstances, recognize a tax liability that could be substantial.

Risks related to our U.K. segment

PPL's earnings may be adversely affected as a result of the June 23, 2016 referendum in the U.K. to withdraw from the European Union.

Significant uncertainty exists concerning the effects of the June 23, 2016 referendum in favor of the U.K. withdrawal from the European Union, including whether formal withdrawal will occur and the nature and duration of negotiations between the U.K. and European Union as to the terms of any withdrawal. PPL cannot predict either the short-term impact on foreign exchange rates or long-term impact on PPL's financial condition that may be experienced as a result of any actions that may be taken by the U.K. government to withdraw from the European Union, although such impacts could be significant.

Item 4. Mine Safety Disclosures

ot applicable.

Item 6. Exhibits

The following Exhibits indicated by an asterisk preceding the Exhibit number are filed herewith. The balance of the Exhibits has heretofore been filed with the Commission and pursuant to Rule 12(b)-32 are incorporated herein by reference. Exhibits indicated by a [_] are filed or listed pursuant to Item 601(b)(10)(iii) of Regulation S-K.

3(a)	- Amended and Restated Articles of Incorporation of PPL Corporation, effective as of May 25, 2016 (Exhibit 3(i) to PPL Corporation Form 8-K Report (File No. 1-11459) dated May 26, 2016)
4(a)	- Amendment No. 12 to PPL Employee Stock Ownership Plan, dated April 27, 2016
*4(b)	- Amendment No. 13 to PPL Employee Stock Ownership Plan, dated May 13, 2016
4(c)	- Supplemental Indenture No. 15, dated as of May 17, 2016, among PPL Capital Funding, Inc., PPL Corporation and The Bank of New York Mellon (as successor to JPMorgan Chase Bank, N.A. (formerly known as The Chase Manhattan Bank)), as Trustee (Exhibit 4(b) to PPL Corporation Form 8-K Report (File No. 1-11459) dated May 17, 2016)

*10(a)	- Second Amendment to Revolving Credit Agreement, dated as of March 17, 2016, to the March 26, 2014 Existing Credit Agreement, between PPL Capital Funding, Inc., the Borrower, PPL Corporation, the Guarantor, and The Bank of Nova Scotia, as the Administrative Agent and as a Lender
10(b)	- £100,000,000 Term Loan Agreement, dated May 24, 2016, between Western Power Distribution (East Midlands) PLC and The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Exhibit 10.1 to PPL Corporation Form 8-K Report (File No. 1-11459) dated May 26, 2016)
*12(a)	- PPL Corporation and Subsidiaries Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends
*12(b)	- PPL Electric Utilities Corporation and Subsidiaries Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends
*12(c)	- LG&E and KU Energy LLC and Subsidiaries Computation of Ratio of Earnings to Fixed Charges
*12(d)	- Louisville Gas and Electric Company Computation of Ratio of Earnings to Fixed Charges
*12(e)	- Kentucky Utilities Company Computation of Ratio of Earnings to Fixed Charges

Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, for the quarterly period ended June 30, 2016, filed by the following officers for the following companies:

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

Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, for the quarterly period ended June 30, 2016, furnished by the following officers for the following companies:

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

101.INS	- XBRL Instance Document
101.SCH	- XBRL Taxonomy Extension Schema
101.CAL	- XBRL Taxonomy Extension Calculation Linkbase
101.DEF	- XBRL Taxonomy Extension Definition Linkbase
101.LAB	- XBRL Taxonomy Extension Label Linkbase
101.PRE	- XBRL Taxonomy Extension Presentation Linkbase

SIGNATURES

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

PPL Corporation

(Registrant)

Date: August 9, 2016

/s/ Stephen K. Breininger

Stephen K. Breininger
Vice President and Controller
(Principal Accounting Officer)

PPL Electric Utilities Corporation

(Registrant)

Date: August 9, 2016

/s/ Marlene C. Beers

Marlene C. Beers
Controller
(Principal Financial Officer and Principal Accounting Officer)

LG&E and KU Energy LLC

(Registrant)

Louisville Gas and Electric Company

(Registrant)

Kentucky Utilities Company

(Registrant)

Date: August 9, 2016

/s/ Kent W. Blake

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

Exhibit 4(a)

AMENDMENT NO. 12
TO
PPL EMPLOYEE STOCK OWNERSHIP PLAN

WHEREAS, PPL Services Corporation ("PPL") has adopted the PPL Employee Stock Ownership Plan ("Plan") effective January 1, 2000; and

WHEREAS, the Plan was amended and restated effective January 1, 2002, and subsequently amended by Amendment No. 1, 2, 3, 4, 5, 6, 7, 8, 9, 10 and 11; and

NOW, THEREFORE, the Plan is hereby amended as follows:

I. Effective January 1, 2015, Article III Eligibility is amended to read as follows:

ARTICLE III
ELIGIBILITY

Eligibility.

(a) All persons who were participants in the Plan immediately prior to January 1, 2015 and who are in the employ of a Participating Company on January 1, 2015 shall remain Participants hereunder as of such date. All Employees as of January 1, 2015 (but who are not eligible to participate under the preceding sentence) who have completed one year of Credited Service shall be Participants as of that date. No employee hired after January 1, 2015 who is not subject to a collective bargaining agreement shall be a Participant. Effective before July 31, 2006, other employees shall become Participants on the first day of the calendar month next following the date on which an Employee completes one year of Credited Service, or if later, on which an individual becomes an

Employee. Effective on and after July 31, 2006, but prior to January 1, 2015 for employees not subject to a collective bargaining agreement, other Employees shall become Participants on the first day of the calendar month next following the date on which an individual becomes an Employee. A "Year of Credited Service," for the purposes of this Article, shall require completion of at least 1,000 Hours of Service during the 12 months from commencement of employment. An Employee who fails to complete 1,000 Hours of Service during his initial 12 months of employment shall complete a year of Credited Service as of the end of any Plan Year in which he completes 1,000 Hours of Service; provided, however, that the first Plan Year during which such Employee shall have the opportunity to complete such 1,000 Hours of Service shall include the anniversary of his commencement of employment.

(b) An Employee may elect in writing not to become a Participant by filing such election with the Employee Benefit Plan Board.

3.2 Participation. A Participant shall share in contributions under Article V for any Plan Year during which he (a) completes at least one Hour of Service and (b) receives Compensation. A Participant shall cease to be a Participant on the date on which his entire Account is distributed to him. Notwithstanding the foregoing, for Plan Year 1990, any Participant who is totally and permanently disabled shall share in contributions under Article V.

3.3 Reemployment after Break of Service. In the event a Participant ceases to be an Employee and subsequently again becomes an Employee, he shall not be readmitted as a Participant if he is not subject to a collective bargaining agreement.

II. Except as provided in this Amendment No. 12, all other provisions of the Plan shall remain in full force and effect.

IN WITNESS WHEREOF, this Amendment No. 12 is executed this _____ day of _______________, 2016.

PPL Services Corporation

By: ________________________________

Thomas J. Lynch
Vice President – Human Resources

AMENDMENT NO. 13
TO
PPL EMPLOYEE STOCK OWNERSHIP PLAN

WHEREAS, PPL Services Corporation ("PPL") has adopted the PPL Employee Stock Ownership Plan ("Plan") effective January 1, 2000; and

WHEREAS, the Plan was amended and restated effective January 1, 2002, and subsequently amended by Amendment No. 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11 and 12; and

NOW, THEREFORE, the Plan is hereby amended as follows:

I. Effective February 11, 2016, Appendix A is amended to read as follows:

Appendix A
Participating Company

Name		Effective Date
1.	PPL Services Corporation	July 1, 2000
2.	PPL Electric Utilities Corporation	January 1, 1975
3.	PPL EnergyPlus, LLC	July 14, 1998 (not participating as of June 1, 2015)
4.	PPL Generation, LLC	July 1, 2000 (not participating as of June 1, 2015)
5.	PPL Brunner Island, LLC	July 1, 2000 (not participating as of June 1, 2015)
6.	PPL Holtwood, LLC	July 1, 2000 (not participating as of June 1, 2015)
7.	PPL Martins Creek, LLC	July 1, 2000 (not participating as of June 1, 2015)
8.	PPL Montour, LLC	July 1, 2000

		(not participating as of June 1, 2015)
9.	PPL Susquehanna, LLC	July 1, 2000 (not participating as of June 1, 2015)
10.	PPLSolutions, LLC	January 1, 2002
11.	Lower Mount Bethel Energy, LLC	September 30, 2002 (not participating as of June 1, 2015)
12.	PPL Development Company, LLC	January 1, 2006
13.	PPL Global, LLC	January 1, 2006
14.	PPL Energy Services Group, LLC	September 25, 2006 (not participating as of June 1, 2015)
15.	PPL Interstate Energy Company	January 1, 2008 (not participating as of June 1, 2015)
16.	PPL Strategic Development, LLC	January 1, 2012
17.	PPL EnergyPlus Retail, LLC	June 23, 2011 (not participating as of June 1, 2015)
18.	PPL Energy Supply, LLC	September 17, 2012 (not participating as of June 1, 2015)
19.	PPL TransLink, Inc.	February 11, 2016

II. Except as provided in this Amendment No. 13, all other provisions of the Plan shall remain in full force and effect.

IN WITNESS WHEREOF, this Amendment No. 13 is executed this _____ day of _______________, 2016.

EMPLOYEE BENEFIT PLAN BOARD

By: ______________________________
Julissa Burgos
Chair, Employee Benefit Plan Board

SECOND AMENDMENT TO REVOLVING CREDIT AGREEMENT

THIS SECOND AMENDMENT TO REVOLVING CREDIT AGREEMENT, dated as of March [17], 2016 (this " Amendment "), to the Existing Credit Agreement (as defined below) is made by PPL CAPITAL FUNDING, INC., a Delaware corporation (the " Borrower "), PPL CORPORATION, a Pennsylvania corporation (the " Guarantor ") and each Lender (such capitalized term and other capitalized terms used in this preamble and the recitals below to have the meanings set forth in, or are defined by reference in, Article I below).

WITNESSETH:

WHEREAS, the Borrower, the Guarantor, the Lenders and The Bank of Nova Scotia, as the Administrative Agent, Sole Lead Arranger and Sole Bookrunner, are all parties to the Revolving Credit Agreement, dated as of March 26, 2014 (as amended or otherwise modified prior to the date hereof, the " Existing Credit Agreement ", and as amended by this Amendment and as the same may be further amended, supplemented, amended and restated or otherwise modified from time to time, the " Credit Agreement "); and

WHEREAS, the Borrower has requested that the Lenders amend the Existing Credit Agreement in order to extend the maturity date therein and the Lenders are willing to modify the Existing Credit Agreement on the terms and subject to the conditions hereinafter set forth;

NOW, THEREFORE, the parties hereto hereby covenant and agree as follows:

ARTICLE I
DEFINITIONS

SECTION 1.1. Certain Definitions. The following terms when used in this Amendment shall have the following meanings (such meanings to be equally applicable to the singular and plural forms thereof):

"Amendment" is defined in the preamble.

"Borrower" is defined in the preamble.

"Credit Agreement" is defined in the first recital.

"Existing Credit Agreement" is defined in the first recital.

"Guarantor" is defined in the preamble.

SECTION 1.2. Other Definitions. Terms for which meanings are provided in the Existing Revolving Credit Agreement are, unless otherwise defined herein or the context otherwise requires, used in this Amendment with such meanings.

ARTICLE II
AMENDMENTS TO THE EXISTING CREDIT AGREEMENT

Effective as of the date hereof, but subject to the satisfaction of the conditions in Article III,

(a) Section 1.1 of the Existing Credit Agreement is hereby amended by amending and restating the definition of "Termination Date" as follows:

"Termination Date" means the earliest to occur of (i) March 17, 2017 and (ii) such earlier date upon which all Commitments shall have been terminated in their entirety in accordance with this Agreement.

(b) Sections 5.04(a), 5.04(c), 5.05 and 5.13 of the Existing Credit Agreement are hereby amended by replacing references to "December 31, 2014" with "December 31, 2015".

ARTICLE III
CONDITIONS TO EFFECTIVENESS

This Amendment and the amendments contained herein shall become effective as of the date hereof when each of the conditions set forth in this Article III shall have been fulfilled to the satisfaction of the Administrative Agent.

SECTION 3.1. Counterparts. The Administrative Agent shall have received counterparts hereof executed on behalf of the Borrower, the Guarantor and the each of the Lenders.

SECTION 3.2. Costs and Expenses, etc. The Administrative Agent shall have received for the account of each Lender, all fees, costs and expenses due and payable pursuant to Section 9.03 of the Credit Agreement, if then invoiced.

SECTION 3.3. Resolutions, etc. The Administrative Agent shall have received from the Borrower and the Guarantor (i) a copy of a good standing certificate for such Loan Party, dated a date reasonably close to the date hereof and (ii) a certificate, dated as of the date hereof, of a Secretary or an Assistant Secretary of each Loan Party certifying (A) that attached thereto is a true, correct and complete copy of (x) the articles or certificate of incorporation of such Loan Party certified by the Secretary of State (or equivalent body) of the jurisdiction of incorporation of such Loan Party and (y) the bylaws of such Loan Party, and (b) that attached thereto is a true, correct and complete copy of resolutions adopted by the board of directors of such Loan Party authorizing the execution, delivery and performance of this Amendment and each other document delivered in connection herewith and that such resolutions have not been amended and are in full force.

SECTION 3.4. Opinion of Counsel. The Administrative Agent shall have received an opinion, dated the date hereof and addressed to the Administrative Agent and all Lenders, from counsel to the Borrower, in form and substance satisfactory to the Administrative Agent.

SECTION 3.5. Satisfactory Legal Form. The Administrative Agent and its counsel shall have received all information, and such counterpart originals or such certified or other copies of such materials, as the Administrative Agent or its counsel may reasonably request, and all legal matters incident to the effectiveness of this Amendment shall be satisfactory to the Administrative Agent and its counsel. All documents executed or submitted pursuant hereto or in connection herewith shall be reasonably satisfactory in form and substance to the Administrative Agent and its counsel.

ARTICLE IV
MISCELLANEOUS

SECTION 4.1. Cross-References. References in this Amendment to any Article or Section are, unless otherwise specified, to such Article or Section of this Amendment.

SECTION 4.2. Loan Document Pursuant to Existing Credit Agreement. This Amendment is a Loan Document executed pursuant to the Existing Credit Agreement and shall (unless otherwise expressly indicated therein) be construed, administered and applied in accordance with all of the terms and provisions of the Existing Credit Agreement, as amended hereby, including Article IX thereof.

SECTION 4.3. Successors and Assigns. This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

SECTION 4.4. Counterparts. This Amendment may be executed by the parties hereto in several counterparts, each of which when executed and delivered shall be an original and all of which shall constitute together but one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment by facsimile shall be effective as delivery of a manually executed counterpart of this Amendment.

SECTION 4.5. Governing Law. THIS AMENDMENT WILL BE DEEMED TO BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING FOR SUCH PURPOSE SECTIONS 5- 1401 AND 5- 1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK).

SECTION 4.6. Full Force and Effect; Limited Amendment. Except as expressly amended hereby, all of the representations, warranties, terms, covenants, conditions and other provisions of the Existing Credit Agreement and the Loan Documents shall remain unchanged and shall continue to be, and shall remain, in full force and effect in accordance with their respective terms. The amendments set forth herein shall be limited precisely as provided for herein to the provisions expressly amended herein and shall not be deemed to be an amendment to, waiver of, consent to or modification of any other term or provision of the Existing Credit Agreement or any other Loan Document or of any transaction or further or future action on the part of any Obligor which would require the consent of the Lenders under the Existing Credit Agreement or any of the Loan Documents.

SECTION 4.7. Representations and Warranties. In order to induce the Lenders to execute and deliver this Amendment, the Borrower and Guarantor each hereby represents and warrants to the Lenders, on the date this Amendment becomes effective pursuant to Article III , that both before and after giving effect to this Amendment, all representations and warranties set forth in Article V of the Credit Agreement are true and correct as of such date, except to the extent that any such statement expressly relates to an earlier date (in which case such statement was true and correct on and as of such earlier date).

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Amendment as of the date first above written.

PPL CAPITAL FUNDING, INC., as the Borrower

By:__________________________
Name:
Title:

PPL CORPORATION, as the Guarantor

By:__________________________
Name:
Title:

THE BANK OF NOVA SCOTIA, as the Administrative Agent and as a Lender

By:__________________________
Name:
Title:

Exhibit 12(a)

PPL CORPORATION AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

(Millions of Dollars)

	Six Months Ended June 30, 2016	Years Ended December 31, (a) 2015	2014	2013	2012	2011
Earnings, as defined:						
Income from Continuing Operations Before Income Taxes	**$ 1,335**	$ 2,068	$ 2,129	$ 1,728	$ 1,406	$ 922
Adjustment to reflect earnings from equity method investments on a cash basis (b)	**—**	(1)	—	—	34	—
	1,335	2,067	2,129	1,728	1,440	922
Total fixed charges as below	**459**	1,054	1,095	1,096	1,065	1,022
Less:						
Capitalized interest	**2**	11	11	11	6	4
Preferred security distributions of subsidiaries on a pre-tax basis	**—**	—	—	—	5	23
Interest expense and fixed charges related to discontinued operations	**—**	150	186	235	235	231
Total fixed charges included in Income from Continuing Operations Before Income Taxes	**457**	893	898	850	819	764
Total earnings	**$ 1,792**	$ 2,960	$ 3,027	$ 2,578	$ 2,259	$ 1,686
Fixed charges, as defined:						
Interest charges (c)	**$ 454**	$ 1,038	$ 1,073	$ 1,058	$ 1,019	$ 955
Estimated interest component of operating rentals	**5**	16	22	38	41	44
Preferred security distributions of subsidiaries on a pre-tax basis	**—**	—	—	—	5	23
Total fixed charges (d)	**$ 459**	$ 1,054	$ 1,095	$ 1,096	$ 1,065	$ 1,022
Ratio of earnings to fixed charges	**3.9**	2.8	2.8	2.4	2.1	1.7
Ratio of earnings to combined fixed charges and preferred stock dividends (e)	**3.9**	2.8	2.8	2.4	2.1	1.7

(a) Reflects PPL's Supply segment as Discontinued Operations. See Note 8 to the Financial Statements for additional information.

(b) Includes other-than-temporary impairment loss of $25 million in 2012.

(c) Includes interest on long-term and short-term debt, as well as amortization of debt discount, expense and premium - net.

(d) Interest on unrecognized tax benefits is not included in fixed charges.

(e) PPL, the parent holding company, does not have any preferred stock outstanding; therefore, the ratio of earnings to combined fixed charges and preferred stock dividends is the same as the ratio of earnings to fixed charges.

Exhibit 12(b)

PPL ELECTRIC UTILITIES CORPORATION AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

(Millions of Dollars)

	Six Months Ended June 30,	Years Ended December 31,				
	2016	2015	2014	2013	2012	2011
Earnings, as defined:						
Income Before Income Taxes	**$ 277**	$ 416	$ 423	$ 317	$ 204	$ 257
Total fixed charges as below	**71**	139	131	117	107	105
Total earnings	**$ 348**	$ 555	$ 554	$ 434	$ 311	$ 362
Fixed charges, as defined:						
Interest charges (a)	**$ 69**	$ 135	$ 127	$ 113	$ 104	$ 102
Estimated interest component of operating rentals	**2**	4	4	4	3	3
Total fixed charges (b)	**$ 71**	$ 139	$ 131	$ 117	$ 107	$ 105
Ratio of earnings to fixed charges	**4.9**	4.0	4.2	3.7	2.9	3.4
Preferred stock dividend requirements on a pre-tax basis	**$ —**	$ —	$ —	$ —	$ 6	$ 21
Fixed charges, as above	**71**	139	131	117	107	105
Total fixed charges and preferred stock dividends	**$ 71**	$ 139	$ 131	$ 117	$ 113	$ 126
Ratio of earnings to combined fixed charges and preferred stock dividends	**4.9**	4.0	4.2	3.7	2.8	2.9

(a) Includes interest on long-term and short-term debt, as well as amortization of debt discount, expense and premium - net.

(b) Interest on unrecognized tax benefits is not included in fixed charges.

LG&E AND KU ENERGY LLC AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Millions of Dollars)

	Six Months Ended June 30,	Years Ended December 31,				
	2016	**2015**	**2014**	**2013**	**2012**	**2011**
Earnings, as defined:						
Income from Continuing Operations Before Income Taxes	**$ 327**	$ 603	$ 553	$ 551	$ 331	$ 419
Adjustment to reflect earnings from equity method investments on a cash basis (a)	**—**	(1)	(1)	(1)	33	(1)
	327	602	552	550	364	418
Total fixed charges as below	**109**	189	173	151	157	153
Total earnings	**$ 436**	$ 791	$ 725	$ 701	$ 521	$ 571
Fixed charges, as defined:						
Interest charges (b) (c)	**$ 105**	$ 181	$ 167	$ 145	$ 151	$ 147
Estimated interest component of operating rentals	**4**	8	6	6	6	6
Total fixed charges	**$ 109**	$ 189	$ 173	$ 151	$ 157	$ 153
Ratio of earnings to fixed charges	**4.0**	4.2	4.2	4.6	3.3	3.7

(a) Includes other-than-temporary impairment loss of $25 million in 2012.

(b) Includes interest on long-term and short-term debt, as well as amortization of loss on reacquired debt and amortization of debt discount, expense and premium - net.

(c) Includes a credit for amortization of a fair market value adjustment of $7 million in 2013.

Exhibit 12(d)

LOUISVILLE GAS AND ELECTRIC COMPANY

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Millions of Dollars)

	Six Months Ended June 30,	Years Ended December 31,				
	2016	**2015**	**2014**	**2013**	**2012**	**2011**
Earnings, as defined:						
Income Before Income Taxes	**$ 155**	$ 299	$ 272	$ 257	$ 192	$ 195
Total fixed charges as below	**37**	61	51	36	44	46
Total earnings	**$ 192**	$ 360	$ 323	$ 293	$ 236	$ 241
Fixed charges, as defined:						
Interest charges (a) (b)	**$ 35**	$ 57	$ 49	$ 34	$ 42	$ 44
Estimated interest component of operating rentals	**2**	4	2	2	2	2
Total fixed charges	**$ 37**	$ 61	$ 51	$ 36	$ 44	$ 46
Ratio of earnings to fixed charges	**5.2**	5.9	6.3	8.1	5.4	5.2

(a) Includes interest on long-term and short-term debt, as well as amortization of loss on reacquired debt and amortization of debt discount, expense and premium - net.

(b) Includes a credit for amortization of a fair market value adjustment of $7 million in 2013.

Exhibit 12(e)

KENTUCKY UTILITIES COMPANY

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Millions of Dollars)

	Six Months Ended June 30,	Years Ended December 31,				
	2016	2015	2014	2013	2012	2011
Earnings, as defined:						
Income Before Income Taxes	**$ 209**	$ 374	$ 355	$ 360	$ 215	$ 282
Adjustment to reflect earnings from equity method investments on a cash basis (a)	**—**	(1)	(1)	(1)	33	(1)
	209	373	354	359	248	281
Total fixed charges as below	**49**	86	80	73	72	73
Total earnings	**$ 258**	$ 459	$ 434	$ 432	$ 320	$ 354
Fixed charges, as defined:						
Interest charges (b)	**$ 47**	$ 82	$ 77	$ 70	$ 69	$ 70
Estimated interest component of operating rentals	**2**	4	3	3	3	3
Total fixed charges	**$ 49**	$ 86	$ 80	$ 73	$ 72	$ 73
Ratio of earnings to fixed charges	**5.3**	5.3	5.4	5.9	4.4	4.8

(a) Includes other-than-temporary impairment loss of $25 million in 2012.

(b) Includes interest on long-term and short-term debt, as well as amortization of loss on reacquired debt and amortization of debt discount, expense and premium - net.

CERTIFICATION

I, WILLIAM H. SPENCE, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 9, 2016

/s/ William H. Spence

William H. Spence

Chairman, President and Chief Executive Officer

(Principal Executive Officer)

PPL Corporation

CERTIFICATION

I, VINCENT SORGI, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 9, 2016

/s/ Vincent Sorgi

Vincent Sorgi

Senior Vice President and Chief Financial Officer

(Principal Financial Officer)

PPL Corporation

Exhibit 31(c)

CERTIFICATION

I, GREGORY N. DUDKIN, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 9, 2016

/s/ Gregory N. Dudkin

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

CERTIFICATION

I, MARLENE C. BEERS, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 9, 2016

/s/ Marlene C. Beers

Marlene C. Beers
Controller
(Principal Financial Officer and Principal Accounting Officer)
PPL Electric Utilities Corporation

Exhibit 31(e)

CERTIFICATION

I, VICTOR A. STAFFIERI, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 9, 2016

/s/ Victor A. Staffieri

Victor A. Staffieri

Chairman of the Board, Chief Executive Officer and President

(Principal Executive Officer)

LG&E and KU Energy LLC

CERTIFICATION

I, KENT W. BLAKE, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 9, 2016

/s/ Kent W. Blake

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

CERTIFICATION

I, VICTOR A. STAFFIERI, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 9, 2016

/s/ Victor A. Staffieri

Victor A. Staffieri

Chairman of the Board, Chief Executive Officer and President

(Principal Executive Officer)

Louisville Gas and Electric Company

CERTIFICATION

KENT W. BLAKE, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 9, 2016

/s/ Kent W. Blake

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

CERTIFICATION

I, VICTOR A. STAFFIERI, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 9, 2016

/s/ Victor A. Staffieri

Victor A. Staffieri

Chairman of the Board, Chief Executive Officer and President

(Principal Executive Officer)

Kentucky Utilities Company

CERTIFICATION

I, KENT W. BLAKE, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 9, 2016

/s/ Kent W. Blake

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

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL CORPORATION'S FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2016

In connection with the quarterly report on Form 10-Q of PPL Corporation (the "Company") for the quarter ended June 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, William H. Spence, the Principal Executive Officer of the Company, and Vincent Sorgi, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

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

Date: August 9, 2016

/s/ William H. Spence

William H. Spence

Chairman, President and Chief Executive Officer

(Principal Executive Officer)

PPL Corporation

/s/ Vincent Sorgi

Vincent Sorgi

Senior Vice President and Chief Financial Officer

(Principal Financial Officer)

PPL Corporation

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

Exhibit 32(b)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL CORPORATION'S FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2016

In connection with the quarterly report on Form 10-Q of PPL Electric Utilities Corporation (the "Company") for the quarter ended June 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Gregory N. Dudkin, the Principal Executive Officer of the Company, and Marlene C. Beers, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

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

Date: August 9, 2016

/s/ Gregory N. Dudkin

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

/s/ Marlene C. Beers

Marlene C. Beers
Controller
(Principal Financial Officer and Principal Accounting Officer)
PPL Electric Utilities Corporation

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

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL CORPORATION'S FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2016

In connection with the quarterly report on Form 10-Q of LG&E and KU Energy LLC (the "Company") for the quarter ended June 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Victor A. Staffieri, the Principal Executive Officer of the Company, and Kent W. Blake, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

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

Date: August 9, 2016

/s/ Victor A. Staffieri
Victor A. Staffieri
Chairman of the Board, Chief Executive Officer and President
(Principal Executive Officer)
LG&E and KU Energy LLC

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

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

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL CORPORATION'S FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2016

In connection with the quarterly report on Form 10-Q of Louisville Gas and Electric Company (the "Company") for the quarter ended June 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Victor A. Staffieri, the Principal Executive Officer of the Company, and Kent W. Blake, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

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

Date: August 9, 2016

/s/ Victor A. Staffieri
Victor A. Staffieri
Chairman of the Board, Chief Executive Officer and President
(Principal Executive Officer)
Louisville Gas and Electric Company

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

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

Exhibit 32(e)

CERTIFICATE PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
FOR PPL CORPORATION'S FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2016

In connection with the quarterly report on Form 10-Q of Kentucky Utilities Company (the "Company") for the quarter ended June 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Covered Report"), we, Victor A. Staffieri, the Principal Executive Officer of the Company, and Kent W. Blake, the Principal Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that:

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

Date: August 9, 2016

/s/ Victor A. Staffieri
Victor A. Staffieri
Chairman of the Board, Chief Executive Officer and President
(Principal Executive Officer)
Kentucky Utilities Company

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

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

SEC Form 10-Q

September 30, 2016

Morningstar® Document Research℠

Form 10-Q

PPL CORP - PPL

Filed: November 01, 2016 (period: September 30, 2016)

Quarterly report with a continuing view of a company's financial position

Table of Contents

EX-32.D (EXHIBIT 32.D)

EX-32.E (EXHIBIT 32.E)

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

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the quarterly period ended September 30, 2016

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from ________ to __________

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

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days.

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

Indicate by check mark whether the registrants have submitted electronically and posted on their corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrants were required to submit and post such files).

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

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

	Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company
PPL Corporation	[X]	[ ]	[ ]	[ ]
PPL Electric Utilities Corporation	[ ]	[ ]	[X]	[ ]
LG&E and KU Energy LLC	[ ]	[ ]	[X]	[ ]
Louisville Gas and Electric Company	[ ]	[ ]	[X]	[ ]
Kentucky Utilities Company	[ ]	[ ]	[X]	[ ]

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

PPL Corporation	Common stock, $0.01 par value, 679,627,323 shares outstanding at October 26, 2016.
PPL Electric Utilities Corporation	Common stock, no par value, 66,368,056 shares outstanding and all held by PPL Corporation at October 26, 2016.
LG&E and KU Energy LLC	PPL Corporation directly holds all of the membership interests in LG&E and KU Energy LLC.
Louisville Gas and Electric Company	Common stock, no par value, 21,294,223 shares outstanding and all held by LG&E and KU Energy LLC at October 26, 2016.
Kentucky Utilities Company	Common stock, no par value, 37,817,878 shares outstanding and all held by LG&E and KU Energy LLC at October 26, 2016.

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

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

FORM 10-Q
FOR THE QUARTER ENDED September 30, 2016

Table of Contents

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

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

Combined Notes to Condensed Financial Statements (Unaudited)

CERTIFICATES OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

GLOSSARY OF TERMS AND ABBREVIATIONS

PPL Corporation and its subsidiaries

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

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

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

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

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

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

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

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

PPL EU Services - PPL EU Services Corporation, a subsidiary of PPL that provides support services and corporate functions such as financial, supply chain, human resources and facilities management services primarily to PPL Electric and its affiliates.

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

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

PPL WPD Limited - an indirect U.K. subsidiary of PPL Global and parent to WPD plc.

WPD - refers to PPL WPD Limited and its subsidiaries.

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

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

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

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

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

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

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

Other terms and abbreviations

£ - British pound sterling.

2015 Form 10-K - Annual Report to the SEC on Form 10-K for the year ended December 31, 2015.

2001 Mortgage Indenture - PPL Electric's Indenture, dated as of August 1, 2001, to the Bank of New York Mellon (as successor to JPMorgan Chase Bank), as trustee, as supplemented.

Act 11 - Act 11 of 2012 that became effective on April 16, 2012. The Pennsylvania legislation authorizes the PUC to approve two specific ratemaking mechanisms: the use of a fully projected future test year in base rate proceedings and, subject to certain conditions, a DSIC.

Act 129 - Act 129 of 2008 that became effective in October 2008. The law amends the Pennsylvania Public Utility Code and creates an energy efficiency and conservation program and smart metering technology requirements, adopts new PLR electricity supply procurement rules, provides remedies for market misconduct and changes to the Alternative Energy Portfolio Standard (AEPS).

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

AOCI - accumulated other comprehensive income or loss.

Article 50 of the Lisbon Treaty - The Treaty of Lisbon is an international agreement which amends the two treaties which form the constitutional basis of the European Union, and came into force on December 1, 2009. Under Article 50 of this treaty, any member state of the European Union may decide to withdraw from the Union in accordance with its own constitutional requirements.

ARO - asset retirement obligation.

ATM Program - At-the-Market stock offering program.

BSER - Best System of Emission Reduction. The degree of emission reduction that EPA determines has been adequately demonstrated when taking into account the cost of achieving such reduction and any non-air quality health and environmental impact and energy requirements.

CCR(s) - Coal Combustion Residual(s). CCRs include fly ash, bottom ash and sulfur dioxide scrubber wastes.

Clean Air Act - federal legislation enacted to address certain environmental issues related to air emissions, including acid rain, ozone and toxic air emissions.

Clean Water Act - federal legislation enacted to address certain environmental issues relating to water quality including effluent discharges, cooling water intake, and dredge and fill activities.

CPCN - Certificate of Public Convenience and Necessity. Authority granted by the KPSC pursuant to Kentucky Revised Statute 278.020 to provide utility service to or for the public or the construction of certain plant, equipment, property or facility for furnishing of utility service to the public.

Customer Choice Act - the Pennsylvania Electricity Generation Customer Choice and Competition Act, legislation enacted to restructure the state's electric utility industry to create retail access to a competitive market for generation of electricity.

Distribution Automation - advanced grid intelligence enabling LG&E and KU to perform remote monitoring and control, circuit segmentation and self-healing of select distribution system circuits, improving grid reliability and efficiency.

DNO - Distribution Network Operator in the U.K.

DPCR4 - Distribution Price Control Review 4, the U.K. five-year rate review period applicable to WPD that commenced April 1, 2005.

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

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

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

DSM- Demand Side Management. Pursuant to Kentucky Revised Statute 278.285, the KPSC may determine the reasonableness of DSM plans proposed by any utility under its jurisdiction. Proposed DSM mechanisms may seek full recovery of costs and revenues lost by implementing DSM programs and/or incentives designed to provide financial rewards to the utility for implementing cost-effective DSM programs. The cost of such programs shall be assigned only to the class or classes of customers which benefit from the programs.

Earnings from Ongoing Operations - A non-GAAP financial measure of earnings adjusted for the impact of special items and used in "Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" (MD&A).

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

ELG(s)- Effluent Limitation Guidelines, regulations promulgated by the EPA.

EPA - Environmental Protection Agency, a U.S. government agency.

FERC - Federal Energy Regulatory Commission, the U.S. federal agency that regulates, among other things, interstate transmission and wholesale sales of electricity, hydroelectric power projects and related matters.

GAAP - Generally Accepted Accounting Principles in the U.S.

GBP -British pound sterling.

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

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

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

LCIDA - Lehigh County Industrial Development Authority.

LIBOR - London Interbank Offered Rate.

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

MATS- Mercury and Air Toxics Standards, regulations promulgated by the EPA.

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

MW - megawatt, one thousand kilowatts.

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

NERC - North American Electric Reliability Corporation.

NGCC - Natural gas-fired combined-cycle generating plant.

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

NSR - The new source review provisions of the Clean Air Act that impose stringent emission control requirements on new and modified sources of air emissions that result in emission increases beyond thresholds allowed by the Clean Air Act.

OCI - other comprehensive income or loss.

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

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

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

PP&E - property, plant and equipment.

PPL EnergyPlus - prior to the June 1, 2015 spinoff of PPL Energy Supply, PPL EnergyPlus, LLC, a subsidiary of PPL Energy Supply that marketed and traded wholesale and retail electricity and gas, and supplied energy and energy services in competitive markets.

PPL Energy Supply - prior to the June 1, 2015 spinoff, PPL Energy Supply, LLC, a subsidiary of PPL Energy Funding and the parent company of PPL EnergyPlus and other subsidiaries.

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

RAV - regulatory asset value. This term, used within the U.K. regulatory environment, is also commonly known as RAB or regulatory asset base. RAV is based on historical investment costs at time of privatization, plus subsequent allowed additions less annual regulatory depreciation, and represents the value on which DNOs earn a return in accordance with the regulatory cost of capital. RAV is indexed to Retail Price Index (RPI) in order to allow for the effects of inflation. Since the beginning of DPCR5 in April 2010, RAV additions have been based on a percentage of annual total expenditures, which have continued from April 2015 under RIIO-ED1. RAV is intended to represent expenditures that have a long-term benefit to WPD (similar to capital projects for the U.S. regulated businesses that are generally included in rate base).

RCRA - Resource Conservation and Recovery Act of 1976.

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

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

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

RIIO-ED1 - RIIO represents "Revenues = Incentive + Innovation + Outputs." RIIO-ED1 refers to the initial eight-year rate review period applicable to WPD which commenced April 1, 2015.

Riverstone - Riverstone Holdings LLC, a Delaware limited liability company and ultimate parent company of the entities that own the competitive power generation business contributed to Talen Energy other than the competitive power generation business contributed by virtue of the spinoff of a newly formed parent of PPL Energy Supply.

RPI - Retail Price Index, is a measure of inflation in the United Kingdom published monthly by the Office for National Statistics.

SCRs - selective catalytic reduction, a pollution control process for the removal of nitrogen oxide from exhaust gas.

S&P - Standard & Poor's Ratings Services, a credit rating agency.

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

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

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

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

Smart meter - an electric meter that utilizes smart metering technology.

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

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

Talen Energy - Talen Energy Corporation, the Delaware corporation formed to be the publicly traded company and owner of the competitive generation assets of PPL Energy Supply and certain affiliates of Riverstone.

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

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

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

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Forward-looking Information

Statements contained in this Form 10-Q concerning expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are other than statements of historical fact are "forward-looking statements" within the meaning of the federal securities laws. Although the Registrants believe that the expectations and assumptions reflected in these statements are reasonable, there can be no assurance that these expectations will prove to be correct. Forward-looking statements are subject to many risks and uncertainties, and actual results may differ materially from the results discussed in forward-looking statements. In addition to the specific factors discussed in each Registrant's 2015 Form 10-K and in "Item 2. Combined Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Form 10-Q, the following are among the important factors that could cause actual results to differ materially from the forward-looking statements.

- challenges by intervenors to the return on equity granted in existing rate structures;
- fuel supply and cost;
- continuing ability to recover fuel costs and environmental expenditures in a timely manner at LG&E and KU, and natural gas supply costs at LG&E;
- weather conditions affecting transmission and distribution operations, and customer energy use;
- availability and operating costs of existing generation facilities;
- the duration of and cost associated with outages at our generating facilities;
- generation, transmission and distribution system conditions, and operating costs;
- expansion of alternative and distributed sources of electricity generation and storage;
- collective labor bargaining negotiations;
- laws or regulations to reduce emissions of "greenhouse" gases or physical effects of climate change;
- the outcome of litigation against the Registrants and their subsidiaries;
- potential effects of threatened or actual terrorism, war or other hostilities, cyber-based intrusions or natural disasters;
- the commitments and liabilities of the Registrants and their subsidiaries;
- the effect of changes in RPI on WPD's revenues and index linked debt;
- the effectiveness of our risk management programs, including foreign currency and interest rate hedging;
- the effect of the June 23, 2016 referendum in the U.K. to withdraw from the European Union;

- our ability to attract and retain qualified employees;
- volatility in demand for electricity;
- market prices of commodity inputs for ongoing capital expenditures or key operational needs;
- capital market conditions, including the availability of capital or credit, changes in interest rates and certain economic indices, and decisions regarding capital structure;
- stock price performance of PPL;
- defaults by counterparties or suppliers for energy, capacity, coal, natural gas or key commodities, goods or services;
- volatility in the fair value of debt and equity securities and its impact on the value of assets in defined benefit plans, and the potential cash funding requirements if fair value declines;
- interest rates and their effect on pension and retiree medical liabilities and interest payable on certain debt securities;
- volatility in or the impact of other changes in financial markets and economic conditions;
- new accounting requirements or new interpretations or applications of existing requirements;
- changes in securities and credit ratings;
- changes in foreign currency exchange rates for British pound sterling;
- current and future environmental conditions, regulations and other requirements and the related costs of compliance, including environmental capital expenditures, emission allowance costs and other expenses;
- changes in political, regulatory or economic conditions in states, regions or countries where the Registrants or their subsidiaries conduct business;
- receipt of necessary governmental permits, approvals and rate relief;
- new state, federal or foreign legislation or regulatory developments;
- the outcome of any rate cases or other cost recovery or revenue filings by PPL Electric, LG&E, KU or WPD;
- the achievement of performance targets set by Ofgem;
- the impact of any state, federal or foreign investigations applicable to the Registrants and their subsidiaries and the energy industry;
- the effect of any business or industry restructuring;
- development of new projects, markets and technologies;
- performance of new ventures; and
- business dispositions or acquisitions and our ability to realize expected benefits from such business transactions.

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

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

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

PPL Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars, except share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Operating Revenues	**$ 1,889**	$ 1,878	**$ 5,685**	$ 5,889
Operating Expenses				
Operation				
Fuel	**227**	228	**607**	695
Energy purchases	**151**	177	**531**	676
Other operation and maintenance	**417**	482	**1,292**	1,405
Depreciation	**232**	226	**692**	658
Taxes, other than income	**76**	79	**229**	241
Total Operating Expenses	**1,103**	1,192	**3,351**	3,675
Operating Income	**786**	686	**2,334**	2,214
Other Income (Expense) - net	**49**	75	**284**	61
Interest Expense	**223**	221	**671**	645
Income from Continuing Operations Before Income Taxes	**612**	540	**1,947**	1,630

Income Taxes		139		144		510		432
ıcome from Continuing Operations After Income Taxes		**473**		396		**1,437**		1,198
Income (Loss) from Discontinued Operations (net of income taxes) (Note 8)		—		(3)		—		(915)
Net Income	**$**	**473**	$	393	**$**	**1,437**	$	283
Earnings Per Share of Common Stock:								
Income from Continuing Operations After Income Taxes:								
Basic	**$**	**0.70**	$	0.59	**$**	**2.12**	$	1.78
Diluted	**$**	**0.69**	$	0.59	**$**	**2.11**	$	1.78
Net Income:								
Basic	**$**	**0.70**	$	0.58	**$**	**2.12**	$	0.42
Diluted	**$**	**0.69**	$	0.58	**$**	**2.11**	$	0.42
Dividends Declared Per Share of Common Stock	**$**	**0.38**	$	0.3775	**$**	**1.14**	$	1.1225
Weighted-Average Shares of Common Stock Outstanding (in thousands)								
Basic		**678,114**		670,763		**676,905**		668,731
Diluted		**680,348**		673,702		**679,969**		671,254

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

PPL Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income	**$ 473**	$ 393	**$ 1,437**	$ 283
Other comprehensive income (loss):				
Amounts arising during the period - gains (losses), net of tax (expense) benefit:				
Foreign currency translation adjustments, net of tax of ($2), ($3), ($4), ($2)	**(641)**	52	**(837)**	(97)
Available-for-sale securities, net of tax of $0, $0, $0, ($9)	**—**	—	**—**	7
Qualifying derivatives, net of tax of ($16), $11, ($9), $4	**62**	(19)	**57**	8
Defined benefit plans:				
Prior service costs, net of tax of $0, $0, $0, $4	**—**	—	**—**	(6)
Net actuarial gain (loss), net of tax of $4, $0, $3, ($36)	**(6)**	—	**(4)**	52
Reclassifications from AOCI - (gains) losses, net of tax expense (benefit):				
Available-for-sale securities, net of tax of $0, $0, $0, $2	**—**	—	**—**	(2)
Qualifying derivatives, net of tax of $17, ($3), $15, ($23)	**(69)**	10	**(62)**	20
Equity investees' other comprehensive (income) loss, net of tax of $0, $0, $0, $1	**—**	—	**(1)**	(1)
Defined benefit plans:				
Prior service costs, net of tax of ($1), $0, ($1), $0	**—**	—	**1**	—
Net actuarial loss, net of tax of ($10), ($10), ($27), ($35)	**31**	35	**94**	111
Total other comprehensive income (loss)	**(623)**	78	**(752)**	92

Comprehensive income (loss)	**$ (150)**	$ 471	**$ 685**	$ 375

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

Table of Contents

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

PPL Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars)

	Nine Months Ended September 30, 2016	2015
Cash Flows from Operating Activities		
Net income	$ 1,437	$ 283
(Income) Loss from discontinued operations (net of income taxes)	—	915
Income from continuing operations (net of income taxes)	1,437	1,198
Adjustments to reconcile Income from continuing operations (net of taxes) to net cash provided by operating activities - continuing operations		
Depreciation	692	658
Amortization	54	46
Defined benefit plans - expense (income)	(29)	44
Deferred income taxes and investment tax credits	436	359
Unrealized (gains) losses on derivatives, and other hedging activities	107	(17)
Stock-based compensation expense	23	26
Other	(12)	9
Change in current assets and current liabilities		
Accounts receivable	(29)	(5)
Accounts payable	(40)	(180)
Unbilled revenues	32	91
Fuel, materials and supplies	8	60
Prepayments	(34)	(43)
Taxes payable	40	(142)
Regulatory assets and liabilities, net	(32)	46
Other	(21)	(5)
Other operating activities		
Defined benefit plans - funding	(345)	(396)
Settlement of interest rate swaps	—	(88)
Other assets	18	(42)
Other liabilities	(75)	69

Net cash provided by operating activities - continuing operations	**2,230**	1,688
Net cash provided by operating activities - discontinued operations	**—**	343
Net cash provided by operating activities	**2,230**	2,031
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	**(2,073)**	(2,560)
Expenditures for intangible assets	**(23)**	(32)
Proceeds from the sale of other investments	**2**	136
Other investing activities	**28**	(7)
Net cash provided by (used in) investing activities - continuing operations	**(2,066)**	(2,463)
Net cash provided by (used in) investing activities - discontinued operations	**—**	(149)
Net cash provided by (used in) investing activities	**(2,066)**	(2,612)
Cash Flows from Financing Activities		
Issuance of long-term debt	**1,241**	1,137
Retirement of long-term debt	**(905)**	—
Settlement of cross-currency swaps	**46**	—
Issuance of common stock	**133**	145
Payment of common stock dividends	**(772)**	(750)
Net increase (decrease) in short-term debt	**(268)**	(271)
Other financing activities	**(33)**	(30)
Net cash provided by (used in) financing activities - continuing operations	**(558)**	231
Net cash provided by (used in) financing activities - discontinued operations	**—**	(546)
Net cash distributions to parent from discontinued operations	**—**	132
Net cash provided by (used in) financing activities	**(558)**	(183)
Effect of Exchange Rates on Cash and Cash Equivalents	**(26)**	(6)
Net (Increase) Decrease in Cash and Cash Equivalents included in Discontinued Operations	**—**	352
Net Increase (Decrease) in Cash and Cash Equivalents	**(420)**	(418)
Cash and Cash Equivalents at Beginning of Period	**836**	1,399
Cash and Cash Equivalents at End of Period	**$ 416**	$ 981

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

CONDENSED CONSOLIDATED BALANCE SHEETS

PPL Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars, shares in thousands)

	September 30, 2016	December 31, 2015
Assets		
Current Assets		
Cash and cash equivalents	**$ 416**	$ 836
Accounts receivable (less reserve: 2016, $48; 2015, $41)		
Customer	**687**	673
Other	**45**	59
Unbilled revenues	**393**	453
Fuel, materials and supplies	**346**	357
Prepayments	**97**	66
Price risk management assets	**78**	139
Other current assets	**37**	63
Total Current Assets	**2,099**	2,646
Property, Plant and Equipment		
Regulated utility plant	**34,427**	34,399
Less: accumulated depreciation - regulated utility plant	**5,938**	5,683
Regulated utility plant, net	**28,489**	28,716
Non-regulated property, plant and equipment	**451**	516
Less: accumulated depreciation - non-regulated property, plant and equipment	**155**	165

Non-regulated property, plant and equipment, net	**296**	351
Construction work in progress	**1,184**	1,315
Property, Plant and Equipment, net	**29,969**	30,382
Other Noncurrent Assets		
Regulatory assets	**1,765**	1,733
Goodwill	**3,175**	3,550
Other intangibles	**693**	679
Price risk management assets	**185**	156
Other noncurrent assets	**152**	155
Total Other Noncurrent Assets	**5,970**	6,273
Total Assets	**$ 38,038**	$ 39,301

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

CONDENSED CONSOLIDATED BALANCE SHEETS

PPL Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars, shares in thousands)

	September 30, 2016	December 31, 2015
Liabilities and Equity		
Current Liabilities		
Short-term debt	$ **636**	$ 916
Long-term debt due within one year	**443**	485
Accounts payable	**741**	812
Taxes	**117**	85
Interest	**315**	303
Dividends	**259**	255
Customer deposits	**302**	326
Regulatory liabilities	**120**	145
Other current liabilities	**479**	549
Total Current Liabilities	**3,412**	3,876
Long-term Debt	**18,069**	18,563
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**3,810**	3,440
Investment tax credits	**133**	128
Accrued pension obligations	**878**	1,405
Asset retirement obligations	**413**	536

Regulatory liabilities	**911**	945
Other deferred credits and noncurrent liabilities	**437**	489
Total Deferred Credits and Other Noncurrent Liabilities	**6,582**	6,943
Commitments and Contingent Liabilities (Notes 6 and 10)		
Equity		
Common stock - $0.01 par value (a)	**7**	7
Additional paid-in capital	**9,824**	9,687
Earnings reinvested	**3,624**	2,953
Accumulated other comprehensive loss	**(3,480)**	(2,728)
Total Equity	**9,975**	9,919
Total Liabilities and Equity	**$ 38,038**	$ 39,301

ı) 1,560,000 shares authorized; 679,268 shares issued and outstanding at September 30, 2016; 780,000 shares authorized; 673,857 shares issued and outstanding at December 31, 2015.

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

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

PPL Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Accumulated other comprehensive loss	Total
December 31, 2015	673,857	$ 7	$ 9,687	$ 2,953	$ (2,728)	$ 9,919
Common stock issued	5,411		168			168
Stock-based compensation			(31)			(31)
Net income				1,437		1,437
Dividends and dividend equivalents				(773)		(773)
Other comprehensive income (loss)					(752)	(752)
Adoption of stock-based compensation guidance cumulative effect adjustment (Note 2)				7		7
September 30, 2016	679,268	$ 7	$ 9,824	$ 3,624	$ (3,480)	$ 9,975
December 31, 2014	665,849	$ 7	$ 9,433	$ 6,462	$ (2,274)	$ 13,628
Common stock issued	5,943		183			183
Stock-based compensation			14			14
Net income				283		283
Dividends and dividend equivalents				(754)		(754)
Distribution of PPL Energy Supply (Note 8)				(3,200)	(24)	(3,224)
Other comprehensive income (loss)					92	92
September 30, 2015	671,792	$ 7	$ 9,630	$ 2,791	$ (2,206)	$ 10,222

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

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

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CONDENSED CONSOLIDATED STATEMENTS OF INCOME

PL Electric Utilities Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Operating Revenues	$ 539	$ 519	$ 1,619	$ 1,625
Operating Expenses				
Operation				
Energy purchases	129	154	414	519
Energy purchases from affiliate	—	—	—	14
Other operation and maintenance	144	162	431	435
Depreciation	64	55	185	158
Taxes, other than income	26	27	79	87
Total Operating Expenses	363	398	1,109	1,213
Operating Income	176	121	510	412
Other Income (Expense) - net	4	1	12	5
Interest Expense	32	32	97	96
Income Before Income Taxes	148	90	425	321
Income Taxes	58	35	162	130
Net Income (a)	$ 90	$ 55	$ 263	$ 191

(a) Net income equals comprehensive income.

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

PL Electric Utilities Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars)

	Nine Months Ended September 30,	
	2016	2015
Cash Flows from Operating Activities		
Net income	$ **263**	$ 191
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**185**	158
Amortization	**19**	19
Defined benefit plans - expense	**9**	13
Deferred income taxes and investment tax credits	**151**	127
Other	**(14)**	(9)
Change in current assets and current liabilities		
Accounts receivable	**(6)**	18
Accounts payable	**(1)**	(140)
Unbilled revenue	**10**	28
Prepayments	**29**	(17)
Regulatory assets and liabilities	**(41)**	46
Taxes payable	**(6)**	(50)
Other	**(13)**	13
Other operating activities		
Defined benefit plans - funding	**—**	(33)
Other assets	**15**	(6)
Other liabilities	**(5)**	15
Net cash provided by operating activities	**595**	373
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	**(739)**	(758)
Expenditures for intangible assets	**—**	(9)
Other investing activities	**(1)**	3
Net cash provided by (used in) investing activities	**(740)**	(764)

Cash Flows from Financing Activities

Issuance of long-term debt	**224**	—
Retirement of long-term debt	**(224)**	—
Contributions from parent	**200**	275
Payment of common stock dividends to parent	**(193)**	(140)
Net increase (decrease) in short-term debt	**130**	68
Other financing activities	**(3)**	—
Net cash provided by (used in) financing activities	**134**	203
Net Increase (Decrease) in Cash and Cash Equivalents	**(11)**	(188)
Cash and Cash Equivalents at Beginning of Period	**47**	214
Cash and Cash Equivalents at End of Period	**$ 36**	$ 26

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

CONDENSED CONSOLIDATED BALANCE SHEETS

'PL Electric Utilities Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars, shares in thousands)

	September 30, 2016	December 31, 2015
Assets		
Current Assets		
Cash and cash equivalents	$ 36	$ 47
Accounts receivable (less reserve: 2016, $22; 2015, $16)		
Customer	290	286
Other	12	10
Unbilled revenues	81	91
Materials and supplies	28	34
Prepayments	37	66
Other current assets	15	21
Total Current Assets	499	555
Property, Plant and Equipment		
Regulated utility plant	9,360	8,734
Less: accumulated depreciation - regulated utility plant	2,698	2,573
Regulated utility plant, net	6,662	6,161
Construction work in progress	657	530
Property, Plant and Equipment, net	7,319	6,691
Other Noncurrent Assets		
Regulatory assets	991	1,006
Intangibles	247	244
Other noncurrent assets	14	15
Total Other Noncurrent Assets	1,252	1,265

Total Assets	**$**	**9,070**	$	8,511

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

CONDENSED CONSOLIDATED BALANCE SHEETS

PL Electric Utilities Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars, shares in thousands)

	September 30, 2016	December 31, 2015
Liabilities and Equity		
Current Liabilities		
Short-term debt	$ **130**	$ —
Long-term debt due within one year	**224**	—
Accounts payable	**357**	288
Accounts payable to affiliates	**33**	35
Taxes	**18**	24
Interest	**31**	37
Regulatory liabilities	**94**	113
Customer deposits	**22**	31
Other current liabilities	**69**	77
Total Current Liabilities	**978**	605
Long-term Debt	**2,607**	2,828
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**1,823**	1,663
Accrued pension obligations	**185**	183
Regulatory liabilities	**—**	22
Other deferred credits and noncurrent liabilities	**88**	91
Total Deferred Credits and Other Noncurrent Liabilities	**2,096**	1,959
Commitments and Contingent Liabilities (Notes 6 and 10)		
Equity		
Common stock - no par value (a)	**364**	364

Additional paid-in capital	**2,134**	1,934
Earnings reinvested	**891**	821
Total Equity	**3,389**	3,119
Total Liabilities and Equity	**$ 9,070**	$ 8,511

(a) 170,000 shares authorized; 66,368 shares issued and outstanding at September 30, 2016 and December 31, 2015.

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

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

PL Electric Utilities Corporation and Subsidiaries

(Unaudited)

(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Total
December 31, 2015	66,368	$ 364	$ 1,934	$ 821	$ 3,119
Net income				263	263
Capital contributions from PPL			200		200
Dividends declared on common stock				(193)	(193)
September 30, 2016	66,368	$ 364	$ 2,134	$ 891	$ 3,389
December 31, 2014	66,368	$ 364	$ 1,603	$ 750	$ 2,717
‘et income				191	191
Capital contributions from PPL (b)			322		322
Dividends declared on common stock				(140)	(140)
September 30, 2015	66,368	$ 364	$ 1,925	$ 801	$ 3,090

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

(b) Includes non-cash contributions of $47 million.

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

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

naudited)
(Millions of Dollars)

	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Operating Revenues	**$ 835**	$ 801	**$ 2,382**	$ 2,414
Operating Expenses				
Operation				
Fuel	**227**	228	**607**	695
Energy purchases	**24**	23	**118**	143
Other operation and maintenance	**197**	202	**603**	625
Depreciation	**102**	97	**301**	286
Taxes, other than income	**16**	14	**46**	43
Total Operating Expenses	**566**	564	**1,675**	1,792
Operating Income	**269**	237	**707**	622
Other Income (Expense) - net	**(3)**	(1)	**(9)**	(3)
Interest Expense	**50**	43	**147**	127
Interest Expense with Affiliate	**4**	—	**12**	1
Income Before Income Taxes	**212**	193	**539**	491
Income Taxes	**79**	73	**202**	194
Net Income	**$ 133**	$ 120	**$ 337**	$ 297

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

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

naudited)
(Millions of Dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income	**$ 133**	$ 120	**$ 337**	$ 297
Other comprehensive income (loss):				
Amounts arising during the period - gains (losses), net of tax (expense) benefit:				
Defined benefit plans:				
Net actuarial gain (loss), net of tax of $0, $0, ($1), $5	**—**	—	**1**	(8)
Reclassifications from AOCI - (gains) losses, net of tax expense (benefit):				
Equity investees' other comprehensive (income) loss, net of tax of $0, $0, $0, $1	**—**	—	**(1)**	(1)
Defined benefit plans:				
Prior service costs, net of tax of ($1), $0, ($1), $0	**—**	—	**1**	1
Net actuarial loss, net of tax of $0, $0, ($1), ($1)	**1**	1	**3**	2
Total other comprehensive income (loss)	**1**	1	**4**	(6)
Comprehensive income (loss)	**$ 134**	$ 121	**$ 341**	$ 291

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

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

naudited)

(Millions of Dollars)

	Nine Months Ended September 30,	
	2016	**2015**
Cash Flows from Operating Activities		
Net income	$ **337**	$ 297
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**301**	286
Amortization	**21**	18
Defined benefit plans - expense	**20**	29
Deferred income taxes and investment tax credits	**212**	199
Other	**—**	29
Change in current assets and current liabilities		
Accounts receivable	**(43)**	(1)
Accounts payable	**7**	(34)
Accounts payable to affiliates	**4**	(7)
Unbilled revenues	**6**	19
Fuel, materials and supplies	**7**	43
Income tax receivable	**—**	132
Accrued interest	**42**	37
Other	**(4)**	(2)
Other operating activities		
Defined benefit plans - funding	**(82)**	(66)
Expenditures for asset retirement obligations	**(15)**	(5)
Settlement of interest rate swaps	**—**	(88)
Other assets	**1**	(4)
Other liabilities	**2**	13
Net cash provided by operating activities	**816**	895
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	**(600)**	(928)
Other investing activities	1	7
Net cash provided by (used in) investing activities	**(599)**	(921)
Cash Flows from Financing Activities		

Net increase (decrease) in notes payable with affiliate	**84**	21
Issuance of long-term debt	**221**	1,050
Retirement of long-term debt	**(221)**	—
Net increase (decrease) in short-term debt	**(130)**	(500)
Debt issuance and credit facility costs	**(3)**	(9)
Distributions to member	**(224)**	(157)
Contributions from member	**37**	55
Net cash provided by (used in) financing activities	**(236)**	460
Net Increase (Decrease) in Cash and Cash Equivalents	**(19)**	434
Cash and Cash Equivalents at Beginning of Period	**30**	21
Cash and Cash Equivalents at End of Period	**$ 11**	$ 455

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

CONDENSED CONSOLIDATED BALANCE SHEETS
· G&E and KU Energy LLC and Subsidiaries

'naudited)

(Millions of Dollars)

	September 30, 2016	December 31, 2015
Assets		
Current Assets		
Cash and cash equivalents	**$ 11**	$ 30
Accounts receivable (less reserve: 2016, $24; 2015, $23)		
Customer	**250**	209
Other	**13**	17
Unbilled revenues	**141**	147
Fuel, materials and supplies	**292**	298
Prepayments	**31**	23
Regulatory assets	**18**	35
Other current assets	**1**	6
Total Current Assets	**757**	765
Property, Plant and Equipment		
Regulated utility plant	**12,510**	11,906
Less: accumulated depreciation - regulated utility plant	**1,382**	1,163
Regulated utility plant, net	**11,128**	10,743
Construction work in progress	**349**	660
Property, Plant and Equipment, net	**11,477**	11,403
Other Noncurrent Assets		
Regulatory assets	**774**	727
Goodwill	**996**	996
Other intangibles	**103**	123
Other noncurrent assets	**80**	76
Total Other Noncurrent Assets	**1,953**	1,922

Total Assets	**$ 14,187**	$ 14,090

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

CONDENSED CONSOLIDATED BALANCE SHEETS
' G&E and KU Energy LLC and Subsidiaries

naudited)
(Millions of Dollars)

	September 30, 2016	December 31, 2015
Liabilities and Equity		
Current Liabilities		
Short-term debt	$ **135**	$ 265
Long-term debt due within one year	**219**	25
Notes payable with affiliate	**138**	54
Accounts payable	**216**	266
Accounts payable to affiliates	**9**	5
Customer deposits	**55**	52
Taxes	**49**	46
Price risk management liabilities	**6**	5
Regulatory liabilities	**26**	32
Interest	**74**	32
Asset retirement obligations	**54**	50
Other current liabilities	**111**	135
Total Current Liabilities	**1,092**	967
Long-term Debt		
Long-term debt	**4,470**	4,663
Long-term debt to affiliate	**400**	400
Total Long-term Debt	**4,870**	5,063
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**1,673**	1,463
Investment tax credits	**132**	128
Accrued pension obligations	**242**	296
Asset retirement obligations	**368**	485

Regulatory liabilities	**911**	923
Price risk management liabilities	**48**	42
Other deferred credits and noncurrent liabilities	**180**	206
Total Deferred Credits and Other Noncurrent Liabilities	**3,554**	3,543
Commitments and Contingent Liabilities (Notes 6 and 10)		
Member's equity	**4,671**	4,517
Total Liabilities and Equity	**$ 14,187**	$ 14,090

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

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

LG&E and KU Energy LLC and Subsidiaries

(Unaudited)

(Millions of Dollars)

		Member's Equity
December 31, 2015	$	4,517
Net income		337
Contributions from member		37
Distributions to member		(224)
)ther comprehensive income (loss)		4
September 30, 2016	$	4,671
December 31, 2014	$	4,248
Net income		297
Contributions from member		55
Distributions to member		(157)
Other comprehensive income (loss)		(6)
September 30, 2015	$	4,437

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

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Table of Contents

CONDENSED STATEMENTS OF INCOME

Louisville Gas and Electric Company

(Unaudited)

(Millions of Dollars)

	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Operating Revenues				
Retail and wholesale	**$ 366**	$ 349	**$ 1,058**	$ 1,089
Electric revenue from affiliate	**2**	2	**19**	32
Total Operating Revenues	**368**	351	**1,077**	1,121
Operating Expenses				
Operation				
Fuel	**86**	82	**233**	267
Energy purchases	**19**	18	**104**	129
Energy purchases from affiliate	**5**	9	**10**	17
Other operation and maintenance	**85**	87	**264**	286
Depreciation	**43**	40	**126**	122
Taxes, other than income	**9**	7	**24**	21
Total Operating Expenses	**247**	243	**761**	842
Operating Income	**121**	108	**316**	279
Other Income (Expense) - net	**(1)**	(1)	**(6)**	(3)
nterest Expense	**18**	13	**53**	39
Income Before Income Taxes	**102**	94	**257**	237

Income Taxes	**39**	36	**98**	91
Net Income (a)	**$ 63**	$ 58	**$ 159**	$ 146

(a) Net income equals comprehensive income.

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

CONDENSED STATEMENTS OF CASH FLOWS

ouisville Gas and Electric Company

(Unaudited)

(Millions of Dollars)

	Nine Months Ended September 30,	
	2016	2015
Cash Flows from Operating Activities		
Net income	$ 159	$ 146
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	126	122
Amortization	10	9
Defined benefit plans - expense	6	10
Deferred income taxes and investment tax credits	117	93
Other	—	25
Change in current assets and current liabilities		
Accounts receivable	(19)	10
Accounts receivable from affiliates	(11)	4
Accounts payable	24	(14)
Accounts payable to affiliates	(6)	(1)
Unbilled revenues	10	13
Fuel, materials and supplies	11	21
Income tax receivable	2	74
Accrued interest	13	9
Other	1	8
Other operating activities		
Defined benefit plans - funding	(45)	(25)
Expenditures for asset retirement obligations	(11)	(4)
Settlement of interest rate swaps	—	(44)
Other assets	(3)	10
Other liabilities	(1)	3
Net cash provided by operating activities	383	469
Cash Flows from Investing Activities		
Expenditures for property, plant and equipment	(343)	(519)

Net cash provided by (used in) investing activities	**(343)**	(519)
Cash Flows from Financing Activities		
Issuance of long-term debt	**125**	550
Retirement of long-term debt	**(125)**	—
Net increase (decrease) in short-term debt	**(14)**	(264)
Debt issuance and credit facility costs	**(1)**	(5)
Payment of common stock dividends to parent	**(87)**	(81)
Contributions from parent	**47**	20
Net cash provided by (used in) financing activities	**(55)**	220
Net Increase (Decrease) in Cash and Cash Equivalents	**(15)**	170
Cash and Cash Equivalents at Beginning of Period	**19**	10
Cash and Cash Equivalents at End of Period	**$ 4**	$ 180

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

CONDENSED BALANCE SHEETS

ouisville Gas and Electric Company

(Unaudited)

(Millions of Dollars, shares in thousands)

	September 30, 2016	December 31, 2015
Assets		
Current Assets		
Cash and cash equivalents	$ **4**	$ 19
Accounts receivable (less reserve: 2016, $1; 2015, $1)		
Customer	**109**	92
Other	**11**	11
Accounts receivable from affiliates	**23**	12
Unbilled revenues	**57**	67
Fuel, materials and supplies	**140**	151
Prepayments	**14**	5
Regulatory assets	**6**	16
Other current assets	**—**	2
Total Current Assets	**364**	375
Property, Plant and Equipment		
Regulated utility plant	**5,234**	4,804
Less: accumulated depreciation - regulated utility plant	**468**	404
Regulated utility plant, net	**4,766**	4,400
Construction work in progress	**155**	390
Property, Plant and Equipment, net	**4,921**	4,790
Other Noncurrent Assets		
Regulatory assets	**437**	424
Goodwill	**389**	389
Other intangibles	**63**	73

Other noncurrent assets	**21**	17
Total Other Noncurrent Assets	**910**	903
Total Assets	**$ 6,195**	$ 6,068

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

Table of Contents

CONDENSED BALANCE SHEETS

ouisville Gas and Electric Company

(Unaudited)

(Millions of Dollars, shares in thousands)

	September 30, 2016	December 31, 2015
Liabilities and Equity		
Current Liabilities		
Short-term debt	**$ 128**	$ 142
Long-term debt due within one year	**219**	25
Accounts payable	**133**	157
Accounts payable to affiliates	**19**	25
Customer deposits	**26**	26
Taxes	**23**	20
Price risk management liabilities	**6**	5
Regulatory liabilities	**7**	13
Interest	**24**	11
Asset retirement obligations	**39**	25
Other current liabilities	**36**	39
Total Current Liabilities	**660**	488
Long-term Debt	**1,423**	1,617
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**944**	829
Investment tax credits	**37**	35
Accrued pension obligations	**18**	56
Asset retirement obligations	**107**	149
Regulatory liabilities	**424**	431
Price risk management liabilities	**48**	42
Other deferred credits and noncurrent liabilities	**85**	91

Total Deferred Credits and Other Noncurrent Liabilities		**1,663**		1,633
ommitments and Contingent Liabilities (Notes 6 and 10)				
Stockholder's Equity				
Common stock - no par value (a)		**424**		424
Additional paid-in capital		**1,658**		1,611
Earnings reinvested		**367**		295
Total Equity		**2,449**		2,330
Total Liabilities and Equity	**$**	**6,195**	$	6,068

(a) 75,000 shares authorized; 21,294 shares issued and outstanding at September 30, 2016 and December 31, 2015.

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

CONDENSED STATEMENTS OF EQUITY

ouisville Gas and Electric Company

(Unaudited)

(Millions of Dollars)

	Common stock shares outstanding (a)	Common stock	Additional paid-in capital	Earnings reinvested	Total
December 31, 2015	21,294	$ 424	$ 1,611	$ 295	$ 2,330
Net income				159	159
Capital contributions from LKE			47		47
Cash dividends declared on common stock				(87)	(87)
September 30, 2016	21,294	$ 424	$ 1,658	$ 367	$ 2,449
December 31, 2014	21,294	$ 424	$ 1,521	$ 229	$ 2,174
Net income				146	146
Capital contributions from LKE			20		20
Cash dividends declared on common stock				(81)	(81)
September 30, 2015	21,294	$ 424	$ 1,541	$ 294	$ 2,259

(a) Shares in thousands. All common shares of LG&E stock are owned by LKE.

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

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CONDENSED STATEMENTS OF INCOME

entucky Utilities Company

(Unaudited)

(Millions of Dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	**2015**	**2016**	**2015**
Operating Revenues				
Retail and wholesale	**$ 469**	$ 452	**$ 1,324**	$ 1,325
Electric revenue from affiliate	**5**	9	**10**	17
Total Operating Revenues	**474**	461	**1,334**	1,342
Operating Expenses				
Operation				
Fuel	**141**	146	**374**	428
Energy purchases	**5**	5	**14**	14
Energy purchases from affiliate	**2**	2	**19**	32
Other operation and maintenance	**107**	108	**320**	321
Depreciation	**59**	57	**175**	164
Taxes, other than income	**7**	7	**22**	22
Total Operating Expenses	**321**	325	**924**	981
Operating Income	**153**	136	**410**	361
Other Income (Expense) - net	**(3)**	—	**(4)**	1
Interest Expense	**24**	20	**71**	58
Income Before Income Taxes	**126**	116	**335**	304
Income Taxes	**48**	44	**128**	115
let Income (a)	**$ 78**	$ 72	**$ 207**	$ 189

(a) Net income approximates comprehensive income.

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

CONDENSED STATEMENTS OF CASH FLOWS

entucky Utilities Company

(Unaudited)

(Millions of Dollars)

	Nine Months Ended September 30,	
	2016	2015
Cash Flows from Operating Activities		
Net income	$ 207	$ 189
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	175	164
Amortization	10	8
Defined benefit plans - expense	4	9
Deferred income taxes and investment tax credits	122	132
Other	(1)	4
Change in current assets and current liabilities		
Accounts receivable	(24)	(11)
Accounts payable	(11)	(18)
Accounts payable to affiliates	2	(7)
Unbilled revenues	(4)	6
Fuel, materials and supplies	(4)	22
Income tax receivable	—	60
Accrued interest	22	19
Other	2	6
Other operating activities		
Defined benefit plans - funding	(19)	(20)
Expenditures for asset retirement obligations	(4)	(1)
Settlement of interest rate swaps	—	(44)
Other assets	(4)	(9)
Other liabilities	(4)	1
Net cash provided by operating activities	469	510
ash Flows from Investing Activities		
Expenditures for property, plant and equipment	(255)	(407)
Other investing activities	1	7
Net cash provided by (used in) investing activities	(254)	(400)

Cash Flows from Financing Activities		
Issuance of long-term debt	**96**	500
Retirement of long-term debt	**(96)**	—
Net increase (decrease) in short-term debt	**(41)**	(236)
Debt issuance and credit facility costs	**(1)**	(4)
Payment of common stock dividends to parent	**(197)**	(106)
Contributions from parent	**20**	—
Net cash provided by (used in) financing activities	**(219)**	154
Net Increase (Decrease) in Cash and Cash Equivalents	**(4)**	264
Cash and Cash Equivalents at Beginning of Period	**11**	11
Cash and Cash Equivalents at End of Period	**$ 7**	$ 275

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

CONDENSED BALANCE SHEETS

entucky Utilities Company

(Unaudited)

(Millions of Dollars, shares in thousands)

	September 30, 2016	December 31, 2015
Assets		
Current Assets		
Cash and cash equivalents	**$ 7**	$ 11
Accounts receivable (less reserve: 2016, $2; 2015, $2)		
Customer	**141**	117
Other	**3**	9
Accounts receivable from affiliates	1	1
Unbilled revenues	**84**	80
Fuel, materials and supplies	**152**	147
Prepayments	**16**	8
Regulatory assets	**12**	19
Other current assets	**1**	4
Total Current Assets	**417**	396
Property, Plant and Equipment		
Regulated utility plant	**7,270**	7,099
Less: accumulated depreciation - regulated utility plant	**913**	759
Regulated utility plant, net	**6,357**	6,340
Construction work in progress	**192**	267
Property, Plant and Equipment, net	**6,549**	6,607
Other Noncurrent Assets		
Regulatory assets	**337**	303
Goodwill	**607**	607
Other intangibles	**40**	50

Other noncurrent assets		**56**		48
Total Other Noncurrent Assets		**1,040**		1,008
Total Assets	**$**	**8,006**	$	8,011

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

CONDENSED BALANCE SHEETS

entucky Utilities Company

(Unaudited)

(Millions of Dollars, shares in thousands)

	September 30, 2016	December 31, 2015
Liabilities and Equity		
Current Liabilities		
Short-term debt	$ 7	$ 48
Accounts payable	67	88
Accounts payable to affiliates	42	39
Customer deposits	29	26
Taxes	23	20
Regulatory liabilities	19	19
Interest	38	16
Asset retirement obligations	15	25
Other current liabilities	35	44
Total Current Liabilities	275	325
Long-term Debt	2,327	2,326
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	1,166	1,046
Investment tax credits	95	93
Accrued pension obligations	33	46
Asset retirement obligations	261	336
Regulatory liabilities	487	492
Other deferred credits and noncurrent liabilities	46	60
Total Deferred Credits and Other Noncurrent Liabilities	2,088	2,073
Commitments and Contingent Liabilities (Notes 6 and 10)		

Stockholder's Equity		
Common stock - no par value (a)	**308**	308
Additional paid-in capital	**2,616**	2,596
Accumulated other comprehensive loss	**(1)**	—
Earnings reinvested	**393**	383
Total Equity	**3,316**	3,287
Total Liabilities and Equity	**$ 8,006**	$ 8,011

(a) 80,000 shares authorized; 37,818 shares issued and outstanding at September 30, 2016 and December 31, 2015.

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

CONDENSED STATEMENTS OF EQUITY

ːentucky Utilities Company

(Unaudited)

(Millions of Dollars)

	Common stock shares outstanding (a)		Common stock		Additional paid-in capital		Earnings reinvested		Accumulated other comprehensive loss		Total
December 31, 2015	37,818	$	308	$	2,596	$	383	$	—	$	3,287
Capital contributions from LKE					20						20
Net income							207				207
Cash dividends declared on common stock							(197)				(197)
Other comprehensive income (loss)									(1)		(1)
eptember 30, 2016	37,818	$	308	$	2,616	$	393	$	(1)	$	3,316
December 31, 2014	37,818	$	308	$	2,596	$	302	$	—	$	3,206
Net income							189				189
Cash dividends declared on common stock							(106)				(106)
Other comprehensive income (loss)									(1)		(1)
September 30, 2015	37,818	$	308	$	2,596	$	385	$	(1)	$	3,288

(a) Shares in thousands. All common shares of KU stock are owned by LKE.

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

Combined Notes to Condensed Financial Statements (Unaudited)

1. Interim Financial Statements

(All Registrants)

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

The accompanying unaudited condensed financial statements have been prepared in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X and, therefore, do not include all of the information and footnote disclosures required by GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation in accordance with GAAP are reflected in the condensed financial statements. All adjustments are of a normal recurring nature, except as otherwise disclosed. Each Registrant's Balance Sheet at December 31, 2015 is derived from that Registrant's 2015 audited Balance Sheet. The financial statements and notes thereto should be read in conjunction with the financial statements and notes contained in each Registrant's 2015 Form 10-K. The results of operations for the three and nine months ended September 30, 2016 are not necessarily indicative of the results to be expected for the full year ending December 31, 2016 or other future periods, because results for interim periods can be disproportionately influenced by various factors, developments and seasonal variations.

The classification of certain prior period amounts has been changed to conform to the presentation in the September 30, 2016 financial statements.

(PPL)

"Income (Loss) from Discontinued Operations (net of income taxes)" on the Statements of Income includes the activities of PPL Energy Supply, substantially representing PPL's former Supply segment, which was spun off and distributed to PPL shareowners on June 1, 2015. In addition, the Statement of Cash Flows for the nine months ended September 30, 2015 separately reports the cash flows of the discontinued operations. See Note 8 for additional information.

2. Summary of Significant Accounting Policies

(All Registrants)

The following accounting policy disclosures represent updates to Note 1 to each indicated Registrant's 2015 Form 10-K and should be read in conjunction with those disclosures.

Accounts Receivable*(PPL and PPL Electric)*

In accordance with a PUC-approved purchase of accounts receivable program, PPL Electric purchases certain accounts receivable from alternative electricity suppliers at a discount, which reflects a provision for uncollectible accounts. The alternative electricity suppliers have no continuing involvement or interest in the purchased accounts receivable. The purchased accounts receivable are initially recorded at fair value using a market approach based on the purchase price paid and are classified as Level 2 in the fair value hierarchy. During the three and nine months ended September 30, 2016, PPL Electric purchased $365 million and $1.0 billion of accounts receivable from unaffiliated third parties. During the three and nine months ended September 30, 2015, PPL Electric purchased $361 million and $968 million of accounts receivable from unaffiliated third parties. PPL Electric's purchases from PPL EnergyPlus for the nine months ended September 30, 2015 were $146 million. As a result of the June 1, 2015 spinoff of PPL Energy Supply and creation of Talen Energy, PPL EnergyPlus (renamed Talen Energy Marketing) is no longer an affiliate of PPL Electric. PPL Electric's purchases from Talen Energy Marketing subsequent to May 31, 2015 are included as purchases from an unaffiliated third party.

Discount Rate Change for U.K. Pension Plans*(PPL)*

In selecting the discount rate for its U.K. pension plans, WPD historically used a single weighted-average discount rate in the calculation of net periodic defined benefit cost. WPD began using individual spot rates to measure service cost and interest cost for the calculation of net periodic defined benefit cost in 2016. For the three and nine months ended September 30, 2016, this change in discount rate resulted in lower net periodic defined benefit costs recognized on PPL's Statements of Income of $10 million ($8 million after-tax or $0.01 per share) and $31 million ($25 million after-tax or $0.04 per share).

Foreign Currency Translation and Transactions *(PPL)*

WPD's functional currency is the GBP, which is the local currency in the U.K. As such, assets and liabilities are translated to U.S. dollars at the exchange rates on the date of consolidation and related revenues and expenses are generally translated at average exchange rates prevailing during the period included in PPL's results of operations. Adjustments resulting from foreign currency translation are recorded in AOCI.

Certain financial information provided for future periods in PPL's 2015 Form 10-K is impacted by the decrease in the GBP to U.S. dollar exchange rate that occurred subsequent to the U.K.'s vote on June 23, 2016 to withdraw from the European Union.

New Accounting Guidance Adopted*(All Registrants)*

Accounting for Stock-Based Compensation

Effective January 1, 2016, the Registrants adopted accounting guidance to simplify the accounting for share-based payment transactions. The guidance requires excess tax benefits and tax deficiencies to be recorded as income tax benefit or expense on the statement of income, eliminates the requirement that excess tax benefits be realized before companies can recognize them and changes the threshold for statutory income tax withholding requirements to qualify for equity classification to the maximum statutory tax rates in the applicable jurisdictions. This guidance also changes the classification of excess tax benefits to an operating activity and employee taxes paid when shares are withheld to satisfy the employer's statutory income tax withholding obligation to a financing activity on the statement of cash flows and allows entities to make a policy election to either estimate forfeitures or recognize them when they occur. The adoption of this guidance had the following impacts:

- Using the required prospective method of transition, for the three and nine months ended September 30, 2016, PPL recorded tax benefits of $1 million and $12 million ($0.02 per share), and for the nine months ended September 30, 2016, PPL Electric recorded tax benefits of $7 million, related to excess tax benefits for awards that were exercised and vested for the periods ending September 30, 2016. These amounts were recorded to Income taxes on the Statements of Income and Deferred income taxes on the Balance Sheets. The impact on LKE was not significant.

- PPL elected to use the prospective method of transition for classifying excess tax benefits as an Operating activity on the Statement of Cash Flows. The amounts classified as Financing activities in the prior periods were not significant.

- Upon adoption, using the required modified retrospective method of transition, PPL recorded a cumulative effect adjustment of $7 million to increase Earnings reinvested and decrease Deferred income taxes on the Balance Sheet related to prior period unrecognized excess tax benefits.

- PPL has historically presented employee taxes paid for net settled awards as a Financing activity on the Statement of Cash Flows. Therefore, there is no transition impact for this requirement.

- PPL has elected to recognize forfeitures when they occur. Due to past experience of insignificant forfeitures, there is no transition impact of this policy election.

3. Segment and Related Information

(PPL)

See Note 2 in PPL's 2015 Form 10-K for a discussion of reportable segments and related information.

Financial data for the segments and reconciliation to PPL's consolidated results for the periods ended September 30 are:

	Three Months		Nine Months	
	2016	2015	2016	2015
Income Statement Data				
Revenues from external customers				
U.K. Regulated	$ 515	$ 552	$ 1,673	$ 1,836
Kentucky Regulated	835	801	2,382	2,414
Pennsylvania Regulated	539	519	1,619	1,625
Corporate and Other	—	6	11	14
Total	$ 1,889	$ 1,878	$ 5,685	$ 5,889
Net Income				
U.K. Regulated (a)	$ 281	$ 249	$ 915	$ 814
Kentucky Regulated	126	111	314	267
Pennsylvania Regulated	91	55	263	191
Corporate and Other (b)	(25)	(19)	(55)	(74)
Discontinued Operations (c)	—	(3)	—	(915)
Total	$ 473	$ 393	$ 1,437	$ 283

	September 30, 2016	December 31, 2015
Balance Sheet Data		
Assets		
U.K. Regulated (d)	$ 15,014	$ 16,669
Kentucky Regulated	13,853	13,756
Pennsylvania Regulated	9,070	8,511
Corporate and Other (e)	101	365
Total assets	$ 38,038	$ 39,301

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

(b) The nine months ended September 30, 2015 includes transition costs to prepare the Talen Energy organization for the June 1, 2015 spinoff and reconfigure the remaining PPL Services functions. See Note 8 for additional information.

(c) See Note 8 for additional information.

) Includes $11.1 billion and $12.2 billion of net PP&E as of September 30, 2016 and December 31, 2015. WPD is not subject to accounting for the effects of certain types of regulation as prescribed by GAAP.

(e) Primarily consists of unallocated items, including cash, PP&E and the elimination of inter-segment transactions.

4. Earnings Per Share

(PPL)

Basic EPS is computed by dividing income available to PPL common shareowners by the weighted-average number of common shares outstanding during the applicable period. Diluted EPS is computed by dividing income available to PPL common shareowners by the weighted-average number of common shares outstanding, increased by incremental shares that would be outstanding if potentially dilutive non-participating securities were converted to common shares as calculated using the Treasury Stock Method. Incremental non-participating securities that have a dilutive impact are detailed in the table below.

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